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Department of Economics & Business

Luxury in the Era of Corporate Social Responsibility:

The Case of Brunello Cucinelli

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Introduction

In the recent decades, there has been a growing societal interest towards the role that Corporate Social Responsibility plays within corporations. The most recent generations of consumers, indeed, have come to realise what a great power corporation detain in the market and have started to hold them accountable for the benefits and harm that they cause to society. The integration of Corporate Social Responsibility practices in their management, therefore, becomes essential in order have a positive impact on society and conform to the new standards of responsible behaviour.

In light of this modern attention to behaving responsibly in the market, one of the industries that has been criticised the most in the fashion luxury one. Many have in fact argued for its lack of ethics, especially due to the way in which it creates wants that are not matched by physiological needs.

In light of that, the aim of this paper is to discuss the importance of an appropriate approach to Corporate Social Responsibility in the context of the fashion luxury industry.

In order to do so, in the first chapter I will introduce some of the most prominent and supported theories of Corporate Social Responsibility. I will do so by following the guidelines offered by two scholars, Garriga and Melè, who segmented the main CSR theories into four macro groups: Instrumental theories, Political theories, Integrative theories and Ethical Theories. That way, I will provide a theoretical approach to the topic of CSR.

In the following chapter, I will provide a brief overview on the origins of luxury and fashion luxury, and on the ways and reasons for which the industry is often perceived as a negative phenomenon. I will analyse the Marketing Mix of fashion luxury brands, thus pointing out the focal differences with ordinary fashion brands in terms of value proposition offered and communication strategies adopted. Furthermore, I will classify the field of luxury according to the Luxury Pyramid approach, and the luxury consumers based on the theory developed by Amatulli and De Angelis, thus segmenting them on the basis of the reasons why they shop luxury. Lastly, I will point out how, in the fashion industry, consumers are starting to require more and more Corporate Social Responsibility commitment from the major players in the market both in terms of their impact on the environment and the ethicality of the working conditions they offer, and how fashion luxury brands are naturally more suited to satisfy those societal requirements than ordinary fashion brands.

Finally, in the third and last chapter, I will discuss the case of Brunello Cucinelli, both in terms of its presence in the fashion luxury market and commitment to the CSR societal

requirements. I will furthermore introduce all the ways in which Cucinelli's company culture is different to the ordinary luxury brands one, and more ethical.

Chapter One
An overview on Corporate Social Responsibility

1.1 Introduction to Corporate Social Responsibility

Since the second half of the 20th century, Corporate Social Responsibility (CSR) has been an intensely discussed topic. One way to define it is the "concern companies have for the welfare of society"[1]. The word company itself has a societal connotation: from the Late Latin *companio*, bread fellow, and the Latin *cum* and *panis*, with bread, the etymology of the word already suggests its close relation to the act of sharing. However, despite its etymology, it is not until the beginning of the 20th century that the word 'company' has come to mean what it does today: its oldest ancestor is the Roman *societas*, the first example of economic entity formed by people with the purpose of sharing their resources and later, during the early Middle Ages, the concept of a joint-stock company, *commenda*, started developing[2]. What distinguishes the old forms of companies from today's is the idea that a company, or a corporation, is a legal person, which is a juridical entity separated from its owners. Furthermore, a company is an economic institution, meaning that it employs resources with the aim of supplying goods and services to the market. Therefore, as our political and economic environment is perpetually evolving, citizens have come to rely on said companies to use their resources and power to lead certain social and economic shifts, such as working for and by keeping in mind the wellbeing of the people. Considering that, it becomes clearer why companies have been increasingly expected to address social issues and thus why the concept of CSR started to put down its roots. As a matter of fact, since the second half of the 19th century the notion of CSR has been so heavily discussed that different scholars have developed contrasting theories and terminology to refer to it. In the 1950s, Howard R. Bowen (1953)[3] first referred to it as the 'Social Responsibility of Business', in the 1970s, Preston and Post stated that they preferred the term 'public responsibility' and, in in 1990s, Altman (1998) introduced the concept of Corporate Citizenship. Together with a shift in terminology, the topic of Corporate Social Responsibility has also been approached by scholars from a vast variety of perspectives. In this paper, I will classify the main CSR theories according to the hypothesis introduced by Elisabet Garriga and Domènec Melé in a publication for The Journal of Business Ethics (2004)[4]. Garriga and Melé assumed that the most relevant CSR theories focus on one of

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[1] Elisa Raoli and Marina Candi, *Introduction to Business*, McGraw Hill, 2016
[2] Francesco Perrini, *Sosteniblità*, 2018
[3] Bowen, *Social Responsibility of the Businessman*, Harper, 1953
[4] Garriga and Melè, *Corporate Social Responsibility: Mapping the Territory*, Journal of Business Ethics, 2004

the following pillars of society: economics, politics, social integration and ethics. Such hypothesis is based on the AGIL social paradigm introduced by the sociologist Talcott Parsons as a model to analyse all living systems. The model suggests that any society, in order to survive, will need to solve four main types of problems, recalled by the four letters of the acronym: Adaptation (the capacity to interact with the environment - economic subsystem), Goal attainment (the ability to set goals and pursue them - political subsystem), Integration (the harmonisation to society – social integration subsystem) and Latent pattern maintenance (the maintenance of such integrative elements – ethical subsystem). In light of that, Garriga and Melé develop a model aimed at classifying the most relevant CSR theories in four different groups: (1) *instrumental theories*, which see the corporation as a means for wealth creation; (2) *political theories*, which draw the attention to the power that comes with the role corporations play in society; (3) *integrative theories*, which see the corporation as a means to satisfy social demands; and (4) *ethical theories*, which focus on the ethical responsibilities that corporations hold to society. With the following, I will analyse each of the mentioned groups of theories according to the structure and order that Garriga and Melé used in their paper.

1.2 Instrumental Theories

"The only one responsibility of business towards society is the maximization of profits to the shareholders within the legal framework and ethical custom of the country".

Friedman, 1970

According to the supporters of this group of theories, the interactions between a company and its societal environment are reduced to being solely economical and, consequently, a business' sole responsibility is to contribute to wealth creation. The profit orientation of such theories, however, does not dismiss a firm's goal of meeting shareholders' interests. As a matter of fact, the interests of everyone who has a stake in the company are valued, but solely as a mean to maximise profits. CSR is therefore considered as a mere strategic *instrument* to achieve economic objectives, and a business should invest in it only if it improves its competitive position and maximises shareholders' returns. In light of that, Garriga and Melé further divided this set of theories into three approaches based on three different firms' objectives: (1) maximization of shareholders' value, (2) achievement of competitive advantage and (3) cause-related marketing.

(1) *Maximization of shareholders' value*: Milton Friedman is the main supporter of this theory, writing for The New York Times Magazine that "The Social Responsibility of Business is

to Increase its Profits" (1970)[5]. In the mentioned publication, Friedman argues that it is not within the competences of a business to engage in social responsibility. By devoting a part of a business' profits to social purposes, in fact, "the corporate executive would be spending someone else's money for a general social interest". He would be spending the stakeholders' money by lowering their returns on investments, the employees' money by cutting on their wages and the customers' money by raising their prices. However, in the same paper, Friedman adds that in the long run, it may be in the interests of a business operating in a small community to invest in its development and wellbeing, as it could lead to more favourable hiring conditions. In light of that, Friedman does allow for socially responsible contributions, as long as the short-term investment in such activities is motivated and outweighed by a prediction of long term sustained profits.

(2) *Strategies for Achieving Competitive Advantage*: Supporter of these theories believe that socially responsible behaviour should be used as a means to achieve competitive advantage thus improving the economic position of a company in its environment. This group of theories includes three different approaches: (a) Social investment in a competitive context, (b) Natural resource-based view and its dynamic capabilities and (c) strategies for the bottom of the economic pyramid.

(a) Social investment in a competitive context: this approach has been put forward by Porter and Kramer (2002), recalling the Porter's framework to define a firm's competitive advantage in the market. Even though Porter and Kramer's still see social responsibility as a means to achieve self-serving interests, their approach to it is strongly in contrast to Friedman's. As a matter of fact, Porter and Kramer argue that companies have all the required knowledge to understand how to achieve their profit related goals. Moreover, they argue that CSR, and more specifically philanthropic activities, can indeed be a valuable resource to achieve such goals: investing in local communities' education, for example, could inspire better educated students and prospect workers to join their companies thus giving them a long run competitive advantage in the cluster.

(b) Natural resource-based view and its dynamic capabilities: according to this view, the achievement of competitive advantage is strongly based on the interaction between a firm's resources. The dynamic capabilities approach refers to the dynamic aspect of resources: their process of creation and evolution into sources of competitive advantage. Thus, one of the main resources that has been identified as a driver of competitive advantage is the maintenance of a good relationship with stakeholders over time, and as such it should be pursued.

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[5]   Friedman, *The Social Responsibility of Business is to Increase its Profits*, The New York Magazine, 1970

(c) Strategies for the bottom of the economic pyramid: this strategy aims at shifting the target of a business good or service. The supporters of this approach recognise that companies tend to target the top half of the economic pyramid, medium to upper class consumers, and instead ignore an equally vast amount of potential customers with different economic resources and that lie at the bottom of the pyramid. In light of that, supporters of this approach believe that the best way to reach those customers is by implementing disruptive innovation: the introduction of products or services that do not have the same characteristics of those already on the market and that thus can be targeted to the bottom part of the pyramid alone, at a lower price. Thus, companies will be engaging in responsible activities as they will be serving a fraction of the market that was not considered before, and at the same time they will gain a new portion of consumers thus increasing their competitive advantage.

(3) *Cause-related Marketing*: Cause-related marketing could be defined as a marketing strategy "characterised by an offer from the firm to contribute a specific amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives" (Varadarajan and Menon, 1988)[6]. Supporters of this practice seek to build a positive brand reputation for their firms, thus increasing their revenues streams, by associating their company with moral projects and causes which share society's consensus. As a matter of fact, cause related marketing is believed to make a company seem reliable and honest in the eyes of consumers, which in turn will be more willing to choose it over its competitors, thus enhancing its competitive advantage.

1.3 Political Theories

"The business system does not exist alone and [...] a healthy business system cannot exist within a sick society".

Keith Davis, 196

In light of Parson's social reality aspects, political theories refer to the goal attainment trait of society. Supporters of these theories believe that corporations hold a position of power that exceeds that of the average member of society, and thus should embrace the social duties associated with it. The concept is, indeed, similar to that of politics, as the entities which hold the most power are required to take action in the interest of society as a whole. In this section, I will introduce the ideas of one of the main exponents of political theories: Keith Davis. In his

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[6]   Varadarajan and Menon, 1988

writings, Davis discusses the reasons why Corporate Social Responsibility has become increasingly more studied and proposes his own model to implementing it within a business organisation.

Davis' theory is based on the rejection of Adam Smith's assumption of pure competition - which states that the only thing a business can do for the public good is to sell at the lowest price – and, on the contrary, argues that "the substance of social responsibility arises from concern for the ethical consequences of one's acts as they might affect the interests of others".[7] Davis further develops the notion of social responsibility by arguing against the divorce of a businessman's personal and institutional acts. As an example, he suggests that a businessman who leads an impeccable private life but does not condemn the negative externalities that his organisation causes to its social environment, should be held accountable for the unethical behaviour of his organisation and take action in order to address the social problem it is creating. Thus, Davis believes that a person's moral compass should embrace both personal and societal values in order for a businessman to act in the interest of the whole societal system. Even though Davis claims that social responsibility is about acting in the interests of third parties, he does not dismiss completely the role that CSR plays in benefitting the organization itself: doing so, he argues, would be "to deny the pluralism of society".[8] The term pluralism, as it is understood by Davis, means that a business is influenced by and influences all other societal groups. As a consequence, what benefits a private organisation does not necessarily harm the public and, vice versa, what benefits the public does not necessarily harm a private organization: a business and the society it operates in are interdependent, as the wellbeing of one is necessary for the other. In light of the coexistence between the businessman and the organization, and of the above mention pluralism of society, Davis developed a framework to assess how much social responsibility is the right amount for a business to engage in and how such business should manage it. In order to do so, he proposed two principles: (1) The Power-Responsibility Equation and (2) The Iron Law of Responsibility.

(1) The *Power-Responsibility Equation* states that "social responsibilities of businessmen arise from the amount of social power they have"[9]. Even though it is a very old one, the idea that social responsibility should be proportional to power is heavily discussed. On the one hand, some supporters of Adam Smith's perfect competition theories believe that since organizations hold no power in a perfect competitive environment, then they should not engage in responsible behaviour and, instead, that they should focus on generating as much profit for shareholders as

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[7] Davis, *Understanding the Social Responsibility Puzzle*, Business Horizons, 1967
[8] Davis, *Understanding the Social Responsibility Puzzle*, Business Horizons, 1967
[9] K. Davis, *Understanding the Social Responsibility Puzzle*, Business Horizons, 1967

possible. However according to Davis, this reasoning is based on a fundamental misconception: he argues that in modern society organizations do indeed hold power and thus, by not engaging in responsible behaviour, they are sustaining a power-responsibility imbalance. On the other hand, some believe that organizations should assume responsibility for the sole reason that they can afford it. This reasoning, Davis argues, creates a power-responsibility imbalance on the other side of the spectrum, as organizations would be engaging in more socially responsible activities than they should.

(2) The *Iron Law of Responsibility* states that "those who do not take responsibility for their power, ultimately shall lose it".[10] As a matter of fact, Davis believes that organizations should aim at balancing the power-responsibility equation in the long run, as engaging in less responsibility than needed would cause them to lose power. As an example of such imbalance leading to organizations losing power, Davis mentions the case of unemployment in the early 20th century. As he writes, as organizations did not address themselves the unemployment issue, they lost some of their power to the government and to unions and, even though they held less power, they found themselves paying the unemployment costs they did not want to address originally.

1.4 Integrative Theories

"If the "good society" is to become a realization, such a high expectation only naturally becomes the aspiration and preoccupation of management".

A.B Carroll, 1991

Based on Parson's aspects of social reality, the Integrative theories mentioned by Garriga and Melé refer to the Integration trait of society. These theories suggest that businesses tend to integrate and satisfy social demands in their management, as the survival of such businesses depends on the social environment they operate it. Even though in their writings Garriga and Melé mention various scholars whose thinking would fall under the integrative theories' category, I will draw my attention to the writings of Archie B. Carrol. In his paper "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders" (1991), A.B. Carrol studies the nature of CSR and proposes a model for managers to understand its components, balance the demands of all the people who have a stake in their organization and *integrate* the needs of society into their management.

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[10]   K. Davis and R.L. Blomstrom, *Business and its Environment* , McGraw-Hill Book Company, 1966

Introducing his model, Carroll writes that "for CSR to be accepted by a conscientious business-person, it should be framed in such a way that the entire range of business responsibilities are embraced" (1979)[11]. As he points out, throughout history managers have struggled to reconcile the needs of their shareholders with those of society: while some would focus on the economic objectives of organizations, others would address their need to focus on the interests of all those who have a stake in their business. In light of this trade off, Carroll rejects the assumption that one can only satisfy one of these groups and, instead, argues that organizations should think of their CSR strategy as a pyramidal structure built on four main blocks: Economic, Legal, Ethical and Philanthropic responsibilities (see Figure 1 below).

Figure 1: The pyramid of Corporate Social Responsibility.

[Source: The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders]

Economic Responsibilities: As shown in Figure 1, Carroll places economic responsibilities as pillars of an efficient CSR strategy. As he understands them, economic responsibilities refer to all the corporate activities aimed at maximising profits for the shareholders and maintaining a competitive position in the business environment. Without the fulfilment of a business' economic responsibilities, he believes, all the other blocks would become addressable only theoretically.

Legal Responsibilities: The legal responsibilities of a business refer to the legal guidelines an organization must comply with throughout all business activities. Because of their nature, carrying out legal responsibilities is more than an optional social demand to satisfy. In

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[11] A.B. Carroll, *A Three-Dimensional Conceptual Mode of Corporate Social Performance*, Academy of Management Review, 1979

fact, no compliance with the legal requirements set for businesses would not only mean underperforming in the eyes of the stakeholders, but also operating against the law.

Ethical Responsibilities: The next most important block on the CSR pyramid is the ethical responsibilities one. The concept of ethical responsibilities could be understood as an extension of the legal responsibilities one; however, while legal responsibilities refer to those norms and standards that are set by governmental institution, ethical responsibilities are shaped by society's behaviours and perceptions. In light of that, ethical responsibilities represent an ever-changing branch of CSR, as they evolve as the same pace as society changes its core values and beliefs. Therefore, if businesses want to satisfy stakeholder's expectations of an ethical behaviour, they would need to engage in activities that "reflect in a higher standard of performance than required by law"[12].

Philanthropic Responsibilities: Corporate Philanthropy could be defined as the set of actions in which organizations engage in with the purpose of promoting the welfare of others and meeting the social expectation of acting as good corporate citizens. Philanthropic and ethical responsibilities differ from one another for one main reasons: voluntarily. In fact, while corporations are expected to fulfil the latter, the former is "in a sense, the icing on the cake —or on the pyramid, using our metaphor"[13]: not compulsory but highly appreciated. Philanthropic actions can take many forms, the most common being charitable donations and financial contribution to the community.

1.5 Ethical Theories:

"Every stakeholder has a right to be treated as an end, not a means"

Evan and Freeman (1998)

Recalling Parsons's aspects of social reality, ethical theories refer to the latent pattern maintenance trait of society. According to this group of theories, the relationship between a business and society is intrinsically embedded with ethical and moral values. As a consequence, the supporters of ethical theories believe that firms should embrace social responsibility as a moral duty towards society as a whole. According to Garriga and Melé, ethical theories could be

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[12]   A.B Carroll, *The Pyramid of Corporate Social Responsibility: Toward the Management of Organizational Stakeholders*, Business Horizons, 1991
[13]   A.B Carroll, *The Pyramid of Corporate Social Responsibility: Toward the Management of Organizational Stakeholders*, Business Horizons,1991

divided into four subgroups: (1) Normative Stakeholder Theory, (2) Universal Rights, (3) Sustainable Development and (4) the Common Good Approach.

(1) *Normative stakeholder theory*: This theory has started to fall under the category of ethical theories instead of integrative ones just after Freeman published his book "Strategic Management: A Stakeholder Approach" in 1984. The pillar of his publication, as well as the main point of contrast with integrative theories, is that ''managers bear a fiduciary relationship to stakeholders'', where stakeholders are defined as any group or individual who has an interest in the achievement of the organization's goals. What this means is that a firm should not only pursue the satisfaction of its shareholders, but of all of those groups who have a stake in the firm (e.g employees, suppliers, customers, stockholders, and the local community). In light of that, Freeman (1984) has classified stakeholders into primary and secondary stakeholders: primary stakeholders are those who have a direct interest in the company and are deemed necessary for its survival (e.g. employees and investors, who rely on the company's financial wellbeing), while secondary stakeholders are those who are only indirectly affected by a company's actions (e.g. citizens living in the vicinity of the company). However, this classification of stakeholders has disappeared in Freeman's later publications. One could argue, in fact, that such distinction would fit better within the instrumental theories of CSR, as recognising the importance of primary stakeholders to the company would instigate managers to satisfy their claims merely in the interest of making profits. Evan and Freeman (1988) and Freeman (1994) have stated that every stakeholder should be treated equally and, in order to generalise how managers ought to act towards stakeholders, they introduced a normative core of ethical principles based on John Rawls's concept of a veil of ignorance. Rawls's in his Original Position experiment states how, in order to establish fairness among all stakeholders, one should imagine them behind a veil of ignorance. Thus, stakeholders are unaware of what stakes they hold in a company and therefore, rationally, they would not give up on the possibility to monitor its effects on them[14].

(2) *Universal Rights*: In recent years, human rights have started to be considered as a solid basis for CSR initiatives and different approaches based on them have been developed, the main one being the UN Global Compact. The Global Compact is an initiative launched by the UN Secretary-General Kofi Annan in 1999 aimed at encouraging corporations to behave sustainably and responsibly. Annan understood that companies were lacking an international framework to help them develop socially responsible initiatives that could reach a global consensus. For that

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[14] Freeman and Evan, *Stakeholder Theory in the Original Position*, James W. Child and Alexei M. Marcoux, Business Ethics Quarterly

reasons, with the Global Compact he provides corporate managers with the necessary guidelines to base their actions on. Initially, the compact listed nine principles concerning the areas of human rights, labour and the environment. In 2004 however, Annan proposed a tenth principle against corruption. The initiative is fully voluntary and not a legally binding standard corporations should conform to. However, if corporation wish to align to the Global Compact values, they should:

(1) "support and respect the protection of internationally proclaimed human rights"

and

(2) "avoid complicity in human rights abuses".

(3) "uphold freedom of association and the effective recognition of the right to collective bargaining".

(4) "eliminate all forms of forced and compulsory labour".

(5) "abolish effectively child labour".

(6) "eliminate discrimination with respect to employment and occupation".

(7) "support a precautionary approach to environmental challenges".

(8) "promote greater environmental responsibility".

(9) "encourage the development and diffusion of environmentally friendly technologies".

(10) "work against corruption in all its forms, including extortion and bribery".

Since taking part to the Global Compact is voluntary, many corporations do not participate but however internalise those principles to their core business activities and use them to develop their socially responsible strategies.

(3) Sustainable Development: The concept of Sustainable Development has started to spread after, in 1987, the World Commission of Environment and Development (United Nations) used it in its "Brutland Report" it to refer to the capacity to meet today's societal needs without compromising the wellbeing of future generations. Even though the report originally focused solely on environmentally sustainable solutions, over the years the concept term sustainable development has started to embrace economic necessities as well. In light of that, sustainable development "requires the integration of social, environmental and economic considerations to make balanced judgments for the long run" (World Business Council for Sustainable Development, 2000). Therefore, the distinctive trait of sustainable development lies in its ability to create a synergy between short and long term goals and means to achieve them, thus inviting corporations to treat and value future generations as their own present stakeholders.

(4) Common Good Approach: This approach could be considered a less consolidated branch of stakeholder theory. Supporters of this approach believe that the main goal of CSR should be the common good of society. The term common good, however, has collected a variety of interpretations over time. According to Plato, the common good could be defined as the cohesion resulting from "the common feelings of pleasure and pain which you get when all members of a society are glad or sorry for the same successes and failures"[15]; Niccolò Machiavelli in the 16th century referred to it as "common utility"[16] and Adam Smith, in the "Wealth of Nations" (1776), argued that the common good is achieved through humans' self-interested actions. Nowadays, however, the widely accepted definition of common good refers to it as the interest of all, that is the shared well-being of society. In light of that, being the business a member of society, it is socially required to act with the aim of achieving the common good, not only its personal interests. Businesses can therefore contribute to the common good in different ways, such as creating wealth, supplying efficient services to their community, providing their products fairly and respecting their stakeholders.

1.6 Summary

The preceding description, following the structure proposed by Garriga and Melé and summed up in Figure 2, suggests that the main CSR theories can be grouped in four main branches: Instrumental theories, Political theories, Integrative theories and Ethical theories. Each of these groups, according to the two scholars, is based on one of Parson's social reality aspects: Adaptation, Goal attainment, Integration and Latent pattern maintenance. In light of that, each of the theories mentioned can contain more of those aspects but, nevertheless, show one predominant one. In the case of the *Maximization of shareholders' theory*, the *Strategies for Competitive Advantage* and *Cause Related Marketing*, the dominant trait was the economic one. All the theories, in fact, were heavily profit oriented, viewing CSR as an instrument to achieve economic objectives. Following, Political theories were analysed, with the focus being drawn to Keith Davis' approach. Political theories focus on the role of power that businesses hold in society and Davis, in particular, argues that such power should equal the level of social responsibility they engage in (*Power-Responsibility Equation* and *Iron Law of Responsibility*). The next group of theories analysed showed as the dominant trait the search for ways to satisfy societal claims in order to pursuit the wellbeing of the business and of the environment that sustains it. Garriga and Melé refer to them as Integrative theories and, in this chapter, A.B.

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[15] Plato, *The Republic*, 381 BC

[16] Waldemar and Hanasz, *The common good in Machiavelli*, History of Political Thought, 2010

Carroll was mentioned as an exponent of the group. In fact, Carroll writes that societal claims could be approached as a pyramidal structure (*The Pyramid of Corporate Social Responsibility*) with the bottom being the most urgent claim to address (economic responsibilities) and the top being nearly voluntary (philanthropic responsibilities). Finally, the last group is that of Ethical Theories and it includes: *Stakeholder Normative Theory (Freeman)*, *Universal Rights*, *Sustainable Development* and the *Common Good Approach*. Supporters of these theories believe that managers should engage in CSR practices as a moral duty to society.

Figure 2: *A tree diagram summarising the four groups of theories.*
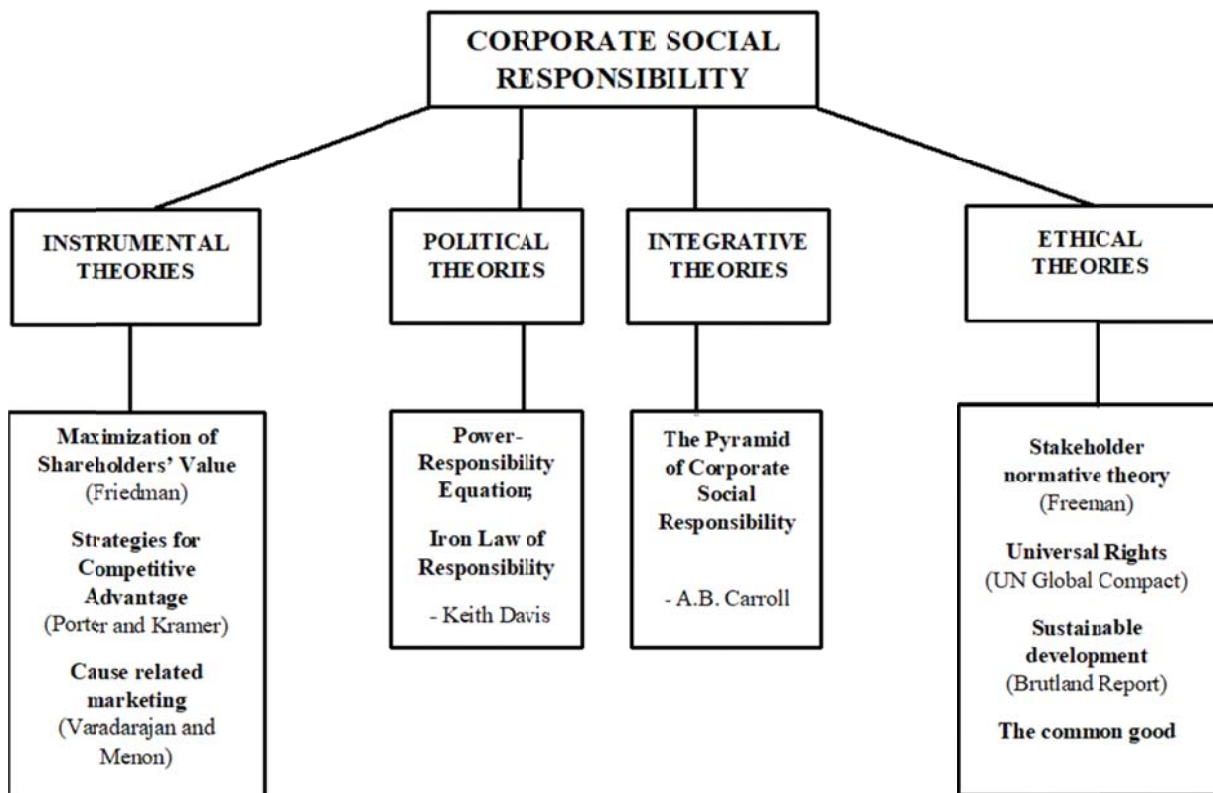
[Source: made by the author]

Chapter 2
The Concept of Fashion Luxury

2.1 Defining Luxury

"People have declaimed against luxury for two thousand years, in verse and prose, and people have always delighted in it."

Voltaire

The meaning of the word luxury has been approached in a large variety of perspectives by different sciences such as economics, semantics and philosophy. Economists, for example, have defined luxury as representing all those goods and services whose demand rises proportionally with income. The reasoning behind such definition points out that, as income rises and customers have satisfied their basic needs, they will not increase their consumption of common goods but will instead spend their positive margin on additional "treats": luxuries. Luxury goods are in fact unified by their high and largely inaccessible price, making them an item that, assuming customer's rationality, is consumed as an addition to common goods and rarely as a substitute. In terms of etymology, the noun luxury comes from the Latin *luxus*, which means magnificence but also excess, richness and abundance. *Luxus* is also the root of the Latin word for lust – *luxuria* – one of the capital sins and a clear indicator of the word having a negative connotation. On the contrary it is interesting how, according to Kapferer[17], the term comes instead from the Latin *lux* – light – thus recalling some of the traits of modern luxury such as shine and metaphorically associating the term with life and purity.

A philosophical perspective on luxury was provided by Berry (1994)[18], arguing that it is built on the juxtaposition of needs and wants and by Sombart (2003)[19] stating that it is "an expenditure that goes beyond what is necessary" and that it is "everything […] that is not immediately necessary to make Man subsist". Luxury goods then are, by any definition, superfluous and not necessary. However, these definitions also shed some light on the intrinsically ambivalent nature of luxury: whether on the one hand luxury recalls power and natural beauty ideals, on the others it suggests overindulgence and lust. It is not surprising then that luxury has involved so many scholars throughout history into a moral debate, with some describing the phenomenon as positive and others as having a strongly negative connotation. The

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[17] Kapferer, *Managing luxury brands*, Journal of Brand Management, 1997
[18] Berry, *The idea of luxury*, Cambridge University Press, 1994
[19] Sombart, *Dal lusso al capitalismo*, Armando, 2003

Greek philosopher Plato[20], for example, stated that luxury is by definition scarce. With that in mind, he went as far as arguing that luxury should be banned, as its scarce nature makes it inherently unfair and thus the cause of conflicts and disparities. In line with this reasoning, luxury has, even today, "been a target of public criticism: it would be lagging, if not at odds with sustainable development imperatives"[21], as some perceive it as a waste of resources causing inequality for the pleasure of a happy few. On the other hand, as will be explained in further details in section 2.5.1, Amatulli and De Angelis (2018)[22] argue that, in our modern society, luxury companies may indeed be the most sustainable businesses from an economic, environmental and social perspective.

2.2 Luxury Brands and Fashion Luxury

In light of its multidisciplinary nature, luxury is a topic that continues to attract a dynamic and everchanging academic debate. Today one of the most intensely discussed topics concerning the sector is the nature of luxury brands and what makes them so different from ordinary brands. One of the reasons why this distinction has become less clear over time has to do with the fact that ordinary brands now, more than ever, desire to be associated with luxury. In fact, despite the mentioned moral debate concerning the topic, the luxury industry remains one of the most profitable in the world. As a consequence, the variety of goods that exist now as luxuries has sensibly increased: while in the past century luxury embraced mainly the fashion, jewellery, cars, watches and perfumes industries, nowadays goods such as soap bars, candles and even water bottles have started to appear as luxuries. But why do more and more brands desire to be associated with luxury? A possible answer lies in the characterising traits of luxury brands – and, specifically, luxury fashion brands – and in the ways they are marketed. As a matter of fact, as Kapferer and Bastien (2009)[23] argue, the typical marketing strategy of luxury brands is usually strongly in contrast with the one of ordinary brands and, for that reason, they have developed a list of marketing *anti-laws* to approach luxury marketing. The list of *anti-laws* provided by Kapferer and Bastien touches all aspects of marketing, from targeting and positioning strategies to understanding customer's behaviour. However, in order to further explore the reasons why luxury goods naturally differ from ordinary goods, I will focus on a marketing mix analysis of

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[20] Plato, *The Republic*, 381 BC
[21] Kapferer, *All that glitter is not that green: the challenge of sustainable luxury*, The European business review, 2010
[22] Amatulli and De Angelis, *Luxury marketing: vendere il lusso nell'epoca della sostenibilità*, LUISS University Press, 2017
[23] Kapferer and Bastien, *The luxury strategy*, Kogan Page, 2009

fashion luxury brands, thus shedding light on why being perceived as luxury is becoming increasing desirable.

2.2.1 The Marketing Mix of Fashion Luxury Brands

As mentioned in the previous section, fashion luxury brands differ from ordinary brands in a variety of ways concerning different aspects of their value chain. One way to point out such differences could be through the analysis of their Marketing Mix – which is offering the right product, at the right price, in the right place and at the right time. The Marketing Mix will in fact provide the structure to look into the characteristics of the 4 variables (4Ps) that make luxury brands intrinsically different from ordinary brands: Product, Price, Placement and Promotion.

(1) *Product*: for fashion luxury brands, the product variable is of extreme importance. Luxury Fashion products must, in fact, be of the highest quality. Such high-quality requirements are usually met through a combination of excellent fabrics, innovative design, artisanal production and a meticulous attention to details. The role of the stylist is also fundamental: when buying luxury fashion, customers are not only buying a piece of clothing that is of superior quality, they are buying and idea, a concept developed by a stylist they trust and admire.

When talking about a luxury product, in fact, we are not solely referring to its tangible assets: luxury goods are bought also, and arguably mostly, for their hedonistic effect. Consumers seek a pleasurable experience and an emotional response to owning a luxury good, they "imbue a product with a subjective meaning that supplements the concrete attributes it possesses".[24] Sometimes a component that attributes an emotional connection to fashion luxury goods is the heritage factor. As mentioned, luxury consumers are buying a concept: thus, a strong link to the past or to a geographical region (*Made in*) can represent a valuable asset for a luxury product. In fact, a long heritage and a *Made in* production not only promise high product quality, but also the possibility to feel connected to different historical and geographical realities that are often idealised.

(2) *Price*: a very high and often inaccessible price is arguably one of the main things that is associated with fashion luxury brands. However, while in the past a high price was always a synonymous of luxury, nowadays it isn't a sufficient condition anymore. As Fabris argues, while in the past buying luxury meant acknowledging the sacrifices made in order to afford it,

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[24] Hirshmann, *Hedonic Consumption: Emerging concepts, methods and propositions*, Journal of Marketing, 1982

nowadays luxury is defined outside of its economic value[25]. Therefore, from a consumer's perspective, buying luxury has so many meanings attached that the price becomes nearly irrelevant. As a matter of fact, it has been noticed that "luxury consumers have a very low sensibility to changes in prices"[26]. Furthermore, contrary to ordinary goods, luxury goods tend to increase in demand as their price rises, as it could mean that the quality offered as risen with it. Therefore, from a managerial perspective, setting the right price is fundamental, as it legitimates its positioning and works as a signal of quality, durability, rarity and status[27].

(3) *Placement*: the term placement, in marketing, refers to where and how a company decides to sell a product and, in fashion, usually takes three forms: online distribution, flagships stores and multi-brand stores. For fashion luxury brands, the variable of placement plays a fundamental role as it is crucial in making sure that customers can associate a product purchase to a positive and memorable shopping experience. The store assumes the role of a "relational platform"[28], able to create an emotional link between the brand and its customers. To ensure that this happens, brands focus on curating every aspect of the shopping experience *ex ante* and *ex post*: *ex ante*, a brand will need to persuade the customer into vising the store, *ex post*, it will need to influence its behaviour to make him more prone to buy. Today, the preferred distribution method for fashion luxury brands is through flagship stores. Flagship stores, in fact, represent a valuable opportunity for brands to portray their aesthetic, exclusivity and value proposition in a space where customers can truly get to experience it. Such stores are usually located in the most prestigious streets of the main capital cities of the world and designed by worldwide famous architects. Inside the store, all five senses are addressed in order to create a memorable atmosphere and stimulate the customer in all the ways possible: there may be music playing in the background, a specific scent only available to the brand, peculiar lights and colours, food tasting activities and in store bar corners. Flagship stores also rely on impeccable in-store service: the customer needs to feel cared for. All these assets available at flagship stores can be present in multi-brand stores as well, though to a lower extent. When discussing online distribution instead, fashion luxury brands tend to engage in it less than ordinary brands as communicating a brand experience becomes harder. However, sometimes the purchase may happen online after a customer has had the possibility to see and experience the product in a brand's physical store. In these cases, fashion luxury brands can communicate their brand experience by curating every

[25]   Fabris, *Il nuovo consumatore verso il postmoderno*, Franco Angeli, 2003
[26]   Amatulli and De Angelis, *Luxury Marketing: vendere il lusso nell'epoca della sostenibilità*, LUISS University Press, 2017
[27]   Golizia, *Fashion business model: strategie e modelli delle aziende di moda*, Franco Angeli, 2016
[28]   Pellegrini, *Luoghi dell'acquisto e relazione con il consumatore*, Micro & Macro Marketing, 2001

detail of the purchase, from the layout and accessibility of the website to the packaging the product comes in and its post-purchase services.

(4) *Promotion*: the term promotion embraces all the practices a brand engages in order to get customers in touch with their product. When talking about fashion luxury brands, however, promotion takes a very different form compared to ordinary fashion brands. As a matter of fact, as Andrea Signori argues, the more a brand is luxurious, the less it needs to communicate. Luxury brands, in fact, rely on such extraordinary high brand awareness that "an element, the colour orange for Hermes, the 2.55 bag for Chanel and the bamboo bag for Gucci is enough to evoke the brand itself"[29].

The most prominent means of communication for fashion luxury brands are runaways and fashion editorials, which help setting new trends and convey their brand image. Furthermore, fashion luxury brands strongly rely on prestigious collaborations with artists and celebrities, they supply the costumes for high-stance movies and sometimes even produce their own movies about the stylist figure and the heritage of the brand, all in order to communicate its values and exclusivity. The promotion of fashion luxury brands is therefore aimed at creating "aspirations and dreams that enable customers to experience pleasurable sensations from owning something that is prestigious"[30].

2.3 The Luxury Pyramid

The luxury market is most commonly defined through the Luxury Pyramid[31], which is a visual representation of the various segments in which the industry could be divided into. According to this model, the market can be thus divided in three macro-segments: inaccessible, intermediate and accessible luxury.

(1) *Inaccessible Luxury*: inaccessible luxury, or extra-luxury, is distinguishable due to its unicity, creativity and rarity. Inaccessible luxury products are often produced in very limited quantities or as limited editions, and available only in a small fraction of stores, in order to communicate their rarity. They can be tailor-made and, if not, they are usually hand made by

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[29] Golizia, *Fashion Business Model: strategie e modelli delle aziende di moda*, Franco Angeli, 2016
[30] Amatulli and De Angelis, *Luxury Markerting: vendere il lusso nell'epoca della sostenibilità*, LUISS University Press, 2017
[31] Alleres, *Luxe… Strategies marketing*, Ed. Economica, 1997

artisans. Their price is extremely high and they are rarely subject to sales. These products are by nature exclusive, and only available to a small elite of consumers.

(2) *Intermediate Luxury*: intermediate luxury goods, on the other hand, share some of the traits of the higher category but are less exclusive. They are still of extreme quality and creativity and their price is still very high, however they are produced on a wider scale, thus making them more accessible. Furthermore, part of this category as well are a variety of accessorises that brands produce, accessible to those who can still spend a vast amount of money on luxury, but not enough to buy the exclusivity and unicity of the higher tier.

(3) *Accessible Luxury*: accessible luxury, as the term suggests, is targeted to a broader amount of customers. These products are produced on a larger scale than the previously mentioned categories, they are fashionable and very high quality but, generally, more accessible despite their prices still being above average. Accessible luxuries have become more common as the phenomenon of the "democratisation of luxury"[32] started to develop. Since the modern consumer is more interested in the emotional experience of the purchase than in the attributes of the good itself, more and more customers, which originally could not afford to buy luxuries, are starting to take an interest in the market. This in the case of a category of customers called "excursionists"[33], which despite not having the resources, are able to get a restricted and no-continuous access to luxury in order to experience all the pleasures associated with it. Accessible luxuries therefore represent a segment that, despite still recalling the idea of luxury, is less restrictive to the average consumer.

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[32] Fabris, *Il nuovo consumatore verso il postmoderno*, Franco Angeli, 2003
[33] Lewis and Bridger, *The soul of the new consumer: authenticity – what we by and why in the new economy*, Nicholas Brealey, 2000

Figure 3: The Luxury Pyramid
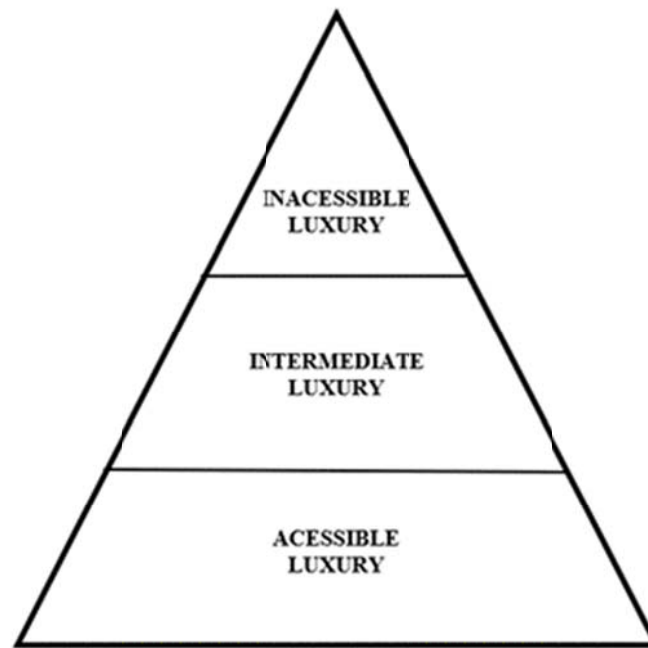
[Source: made by the author]

2.4 The Luxury Consumer

In today's society, the shopping habits of consumers appear significantly different from the ones that have characterised the past decades. While on the one hand the Neoclassical consumer theory, developed in the 20th century and current pillar of various areas of microeconomics, describes consumers as rational[34] beings able to make decisions following a strictly problem-solving driven approach, Fabris (2003), on the other, talks about a "modern consumer", which behaves very differently. In fact, according to Fabris, the modern consumer is not fully rational, as he seeks an experience-driven purchase rather than a functionality-driven one.

When discussing the motivation behind the purchase of luxury goods, such traits of the modern consumer become even more evident. A useful tool to support this approach to the behaviour of luxury's consumers is "Maslow's Hierarchy of Needs"[35], a pyramidal model which aims at portraying the motivations behind humans' actions.

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[34] In consumer behaviour, the term rationality refers to the ability of a consumer to behave in the way that brings him the most benefits or utility.
[35] Maslow, *A Theory of Human Motivation*, Psychology Review, 1943

Figure 4: Maslow's Hierarchy of Needs
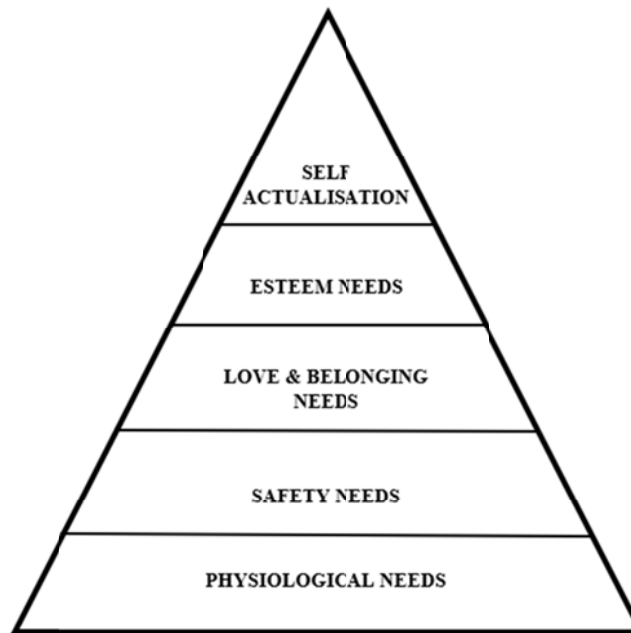
[Source: made by the author]

As shown in Figure 4, Maslow classifies human needs in five blocks (physiological needs, safety needs, love and belonging needs, esteem needs, self-actualisation needs), with the one at the bottom and the top of the pyramid representing respectively the most and least fundamental needs to satisfy:

(1) *Physiological needs*: all the needs related to one's survival such as hunger and thirst.

(2) *Safety needs*: needs such as stable employment, resources and health.

(3) *Love and Belonging needs*: all the needs related to the intimacy sphere of one's life.

(4) *Esteem needs*: needs such as confidence, achievement and respect.

(5) *Self-actualisation needs*: achieving full potential, morality, creativity, goal obtainment.

In light of this classification, Amatulli and De Angelis (2017), point out that consumers, like all humans, "after having satisfied physiological and safety needs, aim at satisfying the belonging, esteem and self-actualisation needs"[36]. In terms of consumption habits, however, what this means is that luxury goods, which as pointed out in section 2.1 are superfluous and not necessary, work as a means for consumer to satisfy the top three levels of needs in Maslow's pyramid. This view on human's needs, therefore, validates the assumption that modern customers purchase luxury goods not for their functionality, but for their experiential and aspirational traits.

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[36] Amatulli and De Angelis, *Luxury Marketing: vendere il lusso nell'epoca della sosteniblità*, LUISS University Press, 2017

2.4.1 The Dichotomy of Luxury

When talking about the dichotomy of luxury, scholars describe the duality of the intrinsic and subconscious motivations that lead people to consume luxury goods. These motivations go beyond the satisfaction of Maslow's needs and, one could argue, could be seen as a further classification of those needs. Dubois and Laurent divide them into "interpersonal" (due to external factors: e.g. societal approval) and "personal" (due to internal factors: e.g. positive emotions)[37] and, similarly, Amatulli and De Angelis argue that consumers purchase luxury goods "according to two drives: status and individual style"[38]. They therefore talk about *externalised luxury* (status driven) and *internalised luxury* (individual style), where the former describes those consumers that aim at communicating their social status via luxury, and the latter those consumers that desire to "buy products that are in line with their personal style and values"[39]. According to the two scholars, these two consumer groups differ from one another significantly:

(1) *Externalised luxury consumers*: externalised luxury consumers tend to purchase luxury for its materialistic value. They seek to experience the societal validation that consuming luxury products will give them and, for that reason, they consume very conspicuously. In terms of product, they will prefer all those goods that are very visible and prioritise following the trends over buying goods that are of exceptional quality and durability. These consumers strongly value the high price of luxury, as the economic expense made in order to afford the purchase gives them a status. In terms of placement and promotion, brands should aim at underlying and conveying the exclusivity of their products.

(2) *Internalised Luxury Consumers*: internalised luxury consumers, on the other hand, shop luxury in a more inconspicuous way. They buy from luxury brands for their heritage, for their cultural background and for the values they convey; they are customers that seek to develop and improve their individuality and desire to buy from brands that reflect their aesthetic and moral values. In light of that, internalised luxury consumers will prefer to buy a product that is high quality, durable and possibly artisanal and coherent with their style. The price variable loses its importance, as they do not desire to prove their status to anyone. Furthermore, in terms of

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[37] Dubois and Laurent, *Luxury possessions and practices: An empirical scale*, European Advances in Consumer Research, 1995

[38] Amatulli and De Angelis, *Luxury Marketing: vendere il lusso nell'epoca della sostenibilità*, LUISS University Press, 2017

[39] Amatulli and De Angelis, *Luxury Marketing: vendere il lusso nell'epoca della sostenibilità*, LUISS University Press, 2017

placement and promotions, brands would need to emphasise their artisanal and local production, stress the quality of the product and, overall, be discreet, as internalised luxury consumers do not desire to show off.

2.5 CSR in the Fashion Industry

In the recent decades, there has been a growing societal concern regarding the extent to which the fashion industry can improve its socially responsible behaviour. The fashion industry has been recognised as "the third most polluting industry, only following the energy and agriculture ones"[40]. Just to state some statistics, "150 thousand million items of clothing are produced every year" and from the 1960s "there has been an 811% increase in the waste of textile materials"[41]. Furthermore, as the price of clothing has consistently decreased over the years, it has become clear that there is an issue with the ethicality of the production chain. As a consequence, more and more consumers have come to realise what a strong impact fashion companies can have on the environment and on the community they operate in, with 250% more consumers in 2017 searching for the words "sustainable fashion" on Google[42].

In line with this societal shift, scholars have begun studying what behaving responsibly would mean for firms operating in the fashion industry. It is interesting the approach of Godart and Seong, who in their publications talk about the notion of "*ethical fashion*" as the production of fashion items that are both *eco-sustainable* (respectful of the environment) and *socially responsible*[43] (respectful of the community).

(1) *Eco-sustainability*: The high levels of pollution generated by the fashion industry are the product of an economy that portrays fashion as a "passing trend, something that is transient and superficial"[44]. This type of reasoning is extremely dangerous for the environment, as it incentives fashion brands to overproduce and vary their supplies more often than needed in order to keep up with the everchanging trends in the industry. What it follows is first that a huge amount of fashion items is wasted every year[45] - either because it wasn't sold or because it was thrown away shortly after it was bought - and second, that the industry uses up a disproportionate amount of primary resources such as water and pollutes through the excessive use of pesticides

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[40] Amatulli and De Angelis, *Luxury Marketing: vendere il lusso nell'epoca della sostenibilità*, LUISS University Press, 2017

[41] Greenme.it

[42] Sustainablefashionmatterz.com

[43] Godart and Seong, *Is sustainable Luxury Fashion Possible,* INSEAD

[44] Gardetti and Torres, *Introduction, The journal of Corporate Citizenship*, 2012

[45] In 2018, 300.000 tonnes of clothes were in uk landfill only (Oxfam)

(e.g. in order to produce cotton)[46]. In order to address *eco-sustainability*, therefore, fashion brands will have to engage in CSR practices that promote:

    a. Less frequent consumption,

    b. a lower amount of resources being used and

    c. a decrease in polluting activities.

(2) *Social Responsibility*: Following a growing awareness on the working conditions sustained throughout the fashion industry supply chain, consumers started to require fashion brands to make an effort to maintain an adequate behaviour towards their workers. The negligence of fashion brands with regards to the importance of a safe working environment has led to a worrying amount of tragedies, often in the dislocated production sites of fast fashion companies. Only in 2013, the three worst disasters involving the fashion industry have taken place: three factories in Bangladesh collapsed, killing over 1500 people and injuring more than 2500[47]. As a matter of fact, as the competition on prices intensifies, fashion brands have started producing in foreign countries in order to employ a cheaper workforce and cutting down costs. What this means is that the people that are producing these clothes experience, on a daily basis, human rights violations, as they work on average 11 hours per day and they are paid below living wage.[48] In order to embrace *socially responsible* practices in their CSR, therefore, fashion brands will have to focus on:

    a. providing adequate salaries and

    b. safe working conditions.

2.5.1 How are luxury fashion brands tackling the issue?

As mentioned is section 2.1, there is a widespread belief that the luxury industry is unethical and unsustainable, belief that is mainly rooted in the idea of luxury being superfluous, unnecessary and cause of societal inequalities. This reasoning applies to fashion luxury brands too, as the vast majority of the exponents of the sector do indeed offer items of clothing that exceed basic needs and that are not financially accessible to all members of society.

However, those who argue against the sustainability of luxury and luxury fashion rarely take into account that some of the characteristics that make it inaccessible also contribute to make it more sustainable and ethical than ordinary fashion brands. As a matter of fact, Amatulli and De Angelis argue that luxury brands are naturally more sustainable and ethical than ordinary brands,

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[46] On average, 7000 litres of water are used in order to manufacture a single pair of jeans.
[47] http://blog.fairtrunk.com/10-facts-true-cost-will-completely-change-way-look-fashion/
[48] http://rightnow.org.au/opinion-3/will-lead-way-fashion-human-rights-issue/

as it could be observed that they satisfy all of the CSR requirements fashion brands are facing both in terms of *eco-sustainability* and *social responsibility*.

(1) <u>*Eco-sustainability*</u>:

    a. *Less frequent consumption*: As mention in section 2.2.1, luxury fashion products differ the most from ordinary ones in terms of their quality and association to the figure of a stylist. Luxury fashion products are of extremely high quality, thus when planning to buy a luxurious item of clothing consumers are making a long-term investment, as they will aspire to use such item for longer than one fashion cycle. Additionally, this behaviour is also the result of the role the stylist holds for the brand: when buying luxury fashion products, consumers are not buying a temporary trend, but an idea of fashion that will survive throughout time. These two attributes together contribute to the shaping of fashion luxury goods as durable, as items that do not need to be changed according to trends, thus slowing down fashion cycles and discouraging over-consumption.

    b. *Less resource waste*: as Plato argued, luxury goods are by definition scarce. The idea of scarcity, in this context, may be as well interpreted as rarity, as luxury product are often produced in a smaller scale or as limited editions. This, combined with their durability and less frequent consumption, results in the production of luxury goods implicitly requiring a lower amount of resources being used. Furthermore, according to Kapferer, luxury products tend to be sold with less and more ecological packaging, as opposed to mass market brands, thus additionally suggesting their lower impact in terms of resource waste.

    c. *Less pollution*: as a result of less frequent consumption and lower resource waste, fashion luxury naturally pollutes less than ordinary fashion.

(2) <u>*Social Responsibility*</u>: as previously mentioned, two of the main assets of fashion luxury goods are craftmanship and the *Made in* factor. These two variables play an extremely important role in ensuring that fashion luxury brands respect society's expectations on social responsibility.

    a. *Safe working conditions*: first, when reading on a label that a product is *Made in* a specific country – such as Italy, France or the US in the case of fashion luxury goods – what is communicated to the consumer is that the brand produces in a Country of Manufacturing where a certain standard of working conditions is offered to the employees. This idea is further enhanced by the craftmanship
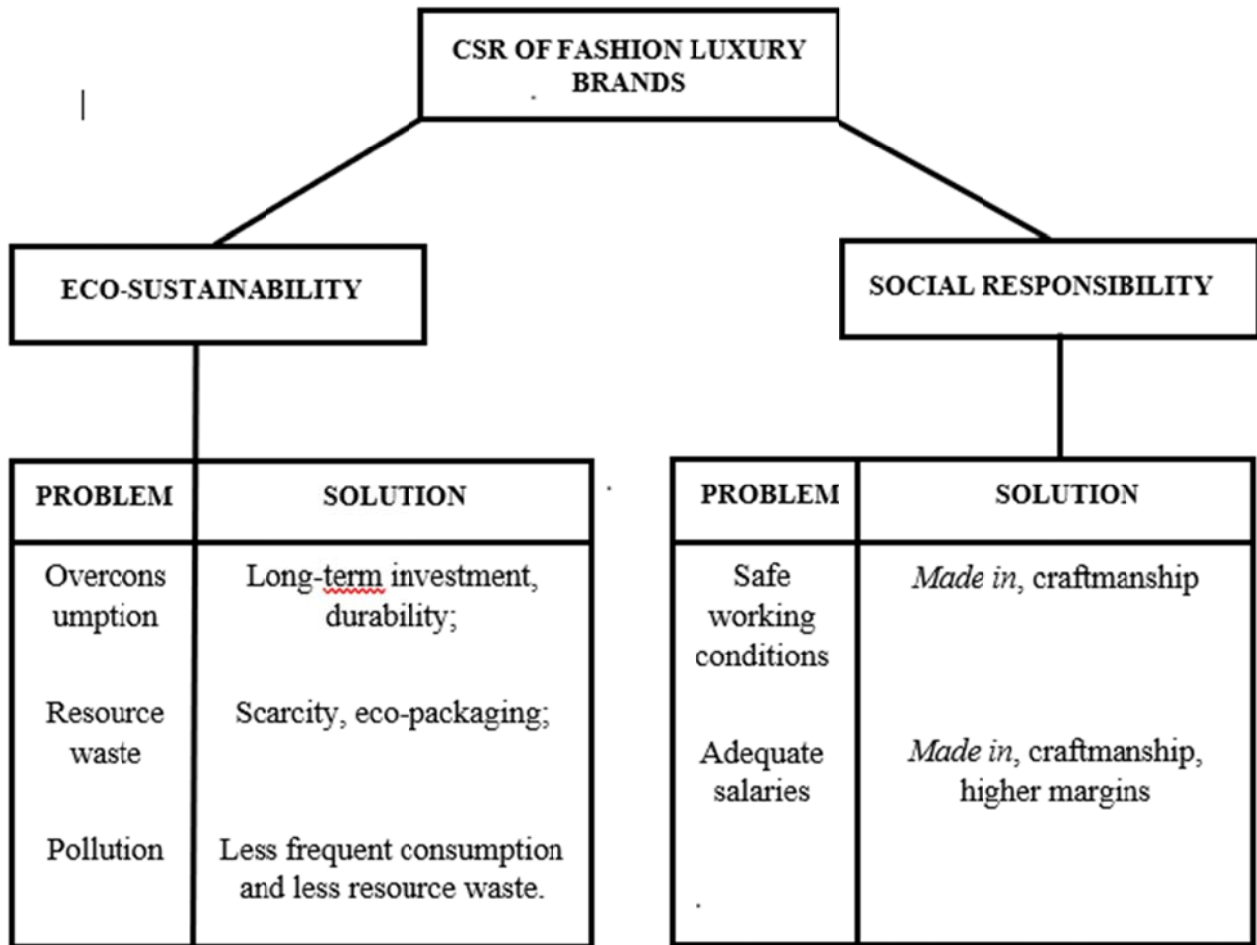
variable, which implies that the manufacturing is not delocalised to developing countries and delegated to exploited low skilled labour. What this means is that, instead of working in unstable and unsafe factories, as it happened in Bangladesh in 2013, artisans work in a safe environment where their skills are valued and treasured.

b. *Adequate salaries*: due to the characterising high price of fashion luxury products, brands operating in the sector tend to be able to provide higher salaries to their workers compared to mass market brands. As stated throughout this chapter, the high price of luxury goods is, partially, a reflection of their higher value proposition: thus, since luxury brands are capable of realising higher margins than ordinary brands, a greater portion of them can be spent in wages and devoted to increasing the overall working experience of their employees.

2.6 Summary

The ethicality of the luxury industry has been highly debated throughout the years due to the mainstream association of luxury goods to waste, superfluity and inequality. Following the rise of consumer's interest towards companies' implementation of CSR practices in their management, the luxury industry, and more specifically the fashion luxury one, has then been the object of severe scrutinises. Consumers have started to expect a shift towards a more "ethical" fashion which, according to Godart and Seong, would require brands to behave in a way that is at the same time *eco-sustainable* and *socially responsible*. In this chapter, it is therefore analysed the way in which luxury fashion brands, due to their uncommon value proposition and marketing mix, approach the topic of CSR, as opposed to ordinary fashion brands. It is therefore concluded, in light of the writings of Amatulli and De Angelis, that despite seeming unethical, luxury fashion brands are actually more capable of behaving according to society's CSR requirements.

Figure 5: A summary of the ways in which fashion luxury brands approach the current CSR challenges

CSR OF FASHION LUXURY BRANDS

ECO-SUSTAINABILITY

PROBLEM	SOLUTION
Overconsumption	Long-term investment, durability;
Resource waste	Scarcity, eco-packaging;
Pollution	Less frequent consumption and less resource waste.

SOCIAL RESPONSIBILITY

PROBLEM	SOLUTION
Safe working conditions	*Made in*, craftmanship
Adequate salaries	*Made in*, craftmanship, higher margins

[Source: made by the author]

Chapter 3
The Case of Brunello Cucinelli

3.1 The Brunello Cucinelli S.p.A.

"A cashmere knit is like a book. It is something to save and go back to time after time. It is the feeling of an embrace".

Brunello Cucinelli

Brunello Cucinelli was born on the 3rd of September 1953 in Castel Rigone, a fraction of Passignano sul Trasimeno, a small mediaeval town near Perugia.

In 1974, he decided to quit his engineering studies in order to pursuit an entrepreneurial career. Only a few years later, in 1978, he started a relationship with his current wife Federica Benda, whose family owned a small clothing shop where he had the chance to explore his passion for the textile sector. At that time, the textile industry was experiencing a boom in growth and Brunello, moved by his passion, decided to ride the wave and lay the foundations on what today is known as the Brunello Cucinelli S.p.A.

Since that day, the brand of Brunello Cucinelli has been experiencing a growing success, which culminated with Brunello being awarded, in 2010, the title of "The King of Cashmere" by The New York Times. What allowed him to stand out in a market that was becoming increasingly competitive, was an idea he developed inspired by Luciano Benetton: in the 60s, Benetton had in fact launched the trend of colourful wool jumpers, reaching a formidable success. Brunello, deeply inspired by this revolutionary idea, decided to bring the innovation to the cashmere market and widen the range of colours in which cashmere jumpers would come in, moving away from the soft tones used at the time and experimenting with more bright and intense colours. A second breakthrough moment for him came with his introduction of cashmere to the female market. At the time, cashmere was in fact considered as a textile only reserved to men and, by creating jumpers in a fit that was tailor made to be in harmony with the female body, Brunello set the pace for a market and cultural shift.

Brunello Cucinelli's concrete activity started in 1978 in Ellera di Corciano, which in 1987 became the headquarter of the Brunello Cucinelli S.p.A. and where, for the first years, he kept the production limited to cashmere pullovers. However, over time Brunello started to build a reputation for his name and to expand his production sites: in 1985, he bought the Castle of Solomeo, situated in a nearby medieval village where his wife lived, and which became the centre of the artisanal activities. In the later years, between the mid-80s and the 90s, Brunello

explored the production of different items of clothing, adding to his supply of cashmere pullovers a variety of shirts and accessories, which helped positioning him as an icon of the Italian prêt-à-porter[49]. In 1994, he opened his first flagship store in Porto Cervo, Sardinia. Since then, the Brunello Cucinelli S.p.A experience a growing success, leading to it being present today with 130 boutiques in more than 30 countries across the globe[50].

In order to reach a solid stability in the international markets, in 2012 Brunello Cucinelli opened up to the stock market and today the group has reached a high positioning both in Italy and abroad, counting more than 290€ million of profits, of which more than 80% coming from outside of Italy[51].

3.1.1 The Humanistic Enterprise

The inspiration behind Brunello Cucinelli's idea of a *Humanistic Enterprise* is rooted in his youth memories. At the age of fifteen, Cucinelli moved from the countryside to the city to follow his father's job opportunities. However, what Cucinelli remembers about that time is his father coming back home from his job in the factory being tired and unsatisfied. Deeply moved by this memory, Brunello grew the belief that men deserve to work in an environment that values them as humans and as employees, and that does not take away their dignity. He developed an aversion towards the idea of pursuing economic profits at all costs, especially when it requires neglecting the wellbeing of the workers, and instead believed that men should be the focus of businesses. With that in mind, in the small village of Solomeo, Brunello Cucinelli has built the first *humanistic company*, a concept of doing business that is significantly different from the modern one, as it centres on the dignity of workers and believes in profits as a mere means to "improving the lives of workers, sustaining the beauty of the world and realising projects aimed at the future generations of workers"[52].

In order to achieve the humanistic company ideal, Brunello Cucinelli has proposed a code of ethics built on ten general principles that, when followed, ensure the welfare of all stakeholders:

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[49] Prêt-à-porter: the literal translation of the term prêt-à-porter is "ready to wear". In the fashion industry, prêt-à-porter refers to all those items of clothing "produced in standard size and not made to fit a particular person", not tailor made. Source: The Cambridge English Dictionary
[50] Brunello Cucinelli, Relazione finanziaria semestrale al 30 Giugno 2019
[51] Brunello Cucinelli, Relazione finanziaria semestrale al 30 giugno 2019
[52] Brunello Cucinelli, Dichiarazione consolidata di carattere non finanziario, 2018

(1) *Legality*: the company commits to behaving according to the law and to the Code of Ethics proposed.

(2) *Human Dignity and Well-being*: The company works towards ensuring that every employee is treated fairly, with respect and with dignity. Furthermore, the company guarantees a safe environment and working conditions to all employees.

(3) *Human Privacy*: The company guarantees full privacy of personal information.

(4) *Transparency*: The company commits to informing all stakeholders about its situation, without prioritising any group.

(5) *Human Resource Development*: The company puts effort into the development of the skills of every employee while trying to promote a culture that cherishes personal qualities and experiences.

(6) *Honesty and Propriety*: The company's relations with all stakeholders are based on propriety, integrity, impartiality, professionalism, cooperation, loyalty, transparency, and mutual respect.

(7) *Quality*: the company commits to supplying products of a quality that satisfies the market and the stakeholders and that is rooted in the importance of the *Made in Italy* and craftmanship factors.

(8) *Environmental Protection*: The company pursues a balance between economic initiatives and environmental needs, according to national and international laws.

(9) *Responsibility Toward the Community and Support for the Territory*: The company consciously tries to address the needs of the community it operates in.

(10) *Protection of Competition*: The company operates in accordance to national and international antitrust laws and requirements.

The pursuit of the ten mentioned principles constituting the code of ethics of the company is necessary in order to ensure the functioning of the humanistic enterprise. Such principles are shared with all the entities that collaborate with the company in any area concerning the value creation chain and all the collaborating entities are required to act according to them. The pillar of the humanistic company is, in fact, that "profit is earned with an attention to minimizing any harm to human beings and respecting people's moral and economic dignity" [53], and the ten principles provide the perfect guidelines to achieve such reality.

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[53] Brunello Cucinelli's code of ethics, http://investor.brunellocucinelli.com/yep-content/media/Code_of_Ethics-EN.pdf

3.2 Brunello Cucinelli in the Fashion Luxury Panorama: The Marketing Mix

"To me, the simplest things can have the highest value".

Brunello Cucinelli

The business model of Cucinelli's humanistic company is based on three main pillars that help the brand conveying its core values: Italian handcrafting (*artigianalità italiana*), exclusivity (*esclusività*) and gracious growth (*crescita garbata*).

(1) *Italian handcrafting*: for Brunello Cucinelli, the Italian craftmanship plays a vital role in creating the value proposition of his brand. In fact, delegating the production to local artisans enables him to supply the highest product quality possible by paying meticulous attention to details that are often overlooked by companies producing offshore.

(2) *Exclusivity:* the result of a combination of assets of the brand such as the *Made in* factor that distinguishes it from ordinary fashion brands and lower tier fashion brands.

(3) *Gracious growth:* allowing the brand to grow sustainably by respecting the dignity of its workers and by pursuing the wellbeing of all its stakeholders. The idea of a gracious growth is directly related to the one of the humanistic enterprise, as it dismisses profits as the main goal of the company.

Based on these three pillars, which are addressed throughout the marketing mix of the company, the brand of Brunello Cucinelli could easily be associated to the idea of luxury and, recalling what has been said in section 2.3, to inaccessible luxury. Indeed, all the products offered by Brunello Cucinelli are appreciated for their unicity, creativity and rarity. Furthermore, it could be argued that Brunello Cucinelli follows similar *anti-laws* of marketing as other luxury brands, thus trying to convey a value proposition through its 4Ps that differs significantly from the one of ordinary brands. For that reason, Brunello Cucinelli's value proposition could be described through a very peculiar market mix.

(1) *Product*: As mentioned in section 3.1, the brand of Brunello Cucinelli has widened its offer of products over the years, shifting from the sole supply of cashmere knitwear to the

production of other items of clothing such as bottoms, leather goods and jewellery, and lifestyle items such as home accessories. As a matter of fact, today the 13.1% of the profits realised by the brand as to June 2019 came from the sale of accessories[54].

Moreover, as a luxury fashion brand, Brunello Cucinelli offers the highest quality to its customers, both through tangible and intangible products' assets:

a. *Tangible assets*: Brunello Cucinelli reserves a special attention to supplying products of the highest quality. In the first place, Brunello chooses the best fabrics for his products, especially when it comes to the cashmere that made him so famous. His cashmere, as he thoroughly describes on the brand's website, comes from Mongolia and is characterised by a goat's fibre which is longer than the traditionally Chinese one, thus making it more precious and, at the same time, expensive. Furthermore, the cashmere is treated by hand by the company's artisans in the *case-laboratorio* (home-studio) in Solomeo, where the production process takes place. For every item that is produced, the first step is to develop a design, which is usually inspired by a mixture of the Italian traditional aesthetic and the trends developed in the main international fashion cities. Consequently, the artisans check the quality of every millimetre of the selected textile for every style, assemble a prototype, fix any possible fitting imperfection and then delegate the large-scale production to third parties, which behave according to specific rules set by Cucinelli.

b. *Intangible assets*: Such a meticulous production process plays a crucial role in determining the values and emotions that Brunello Cucinelli's items of clothing are able to convey to their consumers. For example, the fact that the main production activities are carried out by trained artisans in Solomeo – the *Made in* factor – attaches to the brand an idea of heritage that is particularly attractive to foreign consumers – which, as mentioned in section 3.1, now realise more 80% of the profits of the brand. Such a strong heritage, despite the brand being relatively modern, creates a sentiment of nostalgia in the Italian consumers and of connection to a different historical and geographical reality in the foreign ones.

(2) <u>*Price*</u>: for Brunello Cucinelli, the price of his products does not simply signal a level of luxury that is inaccessible to all except of a "happy few", but works as a reflection of the quality and of all the socially responsible actions the company engages in behind the scenes. As Brunello said himself, "if you buy a sweater for €1,000 and you know that the

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[54] Brunello Cucinelli, Relazione finanziaria semestrale al 30 Giugno 2019

funds you are paying are also going to help to build a hospital and a school, wouldn't you think better about it?"[55]. However, there is a significant difference in price across the various product categories of the brand, with the selection featuring candles for as little as 150€ and, on the other hand, high quality and handcrafted cardigans and coat for thousands of euros.

(3) *Placement*: the Brunello Cucinelli group distributes its products via three main channels: retail, monobrand wholesale and multibrand wholesale stores, counting today 102 retails stores and 28 wholesale monobrand ones, for a total of 130 directly owned stores across the world[56]. The multibrand wholesale stores, instead, are managed through intermediaries, meaning that the consumers of the group are the department stores rather than the actual shoppers.

Brunello Cucinelli believes that the physical space in which they sell their products is fundamental in order to communicate the values and the heritage of the brand. Through the aesthetic of his boutiques, Cucinelli wishes to convey the idea of beauty, culture and Italian lifestyle that are the pillars of the brand. For that reason, he dedicates a lot of time and attention to creating an atmosphere that reflects the Umbrian aesthetic and that is able to covey such values. The architecture and interior design of the boutique stores, therefore, are characterised by natural materials and soft tones, which recall the Umbrian countryside. Furthermore, every item of furniture present in the stores is conceived and developed in Solomeo, just like the items of clothing that the brand supplies.

This dedication to portraying the aesthetic of Solomeo through store design becomes even more important in the boutiques located outside of Italy. As a matter of fact, in that scenario the store becomes one of the few assets that Cucinelli can use to get his customers to perceive the Italian culture and lifestyle and thus to evoke the positive emotions in them that they look for when shopping from the brand.

[55] Brunello Cucinelli, http://tuscantraveler.com/2015/tuscan-travelers-tales/tuscan-travelers-tales-brunello-cucinelli/
[56] Brunello Cucinelli, Relazione finanziaria semestrale al 30 Giugno 2019

Figure 6: Brunello Cucinelli's boutique in Via del Babuino, Rome

[Source: shop.brunellocucinelli.com]

In terms of online distribution, Brunello Cucinelli has built the channel in order to convey an experience that is as close as possible to the in-store one. The layout of the shop's website is minimal and again dominated by soft tones that recall the store's aesthetic. In order to enhance the online shop experience, the Brunello Cucinelli's website presents a section fully dedicated to the "inspiration" of the stylist and of the brand. In this section it is possible to read and watch short videos about the main drives and aspirations of Cucinelli's aesthetic, such as the region of Umbria, the Italian artisans and the magic of holidays. Furthermore, through the online distribution channel luxury brands tend to lose the ability to make the customer perceive the high quality of their materials, which is a key asset. Therefore, in order to fill the gap between the online and in-store perception of the materials, Brunello Cucinelli offers for every item a detailed insight on the origin of the textiles, their manufacturing and their best post purchase care. In addition, he delivers every item purchased in "exclusive packaging, designed to enhance and protect your articles, [that] has been made especially for our Online Boutique in our Solomeo workshops"[57], again trying to convey a sense of care and luxury to the customers despite the physical barriers.

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[57] Brunello Cucinelli's online boutique, shop.brunellocucinelli.com

Figure 7: An example of product description on the Cucinelli's online boutique

Description

Brunello Cucinelli style reinterprets the traditional patterns of Northern European knitwear with refined natural materials and precious embellishments. Using a jacquard technique, cashmere Feather yarn, cashmere and silk Soft yarn and cashmere and silk Diamond yarn with sparkling reflections are crafted together to create this special Nordic intarsia sweater. On the top of the piece, cashmere Feather yarn is hand-embroidered to give the geometric design a special three-dimensional effect. Lastly, small Hematite, Vetro and Labradorite stones are applied by hand, completing the embroidery with a unique, lustrous touch.

Details

Materials and care

Shipping and returns

Packaging

[Source: shop.brunellocucinelli.com]

(4) <u>*Promotion*</u>: Brunello Cucinelli's promotion is very "gracious" and in line with the concept of the brand. In fact, Cucinelli believes in a promotional style that goes beyond the mere communication of the functionality of the products, and instead proposes campaigns that evoke positive emotions in the viewer and that speak the ideals of the company. In order to do so, Cucinelli's campaign tend to be minimal, often composed by a picture portraying the aesthetic of the brand and a quote or short sentence summarising one of the values Brunello Cucinelli lives by.

Figure 8: Brunello Cucinelli's campaigns for the years 2018/2019 (left) and 2017 (right)
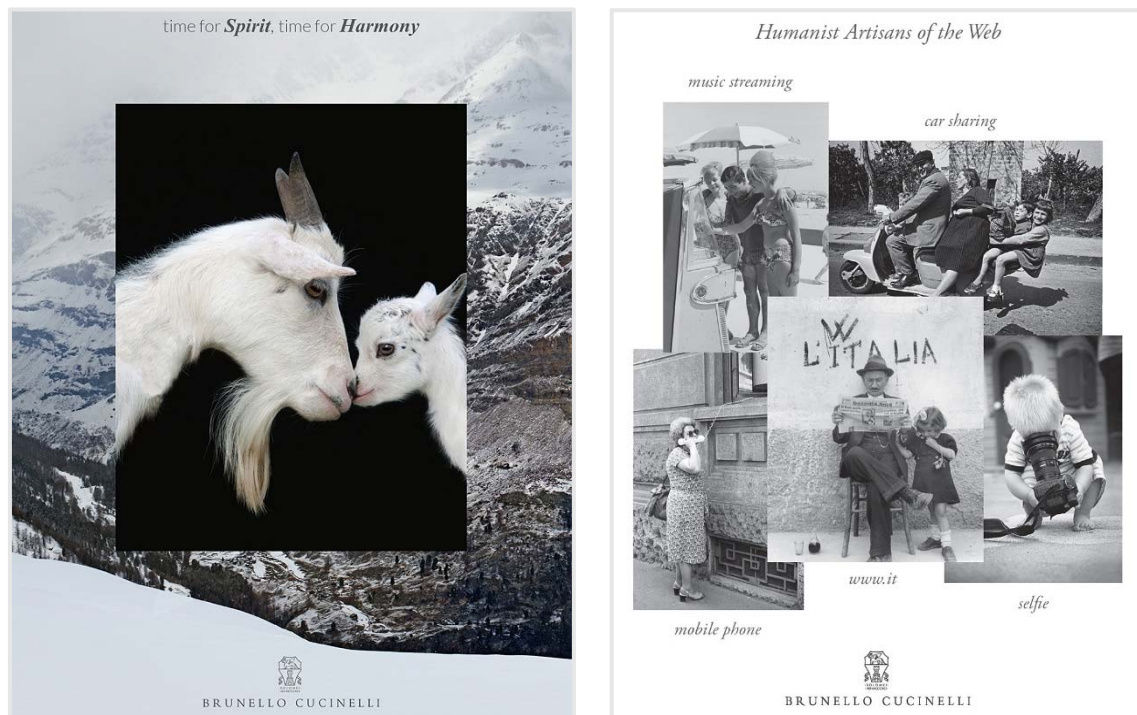
As shown in Figure 8, in two of his latest campaigns Brunello Cucinelli tried to evoke some of the values that surround the brand: the care towards the origins of the textiles and the heritage linked to the Italian artisanal tradition. In addition, Cucinelli often portrays topics such as the care for nature, universal brotherhood and artistic heritage.

Overall, according to the 4Ps analysis provided, it can be noted that Brunello Cucinelli tries to portray the three pillars of the brand (Italian craftmanship, exclusivity and gracious growth) through every aspect of the marketing mix. The *Italian craftmanship*, for example, is one of the main assets of the product supplied, a key variable in setting an adequate price, the inspiration of the aesthetic of the boutiques and one of the most common topics of Cucinelli's promotional campaigns. Similarly, the *exclusivity* of the products positions Brunello's brand as inaccessible luxury and thus is reflected in the research of the best materials for the clothing, a high price, boutiques located in the most famous fashion streets around the world and promotional campaigns that are minimal and not pushy. Finally, the *gracious growth* ideal is embedded in the sustainability of the manufacturing process, prices that allow the company to sustain a high standard of living for its employees, minimal boutiques' aesthetic and campaigns that promote important social values such as brotherhood and the respect of nature, culture and traditions.

3.3 The Corporate Social Responsibility of Brunello Cucinelli

According to what has been said in section 2.5, in order for luxury fashion brands to be considered *ethical*, as Godart and Seong[58] argued, the two main areas in which they are required to engage in Corporate Social Responsibility practices are *eco-sustainability* and *social responsibility*. As mentioned in the previous chapter, recalling the writings of Amatulli and De Angelis[59], it is fair to argue that luxury fashion brands are intrinsically more sustainable than ordinary fashion brands and that they tend to adopt these practices naturally, as they are part of their value proposition.

However, the brand of Brunello Cucinelli engages in an amount of social responsibility that goes beyond what is generally asked of a company and exceeds the standard requirements of society. As a matter of fact, while on the one hand the brand satisfies all the requirements in terms of both *eco-sustainability* and *social responsibility*, on the other it pursues an idea of doing business, the *humanistic enterprise*, that is *per se* more sustainable than any business that centres profits as a main objective, regardless of the amount of CSR they engage in.

In the following sections I will therefore explore the ways in which the brand of Brunello Cucinelli meets and exceeds social expectations in terms of CSR, first by analysing its approach to *eco-sustainability* and *social responsibility* and consequently by investigating the ways in which it provides a company culture that surpasses those expectations and promotes the culture, art and beauty of the region it operates in.

3.3.1 The Eco-sustainability and Social Responsibility of Brunello Cucinelli

As stated in its Code of Ethics, by committing to *human dignity and wellbeing, environmental protection* and *responsibility towards community and support to the territory*, Brunello Cucinelli actively engages in practices that support the *eco-sustainability* and *social responsibility* of its business:

(1) *Eco-sustainability*: The brand of Brunello Cucinelli fully satisfies the three requirements of society in terms of eco-sustainability: less frequent consumption, lower amount of resources being used and wasted and less pollution.

   a. *Less frequent consumption*: First, Cucinelli believes that the value proposition proposed by the brand is naturally in contrast with the tendency towards

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[58] Godart and Seong, *Is sustainable Luxury Fashion Possible?,* INSEAD
[59] Amatulli and De Angelis*, Luxury Marketing: vendere il lusso nell'epoca della sostenibilità*, LUISS University Press, 2017

overconsumption. One of the main assets of its product offer is indeed the high quality of the materials, which ensures increased durability of the item of clothing. Moreover, Cucinelli through its communication activities strongly promotes an approach to cashmere, and to its products in general, based on the understanding that what its customers are buying is meant to last and to be handed down from one generation to the other, as an item to preserve and take care of. Furthermore, Cucinelli clothes' design evolves only partly according to current trends, as it maintains its main inspiration rooted in the Italian classical aesthetic, thus supplying fashion items that can transcend the obstacle of time and fast-moving trends. Lastly, the positioning of the brand in the highest tier of luxury enables its customers to perceive the shopping experience of a Cucinelli's product as an exclusive one rather than one that can be sustained frequently over time.

b. *Lower amount of resources being wasted*: One of the pillars of Brunello Cucinelli's brand is, as discussed, its exclusivity. This, in addition to the characteristics mentioned above, enables the brand to significantly cut the resources being wasted, as the post purchase disposition of the products is centred on durability, rather than fast moving trends.

c. *Less pollution*: In 2012, Brunello Cucinelli agreed to conduct an analysis of the carbon footprint of producing cashmere knitwear[60]. From this analysis it emerged that, of the five processes that have a carbon footprint – acquisition of the raw materials, production, distribution, usage and disposal – the ones that polluted the most were the first and the fourth, two areas in which the company can intervene only marginally. However, in order to offset such impact, Cucinelli puts a lot of effort in efficiently managing the resources across the stages it can control: production and distribution. Brunello Cucinelli's production chain is fully located in Italy and especially in the town of Solomeo, thus significantly decreasing the carbon footprint associated with producing abroad, Furthermore, since 2016, Cucinelli has started to buy its electric energy from a supplier of green energy that produces through hydroelectric factories. In addition, one of the manufacturing processes which potentially pollutes the most is the washing of the raw materials and textiles, which allows them to keep their texture and softness but, at the same time, may bthe cause of the discharge of toxins in the water. In order to cut its impact in this area, Cucinelli has developed a system that allows the them to clean the water discharge through a filter before it is released.

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[60] Brunello Cucinelli, Dichiarazione consolidata di carattere non finanziario, 2018

(2) *Social Responsibility*: As discussed, Brunello Cucinelli has created a new idea of conducting business, the humanistic enterprise, that is based on the enhancement of the dignity of the employees within the company. In light of that, Cucinelli has developed a company culture that ensures both safe working conditions and adequate salaries, but that most of all values and respects every employee.

a. *Safe working conditions*: As it has been thoroughly discussed, the production activities of Brunello Cucinelli are mainly carried out in the town of Solomeo, Umbria. Here, in addition to providing *case-laboratorio* where artisans can comfortably work, Cucinelli has undertaken a project of restoration of the town, thus enabling its employees not only to work in an environment that is safe, but also welcoming and inspiring. Furthermore, in 2015, Brunello Cucinelli has collaborated with the University of Florence to develop some precautionary ergonomic solutions to potential safety issues within the working facilities. A particular attention is reserved to the impact that the solvents in the laundry facilities may have on those working there. Indeed, in order to assure the safety of the employees, the company provides them with protective and specific workwear and offers periodic health checks. Additionally, in 2017 the Ciraf di Perugia[61] has conducted a research on the working conditions, concluding that they conform to the normative and that they are perceived as optimal by the employees.

b. *Adequate salaries*: As a humanistic enterprise, Brunello Cucinelli believes in the dignity of its workers and thus offers a more than adequate compensations to its employees. As a matter of fact, in 2012 its employees were already earning around 20% more than the national average of the sector[62]. Additionally, as the brand opened up to the finanancial markets in 2012, it distributed the €5 millions gains across its, at the time, 783 employees. Furthermore, during the 2008 financial crisis, Brunello Cucinelli was one of the few companies that committed not to fire anyone and, instead, encouraged all its employees to work hard and think creatively in order to find new ideas that could help the brand maintain its profitable position.

3.3.2 The Role of Company Culture on Brunello Cucinelli's Social Responsibility

Despite its compliance with society's standard in terms of eco-sustainability and social responsibility, Brunello Cucinelli's company culture is possibly the asset that more than anything makes the company stand out among other fashion luxury brands.

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61 Centro Interuniversitario di Ricerca sull'Inquinamento e sull'Ambiente
62 https://www.panorama.it/economia/aziende/brunello-cucinelli-chachemire-utili-dipendenti/

In the Brunello Cucinelli Humanistic Enterprise, every employee is considered a "*thinking soul*", meaning that everyone is, other than a worker, a human living in spiritual, personal and emotional dimensions that must not be neglected. Every *thinking soul* in Brunello Cucinelli is considered to be as valuable as all the others, regardless of its position in the company. The decisions that interest the company are taken collectively, and different committees have been instituted within the organisation. However, there is no strong hierarchy that must be respected, and the higher positions tend to be seen only as reference points, in order to promote communication and teamwork.

In terms of the everyday reality and routines at Brunello Cucinelli, Brunello himself believes it is important for the company that every worker gets a reasonable amount of time off work that could be invested into any type of activity that enhances their culture as well as their physical and mental health: he believes in the importance of rest, as opposed to the general trend of working unsustainable shifts. The employees do not need to check in and out of the working facilities and are only required to work from 8 to 17.30. Every employee is entitled to a 1.30 h lunch break that can be consumed at the company's canteen, which offers local products and receipts for largely accessible prices.

This internal organisation, despite being unusual, has help Cucinelli to build a healthy work environment where the employees can feel safe, respected and free to share their ideas. Furthermore, it has never failed to provide the company with international recognition as well as increasing profits, thus proving that the humanistic enterprise, the idea that human dignity should not be neglected in the pursuit of profits, can be a functional as well as ethical business model.

3.3.3 Brunello Cucinelli's Initiatives for Solomeo

The company of Brunello Cucinelli, among other things, is well known for its commitment to promoting culture and enhancing the beauty of the town of Solomeo and its peripherical areas. This commitment is nearly as old as the company itself, as it started in 1985, when Cucinelli bought the Castle of Solomeo, in Solomeo, Since then, the company has been the engine behind innumerable works of restauration of the town, which ended in 1999 and that focused on maintaining the original style of the town rather than renovating it by changing its core aesthetic. The project was aimed at preserving the culture of the town as well as rediscovering its productive nature, and was deemed a success, as the employees of the brand can now experience and live in a town that has harmonised its working and private life. Furthermore, Brunello Cucinelli committed through "The Project of beauty" to "give new life to the

breathtaking landscape of the valley below Solomeo"[63] by creating a variety of parks where there once were old and unused factories. Moreover, in 2010, Brunello Cucinelli established the *"Fondazione Brunello e Federica Cucinelli" (The Brunello and Federica Cucinelli Foundation)* which is a no profit and separate entity to the company itself but that works hand in hand with it to promote beauty, culture and happiness in the town of Solomeo.

However, Cucinelli interest towards maintaining and resting the beauty and culture of his surrounding is not limited to the town of Solomeo and its peripheries. As an example, after the earthquake that damaged the city of Norcia in 2016, Cucinelli, his workers and the Brunello and Federica Cucinelli foundation all collaborated to donate fund to the restoration of Torre Civica, one of the main landmarks of the city.

Moreover, Cucinelli also places a lot of care and attention on the preservation of the textile art and practices and in 2013 has founded the School of Arts and Crafts in Solomeo. Cucinelli drew his inspiration for this project from the Art and Crafts Movement of John Ruskin and William Morris, and aimed at helping all of those interested in the industry, but that felt like there wasn't pride to work in it, to rediscover the dignity and beauty of manual work. The school courses are thought either by current or retired experienced artisans working for the company, they last for 5 hours a day and the participants earn monthly wages.

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[63] http://www.brunellocucinelli.com/en/pleasant-peripheries.html

Conclusions

Committing to the implementation of effective and coherent Corporate Social Responsibility practices has become vital today for the survival of a business. Throughout time, many scholars have approached theoretically the topic of Corporate Social Responsibility and, as Garriga and Melè claim, the vast majority of the theories developed can be fit into one of four major groups: Instrumental, Political, Integrative and Ethical theories. However, in hindsight, it is possible to realise that, regardless of the theories viewing Corporate Social Responsibility as more or less profit oriented, there is a common ground of understanding how consumers, and society as a whole, expect them to behave.

The modern consumer has indeed become, with time, increasingly more aware of the power that corporation hold within society and thus is requiring them to behave in a way that is respectful of its stakeholders and of the environment. However, despite this being a trend that is affecting in some way all businesses across the board, the luxury industry has been one of the few to capture the most the consumers' and scholars' attention due to its tremendous economic relevance. As a matter of fact, as discussed in Chapter 2, the luxury industry is perceived as being somehow less ethical than many others, mostly due to the social inequality is creates across consumer segments. However, taking as an example fashion luxury as opposed to ordinary fashion, it can be asserted that such segment of the market can indeed be considered as being more ethical and prone to implementing effective Corporate Social Responsibility practices than the other. In fact, according to the writing of Godart and Seong with respect to the ways in which the fashion industry can approach its Corporate Social Responsibility, and of Amatulli and De Angelis, regarding the ways in which luxury can be sustainable, fashion luxury turns out to naturally satisfy the vast majority of the Corporate Social Responsibility requirements that society expects a business to address.

In light of that, as discussed in the third chapter of this paper, it is possible to position the brand of Brunello Cucinelli as one that is proving the mentioned assumption to be valid. Brunello Cucinelli can in fact be considered a pioneer in terms of responsible behaviour in the fashion luxury market. His strong ethical principles, combined with the economic resources to invest in the causes he believes to be relevant, have helped him build a reputation not only as an admired stylist and entrepreneur, but as a man who places the wellbeing of its surrounding and of his workers before all other matters, whether they are profit related or not.

Overall it can be concluded that the fashion luxury industry, despite the scepticism of many, is indeed naturally more sustainable and capable of implementing Corporate Social Responsibility practice in its management than non-luxury businesses, and that the case of Brunello Cucinelli can shed light on the immense potential that the sector holds.

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