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Laurea Magistrale in Marketing

Market relationship & Customer engagement

Cattedra di Web Analytics and Marketing

**Sustainability in Fashion Luxury:
An atypical paradox evolving into reality.
Gucci wallet case study.**

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Anno Accademico 2018/2019

A me stessa,
che accetto ed abbraccio i miei errori
come chiave per il successo,
accolgo le difficoltà come sfida personale
e opportunità per il cambiamento e il miglioramento.

A mia nonna,
che da settembre mi ha insegnato la forza
di lottare sempre per il bene più grande
che ci hanno dato: il Dono della Vita.

A tutti i miei affetti più cari,
che mi sono stati vicino in questi mesi difficili,
sostenendomi e incoraggiandomi,
dandomi forza e agendo da luce
quando il tunnel appariva troppo scuro
e la strada senza via d'uscita.



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INTRODUCTION

This thesis was for me a challenge since fashion is not a sector in which I'm interested. In fact, I would rather prefer to spend all my money on travel, and this is the reason why my first intention was to write a thesis on sustainable tourism. However, I was always intrigued by the "luxury halo appealing", so I decided to accept with enthusiasm the proposal of De Angelis' professor on this research. Actually, I like to enjoy the opportunities that the life puts on my way and it has been quite interesting to explore a new sector that was unknown to me before this dissertation.

Both tourism and luxury sectors are often conceived as a "want" rather than a "need", a nonessential, hedonic, aspirational consumption that are more readily associated with the more malignant view of marketing practice (Xavier&Scott, 2017). Indeed, both are sometimes conceived as essentially pure marketing: tourism is often based on packaging existing resources and assets of a destination, while luxury marketing focuses on brand value and emotional connection with consumers. In the luxury sector, deliver product excellence, by itself, is not enough. The luxury brand must perform at an experiential level as well.

According to McKinsey, referring to sustainability, "2019 was the year of awakening after the reckoning of 2018 - a time for fashion companies to look at opportunities and not just at surmounting challenges. Those who succeed will have to deal with the fact that in the new paradigm taking shape around them, some of the old rules simply don't work." (McKinsey & Co, 2018).

I have always been interested in the topic of sustainability, also taking part in the Legambiente association, with which in 2011 I participated to a national event called "The young change the changing climate." So, whatever is the sector of reference, as a representative of my generation, it is important to spread the concept of sustainability as much as possible.

Attention toward the environment seems to be an exponential issue that grows more and more every day more, especially after "movement" of Greta Thunberg, between alarming scientific reports, student strikes, and the U.N. General Assembly, headlines have been filled with climate and sustainability-related news. The general concern about environmental issues seems to be a "hot ball" passing from one side to the other while declaring the gravity of climate change. Over the last five years, the concern for global temperature has increased every day, expressed by press and media coverage defining every year as "the hottest ever". So, the current historical period in which we live reflects more than ever the importance of addressing marketing issues in sustainability.

The title of this work emphasizes the worldwide "paradox", considered as a self-contradictory concept because sustainability seems to be in contrast with all the fields discussed in this thesis: marketing, fashion and luxury.

First, it may at first appear that the concepts of marketing and sustainability are antithetical, mutually incompatible (Jones et al. 2008; Xavier & Scott 2017).

Marketing has been defined as the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large (American Marketing Association, 2013) suggesting a benevolent view of marketing. Nevertheless, it can

be contrasted with an alternative, more detrimental perspective, defining marketing as “manipulative, devious, unethical and inherently distasteful” (Brown, 1995).

In this sense – “marketing encourages unnecessary consumption, promoting a culture of materialism and a relentless search for unattainable lifestyles, to and by people who cannot afford them and for which ultimately their attainment would not make them happier” (Xavier & Scott, 2017). Moreover, some marketing activities, particularly advertising, have been criticised for feigned claims in the promotion of sustainability, defined in the practice of “greenwashing”- misleading consumers about a company’s environmental performance for business gains (Delmas & Cuerel Burbano, 2011; Laufer, 2003).

Philip Kotler’s definition of Marketing, however, assesses that “Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with other” (Kotler, 1994).

According to this definition, the mission, the aim and the final goals of marketing are to attract new customers by promising superior value and to keep current customers by delivering satisfaction. So, we can also consider marketing as an instrument to improve people’s lives, with an emphasis on ethics and social affairs. Sustainability on the other hand, while also, like marketing, deals with varying interpretations and contrasting viewpoints, but is generally associated with a more positive moral standing in academic discourse and social understanding. Sustainability provides a long-term view of the future in a responsible and respectful approach that recognizes the role of all stakeholders and both present and future generations’ entitlement to the use of resources. Sustainability is based on a set of ethical values and principles that consider the environment and societal consequences of actions, as well as economic goals (Xavier & Scott, 2017).

The second paradox of this thesis reflects the seemingly irreconcilable possibility of bringing together sustainability — defined as continuity and resourcefulness — and fashion, understood as constant change, and tied to business models based on continuous replacement of goods (Fletcher, 2008).

A first step to discuss sustainability in fashion is to recognize an inherent truth: fashion is a polluting and resource-intensive industry, even if its future success depends on the reduction of its environmental and social imprint across the entire life cycle of garment production.

It means the reduction of the environmental impact deriving from the cultivation and the production of textile fibres, working towards alternate fibres with low-resource intensity and potentially rich cultural traditions (Joy & Peña, 2017).

The dangerous impact that the fashion industry has had on the environment is by no means a new revelation, having accumulated a great deal of evidence over the years. However, unlike in the past, when “sustainability” seemed more an ideal adopted by individual, niche grassroots organizations, it is now considered a core value globally across the fashion industry. The fashion industry’s recent wave of intentional action toward sustainability is in part motivated by several comprehensive and revealing industry sustainability reports released in the last three years (Xiaopei and Li, 2019).

The third paradox on which this thesis is founded is between sustainability and luxury. Luxury buyers have ambivalent attitudes, in order to consider luxury and sustainability somewhat contradictory, especially as

regards the aspect of social and economic harmony of sustainable development. However, today's consumers demand for sustainable supply chain and luxury products consumers is increasing every day. In fact, more recently, luxury brands were criticized for their unsustainable raw materials selection and use of endangered animal skins for apparel products.

Consumers started boycotting such brands and it negatively affected luxury brands' images overall (Davies et al, 2012). Following these events, luxury brands, such as Gucci, Saint Laurent, Prada, Armani and Chanel, have committed themselves to developing comprehensive sustainability programs, including promoting the use of energy efficient light sources, adopting recycling practices in product supply chain, fur-free, and opting for environmental-friendly bioplastic and native organic wool (Guercini & Ranfagni, 2013). These examples show that luxury brands also need to pay attention to sustainability and create sustainable supply chain to meet the demands of today's consumers (Lo & Brooshire, 2018).

The thesis is organized with a funnel structure, from the general to the particular one and the specificity of the sustainability in fashion luxury. It does not focus only on the main academic theories demonstrated by previous studies on academic, commercial and journalistic sources that have been taken into consideration in order to provide the right theoretical basis for the present research. Furthermore, all the chapters also consider the practices through the comparison of the last survey findings and reports to understand the national and global trends in addition to the general consideration and overview about the analysed phenomenon. Finally, some business case studies of successful sustainable companies are analysed.

Important space is given to young segment, formed by Millennials and Gen Z for three reasons: the first one, extremely personal, is that I am straddling both generations, the second one is that the sample of experimental research is composed for 80% by them and the last, more important reason is that young customers are the new frontiers of tomorrow's luxury market.

In general, as I am a strong passionate of corporate social responsibility and management, this thesis will provide more of a managerial perspective than a marketing perspective in order to address issues of luxury management.

Below the structure and the content of every chapter will be explained in detail.

The **first chapter** starts with a digression on the general theme of sustainability as it is the main issue of the research. The literature review proposes a theoretical perspective that analyses the definitions and approaches, including the three common pillars (economic, environmental, and social) and the politic dimensions considered as sustainable development. To get an overview, the most important aspects of sustainable governance and business ethics expressed in the form of Corporate Social Responsibility are therefore discussed. In fact, for companies it is imperative that CSR strategies become more and more integrated keeping their commitments without misleading the reality of facts with practices such as greenwashing. Subsequently, the chapter explores the results of the survey on consumer perception, deepening the perceived meaning of sustainability, purchasing habits and willingness to pay. The last part of the first chapter explores the practices of the most sustainable companies in 2019 according to the "Global 100 Most Sustainable Corporations in the World index" and a survey by GlobeScan and SustainAbility.

The **second chapter** argues the fashion industry. Starting from the fashion market segmentation and the business models, is then presented a reflection on the differences between fast and slow fashion and how this latter is more compatible with the features of sustainable fashion.

After, the current situation is considered with a general overall on the profits deriving from the fashion industry in the last years and the forecasts for the year 2020 according to McKinsey & Company's reports "The State of Fashion Industry". Finally, in order to understand the importance of sustainability in fashion all the environmental impacts of the fashion industry are discussed, followed by a digression from a managerial perspective illustrating concrete practices of sustainability through the supply chain as well as benchmarks and tools used by companies to measure the sustainability.

The **third chapter** focuses on the luxury domain. The concept is first analysed from a theoretical point of view considering all the definitions and frameworks presented from the literature review during the years. Then, both the perspectives from luxury demand and supply are presented. Luxury consumption is determined by several purchase intentions and behaviours presented. Moreover, since I am interested in social psychology, an international approach is provided by considering the different cultural perspectives that influence luxury consumers perceptions.

From a business point of view, the second part of the chapter analyses the luxury market. First are examined the market segmentation and the brand system, then the luxury market stages of growth in the last twenty years and the emerging new consumers like the HENRY are considered. At the end of the chapter the macro-trends and forecasts that will shape the future of the luxury market are presented.

The **fourth chapter** deals with the main theme of this thesis, debating on the origins, evolution and future of sustainability in fashion luxury.

The chapter opens with the history of the sustainable fashion movement and the demonstration that it is possible to have a match between luxury and sustainability; consequently, the most important aspects of sustainable fashion luxury are considered. Subsequently, space is given to overview on the actual situational of sustainability in fashion luxury. The last initiatives in politics and on the catwalks are considering, therefore the trend and priorities of 2020 decade that will lead the future of sustainable fashion and also a deepening on the key findings of both companies progress and customers sentiment according to annual reports (e.g. the Pulse of Fashion Industry 2019). Finally, some business cases relating to the implementation of sustainability strategies in fashion are presented, with special attention to the luxury brand Gucci (as part of Kering group), since the thesis research object is a Gucci accessory.

Chapter five focuses on the marketing research process used to develop the exploratory research study, examining the research objectives and the main hypothesis, i.e., that "the willingness to buy increases with a strategy based on sustainability because it is perceived as atypical compared to a strategy based on performance and quality", also in the luxury industry and from luxury buyers. Then, the procedures and methodologies adopted in the phases of the preparation of the statistical analysis are explained in detail: starting from the research design passing to the data collection, the questionnaire construction and the

measurements used, ending up with the preparation of the database and the process of data cleaning that allows to describe the considered sample used in the research.

In the **sixth chapter** the execution of the statistical analysis of the data is described, with the main intent to statistically test the hypothesis of the conceptual model of the study.

First, the general variables that emerged from the descriptive analysis are considered, namely luxury habits (also correlated with the gender), environmental concern and some KPI's (Key Performance Indicators) that influence the customer journey and commercial success of the brand, i.e., the brand liking and the brand familiarity. Then, the analysis of the results of the dependent variable and the mediator, presented with a general description, the analysis of the factors, the analysis of variance (ANOVA test) and finally the regression analysis are presented.

Chapter seven supports the general discussion that emerged from the research, with the practical implications from a theoretical and managerial perspective, as well as the limitations of the present study and the consequent suggestions for future research on the same covered topics.

Finally, the conclusion summarizes all the most relevant contents presented during the entire discussion offering interesting issues open to discussion. At the end, the references and the appendix relating to the Qualtrics questionnaire.

Enjoy the reading!

CHAPTER I: SUSTAINABILITY

“Sustainability is the key to our survival on this planet and will also determine success on all levels.”

(Shari Arison, the richest woman of Israel according to Forbes)

1.1. Literature review

The term sustainability is often used in an undiscerning and loose means and has become into somewhat of a “container term”: it has turned into a buzz word and is worth reflecting on. At any rate, “sustainability has developed into the categorical imperative of contemporary responsibility for Creation and the 21st century has been chosen as the century of sustainable development.” (Jenkins and Schröder, 2013, p.9).

1.1.1. Definition and history

The definition of sustainability is not that easy as it might seem, likewise with the definition of sustainable development and related concepts. This is best illustrated by the fact that there are over hundreds different definitions to what is sustainability and sustainable development. The name sustainability comes from the Latin *sustinere* (*tenere*, to hold; *sub*, under). *Sustain* can mean "maintain", "support", or "endure" and in a wider meaning “sustainability” is the ability to exist constantly.

The term 'sustainability' should be viewed as humanity's target goal of human-ecosystem equilibrium (homeostasis), while 'sustainable development' refers to the holistic approach and temporal processes that lead us to the end point of sustainability (Shaker, 2015).

To give linear historical evolution to the conceptualization of sustainability, I briefly summarize the most important phases.

A move toward sustainable living by progressively public awareness and adoption of recycling and renewable energies already emerged in the 1970s and '80s.

The term “sustainable development” was first introduced by IUCN (International Union for Conservation of Nature) in 1980 with the publication of a world conservation strategy. Two years later, the UN World Charter for Nature raised five principles of conservation and finally the 1987 Brundtland report is widely credited with bringing sustainable development to the mainstream. The UN Brundtland Report (also known as Our Common Future) was prepared in 1987 by the WECD (World Commission for the Environment and Development) which, however, had been operating since 1983 in seeking solutions and alternative perspectives to the dramatic scenario that the report “The Limits to Growth (LTG)” by Meadows et al. (1972), presented for the planet in terms of exhaustion of resources within the next generations through a computer simulation of exponential economic and population growth with a finite supply of resource.

The Brundtland Report (1987) offers alternative perspective on sustainable development placing environmental issues firmly on the political agenda. An important contribute is the oft quoted and most common definition of sustainable development: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (WECD, 1987).

The institutionalizing of sustainable development would continue with the 'Rio Process', started with the 1992 Earth Summit in Rio. In this occasion the world's political leaders undertake their support with the publication of the 'Rio Declaration' consisting of 27 principles designated to guide future 'sustainable development', and 'Agenda 21' which articulates a plan of action for putting these principles into practice with the aim to improve human lives and protect the environment (Jordan et al, 1998).

Agenda 21 shaped upon the Brundtland Report, emphasizes the problems of the North–South development divide, supports economic growth and free trade, and highlights the need to link social and economic development with environmental protection. Subsequent summits occurred in 1997, 2002, and 2012 in which member States adopted the outcome document "The Future We Want" (Purvis et al, 2019).

Through the work of climate scientists in the IPCC (Intergovernmental Panel on Climate Change) in the 21st century there is an increasing global consciousness of the threats posed by the human-induced enhanced greenhouse effect, produced largely by forest clearing and the burning of fossil fuels.

Switzerland was the first country to add the term sustainability to its constitution in Article 2 (since January 1, 2000): "The Swiss Confederation supports the common welfare, the sustainable development, the internal cohesion and the cultural diversity of the country." (Jenkins and Schröder, 2013).

The 2015 was a landmark year for multilateralism and international policy shaping in which governments from around the world chose a more sustainable path for our planet and our economy with the adoption of several major agreements: Paris Agreement on climate change and the UN 2030 Agenda for Sustainable Development. The first one, signed in December 2015 by 195 countries, is the first-ever universal, global climate deal to adapt and build resilience to climate change and to limit global warming to well below 2°C.

The UN 2030 Agenda has at its core 17 Sustainable Development Goals (SDGs), guiding the countries "in preparing for a future that ensures stability, a healthy planet, fair, inclusive and resilient societies and prosperous economies." (European Commission, 2018).

1.1.2. Triple bottom line approach

The definitions of sustainability usually end up as a list of preferred characteristics, most often pertaining to the global socioeconomic system in the context of its ecological life support system (Costanza et al, 1995). For example, most definitions of sustainable development (WCED, 1987; Pezzey, 1989; Costanza, 1991) contain elements of: (1) a sustainable scale of the economy relative to its ecological life-support system; (2) an equitable distribution of resources and opportunities between present and future generations; and (3) an efficient allocation of resources that adequately accounts for natural capital (Costanza and Patten, 1995). "The last 20 years have witnessed a surge in publications on 'sustainability', to the extent where 'sustainability science' is often seen as a distinct field. Yet despite this, 'sustainability' remains an open concept with myriad interpretations and context-specific understanding." (Purvis et al, 2019).

One particularly prevalent description of 'sustainability' employs three interconnected '*pillars*' (Basiago 1999; Pope et al. 2004; Gibson 2006; Waas et al. 2011; Moldan et al. 2012; Schoolman et al. 2012; Boyer et al. 2016), '*dimensions*' (Stirling 1999; Lehtonen 2004; Carter and Moir 2012; Mori and Christodoulou 2012), '*components*' (Du Pisani 2006; Zijp et al. 2015), '*stool legs*' (Dawe and Ryan 2003; Vos 2007), '*aspects*'

(Goodland 1995; Lozano 2008; Tanguay et al. 2010), ‘*perspectives*’ (Brown et al. 1987; Arushanyan et al. 2017), etc. encompassing economic, social, and environmental (or ecological) factors or goals.¹

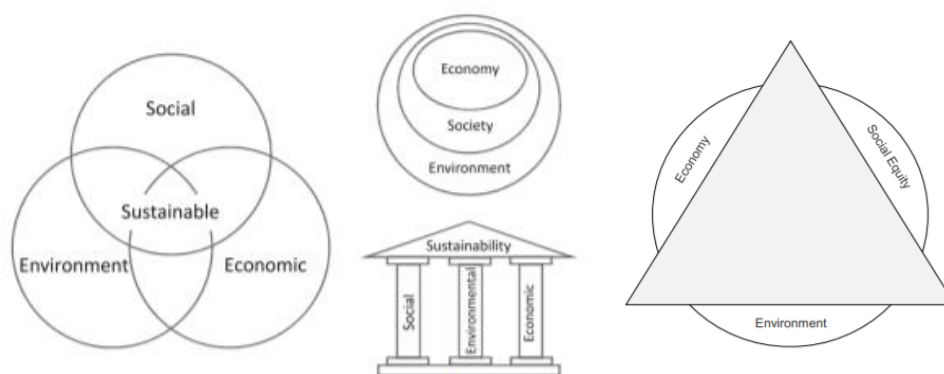
“There is no single point of origin of this three-pillar conception, but rather a gradual emergence from various critiques in the early academic literature of the economic status quo from both social and ecological perspectives on the one hand, and the quest to reconcile economic growth as a solution to social and ecological problems on the part of the United Nations on the other.” (Purvis et al, 2019).

The origins of the ‘three-pillar’ paradigm have been variously attributed to the 1987 Brundtland Report, Agenda 21 and the 2002 World Summit on Sustainable Development (Moldan et al. 2012).

The triple bottom line (TBL) according to John Elkington in 1994 consists of social equity, economic, and environmental factors, corresponding to people, planet, and profit. TBL approach expands the traditional reporting framework considering social and environmental performance in addition to financial performance. Comparing the different authors, not only the categorization is different, but also the graphical representations (fig. 1).

The popular three intersecting circles diagram recognized as a “Venn Diagram” appears to have been first presented by Barbier (1987). Another one (1992) is the “triangle of sustainability” developed into a “magical triangle” that become symbol of the German parliament’s Study Commission entitled “protection of the human and the environment” in which sustainable development, economic, social and environmental objectives face each other (Jenkins and Schröder, 2013). Followings alternative depictions are literal ‘pillars’ as a pantheon and a concentric circles approach (in which both economy and society are constrained by environmental limits).

Fig. 1: Graphical variations in form of the descriptors of “sustainability”.



Source: Jenkins and Schröder, 2013 & Purvis et al, 2019.

The 2005 World Summit on Social Development identified sustainable development goals, such as economic development, social development and environmental protection. This views using the most common representation, i.e. the three overlapping ellipses indicating that the three pillars of sustainability are not mutually exclusive and can be mutually reinforcing; in addition they are interdependent, and in the long run none can exist without the others (Morelli, 2011).

¹ For all the mentioned references cfr: Purvis B., Mao Y., Robinson D. 2019. “Three pillars of sustainability: in search of conceptual origins.” *Sustainability Science* 14, 681–695.

Fig. 2: Venn diagram of sustainable development: at the confluence of three constituent parts



The general and communal idea of every references are that there are 3 main components to be considered in the sustainability:

- *Environmental sustainability (planet)*: management of the physical environment in a way that supports living within ecological limits, protection of natural resource (such as materials, energy fuels, land, water...etc,) at a sustainable rate.
- *Economical sustainability (profit)*: business or country uses its resources efficiently and responsibly so that it can operate in a sustainable manner to consistently produce an operational profit in the long-term economic growth.
- *Social sustainability (people)*: the ability of society, or any social system, to persistently achieve a good social wellbeing encouraging communities to promote social interaction and foster community investment while respecting social diversity.

Only through balancing economic + social + environmental can we achieve true sustainability and a truly circular economy.

Below two graphs show in summary all the key-points that an industry must consider in defining itself “sustainable.”

Fig. 3: The Three Spheres of Sustainability



Source: Adopted from the 2002 University of Michigan Sustainable Assessment.

Fig.4: Environmental, social and economic dimension of sustainability

Environmental dimension of sustainability	Social dimension of sustainability	Economic dimension of sustainability
Environmental issues Global climate change. Increased drought, habitat destruction, and rising sea levels	Social issues Increased public distrust toward business practices. Tension between the interests of business and society. Companies are expected to do more for social well-being	Economic issues Enduring global economic recession, widespread job losses and insecurity, high financial risks
Green marketing	CSR	Conventional financial performance
"Green" applications of a range of traditional marketing topics, such as advertising and promotion, purchase intention, and consumer behavior	Firms that embrace sustainability also respond to a macro-level societal concern for habitat and quality of life	Preservation of economic interests of external stakeholders, broad-based improvement in economic well-being and standard of living

Source: Amatulli et al, 2017.

1.1.3.Sustainable development: the fourth dimension of culture and politics

While the United Nations Millennium Declaration (2000) identified principles and treaties on sustainable development using the three domains mentioned above (economic, environment, and social), the discussion about the general concept continued during the years.

The simple definition that sustainability is something that improves "the quality of human life while living within the carrying capacity of supporting eco-systems" (IUCN, 1991) though vague and conveys the idea of sustainability having quantifiable limits. In fact, sustainability is also a call to action, a task in progress or "journey" and therefore a political process, so some definitions set out common goals and values (Milne et al, 2016). The Earth Charter (2000) speaks of "a sustainable global society founded on respect for nature, universal human rights, economic justice, and a culture of peace". This suggested a more complex figure of sustainability, which included the importance of the domain of 'politics'.

More than that, sustainability implies responsible and proactive decision-making and innovation that minimizes negative impact and maintains balance between ecological resilience, economic prosperity, political justice and cultural vibrancy to ensure a desirable planet for all species now and in the future. (Magee et al, 2012).

In addition to the political pillars - in accord with the United Nations, UNESCO, Agenda 21, and in particular the "Agenda 21 for culture" which specifies culture as the fourth domain of sustainable development - also the culture emerged as fundamental and additional pillars because "culture shapes what we mean by development and determines how people act in the world." (Hawkes, 2001, Nurse 2006).

More recently, using a systematic domain model that responds to the debates over the last decade, the *Circles of Sustainability* approach (fig. 5) distinguished four domains: economic, ecological, political and cultural sustainability. It can be used to represent the 17 SDGs (Sustainable Development Goals) set in 2015 by the United Nations General Assembly and intended to be achieved by the year 2030.

The approach is issue-driven, cross-domain, participatory, relational, cross-supported, standards-oriented. Normally the Circles of Sustainability Urban Profile Process is a way of developing an interpretative description of the sustainability of an urban region and its immediate hinterland and it is used by organizations such as the UN Global Compact Cities Programme and Metropolis.

Fig. 5: Illustration of the Circles of Sustainability framework to map the Sustainable development goals



Source: James Paul, 2017.

Another model suggests humans' attempt to achieve all their needs and aspirations via seven modalities: economy, community, occupational groups, government, environment, culture, and physiology (Thomas, 2016). From the global to the individual human scale, each of the seven modalities can be viewed across seven hierarchical levels. Human sustainability can be achieved by attaining sustainability in all levels of the seven modalities.

According to Jenkins and Schröder (2013, p. 26-27), all models and concepts should include the following basic principles for sustainable development:

- *Intergenerational Justice*: to satisfy the needs of today's generation without compromising the ability of future generations to meet their own needs.
- *Capacity for Regeneration*: not taking more from nature that it can regenerate in a natural ecological cycle.
- *Law of Succinctness*: to use non-renewable resources only to the extent that an equal substitute in the form of renewable resources can be found or that resource productivity can be increased.
- *Reduction in Risk*: to minimize potential environmental risks and ensure safety in the manufacturing process and with materials.
- *Absorption Capacity*: to generate emissions only at a level that nature can cope with over time or that can be transformed into non-toxic substances.
- *Ecological-Economic Value Creation*: to maintain and promote the ecological potential and biodiversity.

1.2. From words to actions: Sustainable Governance

The complexity of the actual global scenario is reflected and analyzed by several studies as the wide literature review presented until now demonstrates, but in addition to the intentionality of being sustainable, the most important rules for the companies remains the famous quote “actions speaks louder than words.”

Successful integration and effective management of sustainability into a company require having committed leadership, clear direction, and strategic influence—and none of this will happen without a robust governance structure. Sustainability governance support the implementation of sustainability strategies across the business, manage goal setting and reporting processes, reinforce relations with external stakeholders and ensure overall accountability.

If a company wants to achieve real profits deriving from concrete improvements, a good marketing strategy always has to be implemented with corporate sustainability, understood as the ability of companies to positively influence environmental, social and economic development through their governance practices and market presence (Krechovská et al., 2014).

1.2.1. Corporate Social Responsibility

I analyze the origins of the underlying problem tied with the sustainability and the literature review about the Corporate Governance and Business Ethics expressed in the form of Corporate Social Responsibility.

The first situation explaining how common resource systems have been known to collapse due to overuse (such as in over-fishing) without cooperation and regulation was originated in an essay written in 1833 by the British economist William Forster Lloyd, who used a hypothetical example of the effects of unregulated grazing on common land in Great Britain and Ireland. The concept became widely known as “The tragedy of the commons” over a century later due to an article written by the American biologist and philosopher, Garrett Hardin in 1968. One solution is offered by the 2009 Nobel Prize Elinor Ostrom requiring the development of the We Culture in which all cooperate for the conservation of the Planet.

The message of Ostrom work was that “groups are capable of avoiding the tragedy of the commons without requiring top-down regulation”, at least if certain conditions are met (Ostrom 1990, 2010). She summarized the conditions in the form of eight core design principles:

1) Clearly defined boundaries; 2) Proportional equivalence between benefits and costs; 3) Collective choice arrangements; 4) Monitoring; 5) Graduated sanctions; 6) Fast and fair conflict resolution; 7) Local autonomy; 8) Polycentric governance: appropriate relations with other tiers of rule-making authority (Wilson et al., 2013). The elements of Ostrom’s work are pertinent to underline the importance of transforming a situation that seems “tragic” in an opportunity; she demonstrates how these collective resources can – under certain conditions – engender surprisingly virtuous behavior.

I thus propose that we should consider these commons not as an end, but as a means of inducing this virtuous behavior. Applying this idea to the issue of social entrepreneurship, we could, by creating “artificial commons” encourage entrepreneurs to adopt desirable behaviors. This should be similarly applicable to other situations, for instance CSR.

In 1899, Andrew Carnegie published “The Gospel of Wealth” which set forth the classic statement of corporate social responsibility, based on two principle: the charity and the stewardship. Both were paternalistic because they consider business owners in a parent-like role with childlike employees and customers who lacked the capacity to act in their own best interests.

Corporate social responsibility is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. It refers to doing business in ways that benefit, rather than harm, society and the environment having a positive impact on it versus the overconsumption of natural resources, harming natural ecosystems, and contributing to climate change. Business sustainability refers to a company's ability to survive into the future and to eventually outlive its current owners.

CSR is a broad concept that can take many forms depending on the company and industry. According to Carter and Jennings (2004), “within the literature review, there are three schools of thought on the definition of CSR. In one view, CSR consists of specific sets of activities or dimensions and includes charitable and philanthropic donations (Wokutch 1998), community considerations (Mallot 1998), the advancement of gender, racial and religious diversity in the workplace (Clair et al. 1997), safety (Wokutch 1992), human rights (Jennings and Entine 1999), and the environment (Fryxell and Dooley 1997). The second view, found in several taxonomies and frameworks, defines business ethics to be a key dimension of corporate social responsibility (Llewellyn 1998) and uses the term business ethics interchangeably with CSR (e.g., Beauchamp and Bowie 2001; Velasquez 1982)². This view emphasizes fewer stakeholder issues and focuses on those areas traditionally associated with compliance programs and more likely to be labeled business ethics including antitrust issues, pricing policies, dubious sales inducements, deceit, and foreign bribery (Wokutch and Mallot 1998).

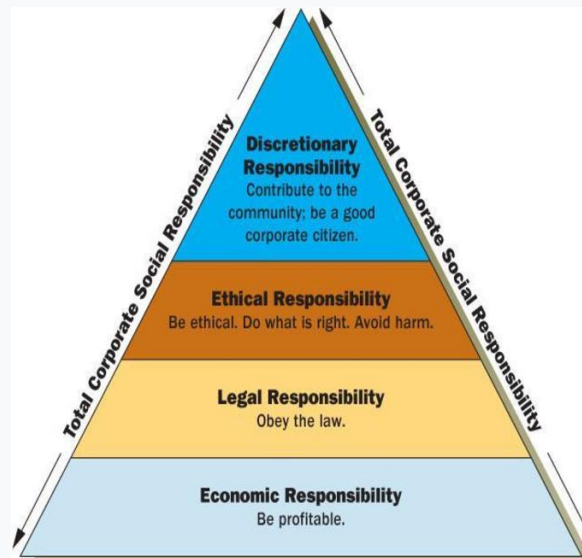
A third school incorporates both of the prior views regarding what firm behaviors and activities actually comprise corporate social responsibility. For example, Carroll (1979, 1991) attempted to bring greater precision in answering the question of what constitutes social responsibility by offering four hierarchically related duties:

1. *Economic Responsibility* – to transact business and provide needed products and services in a market economy
2. *Legal Responsibility* – to obey laws which represent a form of “codified ethics”
3. *Ethical Responsibility* – to transact business in a manner expected and viewed by society as being fair and reasonable, even though not legally required
4. *Voluntary/Discretionary/Philanthropic Responsibility* – to conduct activities which are more “guided by business’s discretion” than actual responsibility or expectation, according with a philanthropic view.” (Carter and Jennings, 2004, p. 49)

² For all the references cfr. Carter, C. R. and Jennings, M. M. (2004), “The role of purchasing in corporate social responsibility: a structural equation analysis.”

Recent studies (Wei 2013, Ciprian 2013) argue that a thoughtful relation should exist between the pyramid of Maslow's hierarchy of needs³ and the pyramid of Carroll's CSR (fig. 6). This relation is called as “double pyramid” thought and it was considered to help creating a better society derived from a good management of CSR for their employees. In a practical manner, it is assumed that each level on the pyramid of Maslow has a correspondent in the pyramid of Carroll and vice-versa. The essence of the concept relates to the fact that employees' needs should follow Maslow's hierarchy of needs, while corporate management should follow Carroll's CSR pyramid.

Fig. 6: The Pyramid of Social Responsibility (adapted on Carrol 1979)



Source: Kaman, Z. K. (2015) “CSR Models: An Approach to Environmental Perspective”

Baumgartner (2014) proposed a conceptual framework offering an integrated view on the relevance of sustainability aspects for an individual company, starting from an extensive literature review of strategic management, CSR, and corporate sustainability. He affirms: “There is huge body of literature about the link between CSR activities and firm performance (‘do well by doing good’), there is less knowledge about how corporations could manage the CSR-performance link or manage identified drivers for CSR. There are publications about the business case, but there seems to be still a black (or at least grey) box in management about how to develop, implement, control, and improve corporate sustainability strategies. Integration of sustainability issues is a strategic task; the foundation of sustainability activities and strategies in the organizational culture is an essential precondition for success.” (Baumgartner, 2014).

Faced with consumers increasingly demanding towards the issues of environmental sustainability and responsible consumption, development of CSR by companies demonstrates the propensity of themselves to collect these requests. This also demonstrates a more philanthropic and less attitude capitalist to do business by contributing to the creation of a healthier world. It is known that the purpose of the enterprise is to pursue profit but today - in the context outlined - the organizations that wants to achieve a competitive advantage

³ The pyramid of Maslow Hierarchy of Needs” levels are: physiological, safety, belonging and love, social needs or esteem, and self-actualization.

must try to combine economic obligations with social responsibilities. More and more often companies are thinking to live social responsibility as an opportunity and a challenge around which reshape the structure of one's own governance.

Where there is an adhesion to the multiple declinations of the CSR, corporate governance is a midpoint between stakeholder relations, human resource strategic profile and internal processes.

“Corporate governance focuses on a company’s structure and processes to ensure fair, responsible, transparent and accountable corporate behavior. It stands for responsible business management geared towards long-term value creation. There are many definitions of corporate governance, but they all concern the following elements:

- Systems of controls within the company
- Relationships between the company’s board/shareholders/stakeholders
- The company being managed in the interests of the stakeholders
- Greater transparency and accountability to enable users of corporate information to determine whether the business is being managed in a way that they consider appropriate.” (Madhani, 2009).

The commitment of the industries in enabling a positive change is tangible in the reports that companies produce. Annual Reports (ARs), Sustainability Reports (SRs) and Integrated Reports (IRs) are different typology of reports published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. The sustainable report presents the organization's values and governance model and demonstrates the link between its strategy and its commitment to a sustainable global economy. Sustainability reporting can help organizations to measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effective; it is the key platform for communicating sustainability performance and impacts – whether positive or negative.

1.2.2. Environmental claim and Greenwashing

Environmental claim, also termed “green claim”, is an assertion made by firms about the environmentally beneficial qualities or characteristics of their goods and services; in other words, it’s an eco-label with a message about a product causing less damage to the environment.

They can refer to the way products are produced, packaged, distributed, used, consumed and/or disposed of. In addition to environmental aspects, these claims are sometimes defined to include the socially responsible or ethical way in which products are produced and distributed (OECD, 2009).

The Environmental Claims Guidance of EU (2016) defines “environmental claims” as “the practice of suggesting or otherwise creating the impression (in the context of a commercial communication, marketing or advertising) that a product or service is environmentally friendly (i.e., it has a positive impact on the environment) or is less damaging to the environment than competing goods or services.” (EU Commission, 2016)

In the early 1990s, we saw a rapid rise in products touting environmental claims. In 1991, a study published in the Journal of Public Policy and Marketing (American Marketing Association) found that 58% of

environmental ads had at least one deceptive claim. Another study found that 77% of people said the environmental reputation of company affected whether they would buy their products.

An interesting research (Steinhart et al., 2013) examines how an environmental claim differently affects consumers' evaluations of utilitarian products and luxuries ones. The results show that consumers perceive an environmental claim as being a utilitarian aspect of a product more than a hedonic one. Therefore, such claims may enhance consumers' evaluations of utilitarian products, especially when the content of the claim emphasizes global environmental benefits, rather than personal benefits, such as contributing to the environment by reducing deforestation and abating global warming. Conversely, for luxury products, the utilitarian perception of an environmental claim may have constituted an available justification to consume a self-indulging product and the effect is enhanced when the content of the environmental claim emphasizes personal-social benefits, related to the user's social status.

It is known that cunnings reign supreme in the competitive business world, in seeking of easy profit and this attitude would lead every company to fall into the temptation to deceive the consumer, adopting practices that are unethical. Since the mid-1960s, with the affirmation of the environmental movement, the phenomenon of misleading environmental communication has begun to be identified at the level of both actions and business strategies. This phenomenon was initially defined as "eco-pornography" in 1972 by former advertising executive Jerry Mander (Torelli et al, 2019). The term "greenwashing" (a compound word modelled on "whitewash") was first coined in 1986 by biologist and environmental activist Jay Westerveld regarding the hotel industry's practice of placing placards in each room promoting reuse of towels ostensibly to save the environment, while in reality they hid economic reason of cost reduction.

Despite growing interest from academics and professionals, in the current literature of greenwashing different definitions and perspectives have been adopted. In describing greenwashing, several scholars base themselves on the definition of the Oxford English Dictionary, others adopt the TerraChoice perspective, and others elaborate their own definition. (Delmas & Burbano, 2011; Lyon & Montgomery, 2015; Walker & Wan, 2012). Whereas the Oxford Dictionary (1999) defines greenwashing as "disinformation disseminated by an organisation so as to present an environmentally responsible public image," TerraChoice (2009) considers greenwashing "the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service." Interesting perspectives are offered by Delmas and Burbano (2011), which considers greenwashing a "poor environmental performance and positive communication about environmental performance," and Lyon and Montgomery (2015), which finds that "the word greenwash is used to cover any communication that misleads people into adopting overly positive beliefs about an organization's environmental performance, practices, or products." (Torelli et al, 2019).

Greenwashing practices have a significant impact on the perceptions of stakeholders in general. Each kind of greenwashing, which is intended as an intentionally misleading environmental communication, produces different reactions and responses from stakeholders (Collison et al., 2003). Some approaches can receive nonsignificant responses, but others can lead to reputation problems, scandals, protests, boycotts, and so forth (Torelli et al, 2019). When consumers perceive that ads are misleading and make fraudulent claims, they react

negatively to the ads and to the advertised brands (Chase 1991). Newell (1998) expands the Carlson et al. 's (1993) research — showing some of the effects specific misleading ads may have on consumers — and investigates whether consumers who are exposed to an ad containing a deceptive environmental claim have significantly different attitudes about the ad than those consumers exposed to a similar non-deceptive ad. The research demonstrates that “when an ad is perceived environmentally misleading, consumers also perceive lower advertiser credibility, express negative attitudes toward the ad and toward the brand and develop lower purchase intentions for the brand.” (Newell, 1998).

Another research examining how misleading advertising about the environmental features of products affects consumers perceive ads and brands demonstrates that “while vague claims do not enhance consumers' perceived greenwashing regardless of their environmental knowledge or concern, false claims do, which consequently harms consumers' attitudes toward those ads and brands.” (Schmuck, 2018).

A recent study (Torelli et al, 2019) has analysed this issue because the effect on perceptions of the effective social and environmental responsibility of companies, the possible presence of misleading practices and the intentions following an environmental scandal creates significant distortions in the market, in the economic system, as well as increasing the information asymmetry between companies and stakeholders.

The study identifies four main levels of greenwashing that are different misleading environmental communication. Every level is characterised by specific goals and communication procedures and they are: the corporate level, strategic level, dark level, and product level greenwashing.

- *Corporate level* is about data and aspects related to the actual firm's image and reputation. This level embodies a static dimension (i.e., the company name and logo, vision, standard adherence, and corporate certification).
- *Strategic level* concerning aspects related to the future firm's strategies (i.e., strategic public communication, corporate medium-long-term goals, strategic plan for improvement or implementation of technology/processes, report communication, and targeted extraordinary operations).
- *Dark level* is finalised to hidden illegal activities (i.e., money laundering, criminal and/or mafia collusion, corruption, and investments with hidden aims).
- *Product level* concern some specific features of a product or a family of products (i.e., label, targeted advertising, packaging, and product certifications).

Today many manufacturers are again revisiting the value of promoting their products, or even themselves, as being green to attract a growing environmentally aware segment. In attracting a green audience, companies often use claims that sound environmentally friendly, but are vague, and at times may be false. As a result, greenwashing has become commonplace in our market (Furlow, 2009).

While greenwashing is not new, its use has increased over recent years to meet consumer demand for environmentally friendly goods and services. For example, in 2010 a study of TerraChoice found that 95% of the consumer products claiming to be green were not green at all. The same study shows that 4.5% of products (4,744 items) tested were found to be truly green as opposed to 2% in 2009 (2,739 products). The proliferation of environmental disinformation, or greenwashing, has become so common and is of such a

concern, that EnviroMedia developed the Greenwashing Index to monitor environmental claims used by manufacturers (Miller, 2008).

The intuitiveness of the managerial implications of the previous researches appears to be clear. The greenwashing is a type of activity that strongly hinders the development of a sustainable economy. Moreover - faced with these mystifications - the consumer feels deceived and loses confidence in any form of sustainable behavior and also in front of the company, that injure his reputation.

In front of this type of negative practice the Governments undertake actions to protect consumers. For this reason, particular forms of regulation have been designed and introduced, which in Europe are developed starting from Directive 2005/29/EC of the European Parliament and Council, launched on 11 May 2005 concerning the use of unfair commercial practices between businesses and consumers in the internal market. In May 2016, the Commission presented an updated version of the 2009 Guidance document on the application of the Unfair Commercial Practices Directive (the UCPD). The purpose of the document is to facilitate the proper application of the directive 2005 providing guidance on the UCPD's key concepts and provisions and it gives practical examples taken from the case-law of the Court of Justice of the European Union and from national courts and administrations. This directive is extended and applied, "in order to protect the consumer, also to the so-called 'environmental declarations' or misleading 'green declarations', or those statements which by their characteristic can improperly suggest or create the impression (in the context of advertising, marketing or commercial communications) that a product or service is environmentally friendly (that is, that has a positive impact on it) or less harmful than similar or competing products or services." (European, 2016). In other jurisdictions the problem is compounded by lax enforcement by regulatory agencies such as the Federal Trade Commission in the United States, the Competition Bureau in Canada, and the Committee of Advertising Practice and the Broadcast Committee of Advertising Practice in the United Kingdom.

1.3. Consumers perception: survey findings

During these years concerns about vision catastrophic of the environmental issues have moved the consciences of many individuals. Such individuals must be considered from a consumer perspective because the underlying logic of this research is mainly that of consumption and the interest is aimed at investigating consumers opinions, attitudes and behaviours in the fashion luxury industry, as it will be discussed in the next chapter. To better understand the latest trends in sustainability, I'm now analyzing some of the surveys conducted in the Italian country and in the United States.

I'm starting from the main findings of the *Findomestic Observatory 2017* investigated on 1004 Italian respondents, focused on the concept of sustainability examined both on the consumer side and on the corporate side. Consumers today have a very selective and demanding attitude: seven out of ten are available to reward companies that invest in sustainability, paying more for their products. On the other hand, if a company clearly proves to be unsustainable, they are willing to boycott it by avoiding purchases (in 64% of cases), or by not recommending it to kin and friends (in 45%).

For 53% of respondents the concept of sustainability is intrinsically connected to the environmental variable: attention to limited resources is considerable, while sustainability is no longer a 'declaration' (13%), but a

'lifestyle' (87%). The factors that can guide the behavior of citizens in a sustainable sense are: the need to protect future generations through a responsible use of the resources (33%), the awareness of protecting the environment (28%) and the possibility of economic savings (25%). It should be noted that the survey identifies a sample of 31% of "opportunists" within the sample, i.e. those who behave in a sustainable manner in the first place to saving.

The opinion tends to remain critical to companies, believing that the latter declare they are sustainable mainly driven by customers, but not by a serious choice of governance. 48% of Italians think sustainability is a superficial commitment adapted to a world of consumers who are increasingly aware of certain issues, 46% think that companies invest in sustainability only to improve their reputation. These beliefs drive the consumers to assume suspicious attitudes regarding the sources of information verifying their truthfulness on different channels, also alternative to the corporate ones: 45% of the sample inquiries into the authenticity of the statements company and 36% trust only if they know the company and how it operates. The sectors considered most virtuous are food, energy and automotive, while the sectors in which there are less careful companies about the issue of sustainability are banking, transport and clothing.

Subsequently, in *November 2018 Findomestic* Observatory in collaboration with Doxa analyzed the responses of 751 Italian people aged between 18 and 64, of whom 58% were men and 79% were not graduate. The first investigation they've done is about the meaning of sustainability: 51% associate it with a "concrete commitment by companies to reduce the impact on the environment"; 25% think it is an "increasingly widespread lifestyle", while another quarter of respondents are skeptical. Between the skeptical, 9% believe that sustainability is an "ideal carried out by environmentalists", another 9% that it is a "slogan used by companies to sell more", 4% a "cost for companies" and 3% a "fad".

Then, they investigated about the reasons for attention to sustainability. According to the Findomestic Observatory 2018, 43% of Italians adopt sustainable behaviors to "contribute to environmental protection", while 37% because "they care about the well-being of future generations". Sustainability is also made up of small gestures within everyone's reach: 58% of respondents say they pay attention to recycling, 42% to minimize consumption, 23% to limit heating and cooling where possible and another 22 % tries to resort to repairing objects rather than replacing them.

Almost seven out of ten Italians are willing to pay 10% more to put a sustainable product in the shopping cart, but only 1% of consumers are in favor of spending over 20% more. The price remains the main expense driver for 64% of respondents and one out of four (24%) declares that they cannot afford additional expenses for green and ethical products, while the 3% of the respondents is not interested in buying sustainable products. Additionally, a research conducted by Enel Green Power with Piepoli Institute in June 2019 on 1210 respondents investigates the habits of Italian citizens, their idea of sustainability and their relationship with renewable energies. For most of the interviewees, being a "sustainable consumer" means buying organic products (39%), reusing containers instead of throwing them (37%), reducing their consumption needs (36%) and not buying disposable products (30%). Moreover, for 49% of the subjects "a product is sustainable" if it

does not damage the environment. In summary, for the Italian consumers, sustainability means above all recycling, reduction of consumption and wastefulness and in general an efficient disposal.

There is a profound difference with respect to the United States, where consumers are more attentive to the environment and for this reason they are directing their purchasing choices towards sustainable and green companies as demonstrated by the survey commissioned by Enel Green Power and conducted by the KRC Research Institute between 14 and 17 March 2019 with an online survey of 1004 adult adults residing in the United States. The results show that two-thirds of Americans claim to be very interested in environmental issues and about half of the American population is willing to pay a higher price for a sustainable product, specifically, 52% of them would pay 3-5% more. The attention toward sustainability increase in the last generations: more than half of millennials and families say they are willing to pay a higher price for a sustainably produced good and a third of millennials are willing to pay more than 6% for a sustainably produced good.

Another interesting research comes from the *CGS 2019 U.S. Consumer Sustainability Survey*, that considers more than 1,000 consumers and their buying habits, revealing that more than two-thirds of the respondents consider sustainability when making a purchase and are willing to pay more for sustainable products. Gen Z shoppers led the way, with 68 percent having made an eco-friendly purchase in the past year. CGS also reveals that consumers will pay more for sustainable products: 35% would pay 25% more than original price would pay, 7% would pay 50% more, while only 5% would pay 100% more. Although over 1/3 of consumers are willing to pay 25% more for sustainable products, Gen Z is more willing to pay 50-100% more compared with other age groups and this is an important finding because according to Bloomberg, in 2019, Gen Z will surpass Millennials in 2019, comprising 32% of the global population of \$7.7 billion.

Moreover, CSG investigates about the meaning of sustainability that consumers expect from the companies, as showed in the fig. 7.

Fig. 7: Perception of sustainability among consumers



Source: CGS 2019 Sustainability Infographics

Regarding the brand loyalty, according to CGS 2019, Gen Z was more likely to prioritize sustainability and ethical business practices (28%), brand name (25%) and company mission/purpose (23%) compared with other age groups, while the most important attribute in the choosing of a brand remain the quality product (64%). In addition, according to a study conducted on 2000 young Italians (Isole24ore, 2019), loyalty

programs are no more a leverage of influence compared to the previous years: if in 2017 they affected the purchases of 10% of young people, in 2019 they only attract 3%.

In the investigation about what products are most critical for sustainable and eco-friendly options, after paper good (44%), we encounter toiletries, personal care (40%) and finally apparel, fashion, footwear (26%). This last finding confirms the study of Findomestic Observatory 2017 analysed previous declaring the sector banking, transport and clothing as less careful industries in theme of sustainability. According to CGS 2019, the three top mind brands in fashion, apparel and footwear are: Nike (11%), Tom (8%) and Patagonia (4%).

1.4. Most sustainable companies – case study examples

“Sustainability is becoming more important for all companies, across all industries. 62% of executives consider a sustainability strategy necessary to be competitive today, and another 22% think it will be in the future. It is a business approach to creating long-term value by taking into consideration how a given organization operates in the ecological, social and economic environment and is built on the assumption that developing such strategies foster company longevity. As the expectations on corporate responsibility increase, and as transparency becomes more prevalent, companies are recognizing the need to act on sustainability because professional communications and good intentions are no longer enough” (Haanaes, 2016).

Considering the findings that the *MIT Sloan Management Review* in collaboration with *the Boston Consulting Group* – in a final report published in 2017 summarizing eight-year of study of how corporations address sustainability – in order to address sustainability appropriately companies need to bridge two critical gaps:

- “The knowing – doing gap”: whereas 90% of executives find sustainability to be important, only 60% of companies incorporate sustainability in their strategy, and merely 25% have sustainability incorporated in their business model. Moreover, 75% of executives in investment companies think sustainability performance should be considered in investment decisions, but only 60% of corporate executives think investors care about sustainability performance.
- “The compliance – competitive advantage gap”: nearly 50% of companies have changed their business models as a result of sustainability opportunities and more companies are seeing sustainability as an area of competitive advantage, but it is still a minority – only 24%.

Companies that stand out in the area of sustainability address both gaps. They have evolved from knowing to doing and from compliance to competitive advantage (Haanes, 2016).

I present a short review of the most interesting industries case studies starting from the 2019 Corporate Knights Global 100 classification of the most sustainable companies (fig. 8) and then considering the 2019 Sustainability Leaders Survey (fig. 9).

The Global 100⁴ ranking is compiled by *Corporate Knights*, a Toronto-based sustainability-focused financial information company and magazine, beginning with a list of about 7,500 companies, all of which generate more than \$1 billion in annual revenue. It ranks large corporations across the globe on their performance reducing carbon and waste, their gender diversity among leadership, revenues derived from clean products,

⁴ Source: <https://www.corporateknights.com/reports/2019-global-100/2019-global-100-results-15481152/>.

and overall sustainability. This list is unique in that it takes into consideration what corporations need to do to make the most of not only environmental resources, but also human and financial capital. Sustainable practices are tracked in a considerable number of the measurable ways including environmental factors such as how much energy and water are consumed and how much emissions and waste are generated. Key human factors include the ratio of CEO compensation to that of the company's employees, worker safety and turnover, and representation of women in board and management positions.

Fig. 8: Overview of the first 10 in the 2019 Global 100 Most Sustainable Corporations in the World Index

R...	Company ▲	Country ▲	GICS Industry ▲	Overall Score ▼
1	Chr. Hansen Holding A/S	Denmark	Food or other Chemical Agents	82.99%
2	Kering SA	France	Apparel and Accessories	81.55%
3	Neste Corporation	Finland	Petroleum Refineries	80.92%
4	Ørsted	Denmark	Wholesale Power	80.13%
5	GlaxoSmithKline plc	United Kingdom	Biopharmaceuticals	79.41%
6	Prologis, Inc.	United States	Real Estate Investment Trusts	79.12%
7	Umicore	Belgium	Primary Metals Products	79.05%
8	Banco do Brasil S.A.	Brazil	Banks	78.15%
9	Shinhan Financial Group Co.	South Korea	Banks	77.75%
10	Taiwan Semiconductor	Taiwan	Semiconductor Equipment	77.71%

Source: Corporateknights.com

Ranking number one this year on the Global 100 is *Chr. Hansen Holding*, a Danish bioscience firm founded in 1874 that derives over 80% of its revenue developing natural solutions for preserving foods like yogurt and milk, protecting crops using natural bacteria instead of pesticides, and alternatives to antibiotics for animals. Nearly 30% of the Danish billion-dollar-business' board is made up of women, according to the Corporate Knights study, and its CEO salaries are about 24 times those of an average worker with the firm—a relatively low ratio for the ranking.

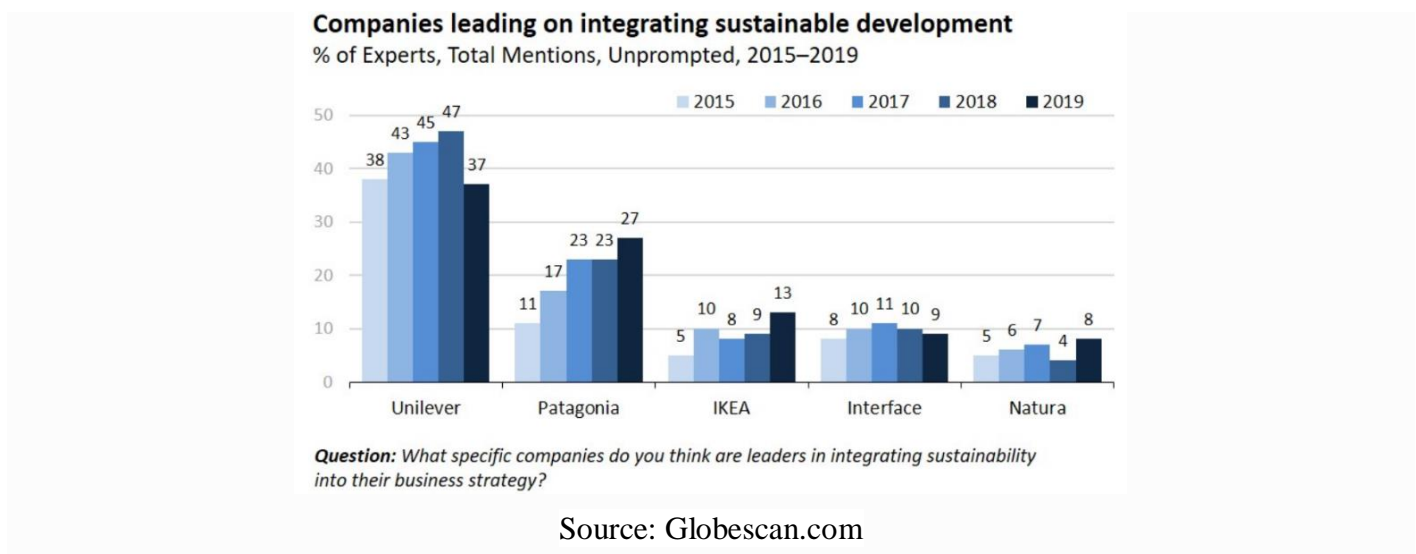
In second place on the roster is *Kering SA*, a French firm better known for the consumer-facing brands it owns: fashion houses Gucci, Yves Saint Laurent and Alexander McQueen, among others. The brand has shown it takes sustainability seriously by sourcing more than 40% of its products from certified sustainable sources and is always scanning for ways to improve that percentage. Also noteworthy is that more than 60% of Kering's board of directors is composed of women—the gender makeup of most large corporations shows less than 20%, in other words the glass ceiling⁵ at Kering has been completely shattered. As Kering is an industries operating in fashion sector and also because the research object of this thesis is a Gucci wallet - for a reason of strategical dissertation of the themes chosen by the author - a detailed study about the applied strategies of Kering company will be presented in the chapter four.

⁵ A *glass ceiling* is a metaphor first coined by feminists in reference to barriers in the careers of high-achieving women. In general, it is used to represent an invisible barrier that keeps a given demographic (typically applied to minorities) from rising beyond a certain level in a hierarchy.

Third in the Global 100 ranking is *Neste Corporation*. Based in Finland, Neste is a petroleum refinery and marketing company with annual revenue of more than \$10 billion. Until very recently it was a fossil fuel company refining oil to be burned and creating greenhouse gas emissions in the process, but the firm shifted. Now more than 50% of Neste's investments are into the development of products like renewable biofuels and 25% of the company's revenue comes from biofuel refining (Strauss, 2019).

Another interesting rank derive from the findings of 2019 Leaders Survey by GlobeScan and SustainAbility in sustainable development. The Leaders Survey has tracked over 800 experts in 78 countries were asked, unprompted, to name companies that they see as being leaders in integrating sustainability into their business strategy. The results are that *Unilever*, *Patagonia*, and *IKEA* are the most recognized sustainability leaders as you can read in fig. 9.

Fig. 9: 2019 Leaders Companies - Survey by GlobeScan and SustainAbility



In general, there are a lot of leaders' industries that can be considered as good example thanks to their sustainability initiatives.

To have a complete overall on the sustainable commitment of the companies in different sectors, I review the considerations made by Knut Haanes (2016), a professor of Strategy and International Management at IMD.

- *Nike* and *Adidas* have both stepped up seriously. Nike has focused on reducing waste and minimizing its footprint, whereas Adidas has created a greener supply chain and targeted specific issues like dyeing and eliminating plastic bags. Nike transforming itself from reactive to proactive faced boycotts and public anger for abusive labour practices in places like Indonesia throughout the 90s but turned the tide around. In 2005, it became a pioneer in establishing transparency by publishing a complete list of the factories it contracts with and a detailed 108-page report revealing conditions and pay in its factories. It also acknowledged widespread issues, particularly in its south Asian factories.

By recognizing the impact of sustainability in a crisis both these companies have developed more proactive sustainability strategies.

- *Walmart*, *IKEA* and *H&M* have moved toward more sustainable retailing, largely by leading

collaboration across their supply chains to reduce waste, increase resource productivity and optimize material usage. It also has taken steps to address local labour conditions with suppliers from emerging markets.

- *Pepsi* and *Coca-Cola* have both developed ambitious agendas, such as increasing focus on water stewardship and setting targets on water replenishment.
- In biopharma, *Biogen* and *Novo Nordisk* have both worked toward energy efficiency, waste reduction, and other ecological measures. They have also focused on social impact via partner initiatives in the areas of health and safety.
- In financial services, banks like *ANZ* and *Westpac* in Australia both advance local communities with good sustainability practices and by embedding sustainability in their business processes and culture.
- Car manufacturers like *BMW* and *Toyota* have made strides on energy efficiency and pollution reduction, not to mention *Tesla* as an outsider really challenging the industry's overall footprint.
- *Nespresso* engage the organization broadly. Responding to the debate over the sustainability of its capsules, the company has embedded sustainability into the DNA of every part of its business. Nespresso's very purpose is linked to the so called "Positive Cup" campaign. Sustainability is considered during every decision made at Nespresso. The company seems sincere about reducing its impact and is even looking at its aluminium sourcing.
- *Salesforce.com* represent another example of total engagement in which through their "1/1/1" philanthropy program contributes to each employee's personal ability to engage with environmental organizations and initiatives that support local communities.
- Unilever and Nestlé have both taken on major commitments: *Nestlé* in areas such as product life cycle, climate, water efficiency and waste. *Unilever* presents on his website the strategy "Unilever's "Sustainable Living" which has the ambition to decouple growth and output as well as reduce its resource footprint by focusing on waste reduction, resource efficiency, sustainability innovation and ecological sourcing (like in organic palm oil).

"The firms presented before have all made strong commitments to sustainability, in large part through transparency, the alignment of strategy and sustainability and addressing material issues. They are embarking on a more sustainable journey, and all firms should follow suit over the next decade.

In sum, sustainability is a major challenge, one that matters beyond individual companies. But reassuringly several large companies are developing forward-thinking sustainability policies. It is really becoming clear that sustainability is a megatrend that simply isn't going away!" (Haanes, 2016)

CHAPTER II – FASHION

Fashion is the imitation of a given example and satisfies the demand for social adaptation. . . . The more an article becomes subject to rapid changes of fashion, the greater the demand for cheap products of its kind.

—Georg Simmel, “Fashion” (1904)

2.1. Fashion industry: market segmentation and business models

The fashion industry is a globalized sector that works to meet the demand for apparel and dictates the trends for what should be worn. The fashion industry consists of four activities:

- the production of raw materials, principally fibres and textiles, but also leather and fur
- the production of fashion goods by designers, manufacturers, contractors, and others
- retail sales
- various forms of advertising and promotion

In order to understand business models, we firstly need to analyse the different market segments in which fashion companies compete. The most common used model of segmentation is that of so-called fashion pyramid, which is the reference for every industry to position its brand.

This type of segmentation does not merely evaluates the market on the basis of the average price, but also investigates other factors that characterize the segment and define the final price of the product, such as the quality of the raw materials used, the importance of stylistic and creative elements, product innovation, and exclusiveness. Corbellini & Saviolo (2009) uses three segmentation criteria, which are product end-uses, clients, price and describe five segments of a pyramid-like model based on price.

The *fashion pyramid* allows the segmentation of the fashion industry identifying five fashion segments that change the name depending on the reference research considered, but they all share the same characteristics.

The five levels are:

1. Haute couture or supreme or absolute
2. Designer ready-to-wear or aspirational
3. Diffusion or accessible luxury
4. Bridge or mid-level brands or premium
5. Mass market or high street retailer

The Fashion Pyramid corresponds to Maslow’s pyramid in many senses: luxury fashion brands are generally covering the self-fulfilment “desire” and mass-market brands cover physiological needs.

The higher on the pyramid, the higher the price gets, the level of creativity and quality and therefore, the value proposition that is offered to the customer. The high-end of the market is mainly occupied by luxury brands and fashion designers with very few premium brands, where companies mainly have global exposure, also because it is a niche. Very few customers can afford these dresses, by the way, as companies need to be present all over the market, there are some bridge categories that connect high-end market and mass-market.

Below a table summarized the main important concepts of every level:

Drivers	High Quality	Quality	Quality/Price	Price/Quality	Price
	➔				
	Haute-couture	Ready-to-wear	Diffusion	Bridge	Mass market
Price	Extremely expensive	3 to 5 times more than mass market	More affordable	More affordable than high end	Different price ranges
Use	Special occasion	Wider occasion of use	Sport occasion (sneakers, denim...)	Suitable for every day	Different occasions
Target	Very few people, celebrities		Young people		Different customers
Idea	Sell the dream, image builder	Expand the market range becoming more affordable	Create a second young lines	Connect the high-end market to the mass market	Combining the affordable price with the fashion content
Main features	<ul style="list-style-type: none"> • Made to measure pieces • Max craftsmanship • Pieces of art 	<ul style="list-style-type: none"> • Creativity + Industrialization • Designer's expression through fashion show 	<ul style="list-style-type: none"> • <u>Production</u>: wider volumes outsourced • <u>Distribution</u>: wholesale wider 	<ul style="list-style-type: none"> • Right marketing mix • Fantasy names • Mix of distribution • -Local 	<ul style="list-style-type: none"> • Very homogeneous low price & efficiency (past) • Segmentation (recently)
Brand examples	<ul style="list-style-type: none"> • Chanel • Dior • Armani • Valentino • Versace • Hermès • Bottega Veneta 	<ul style="list-style-type: none"> • Liz Claiborne • Calvin Klein • Ralph Lauren • Vera Wang • YSL • Prada • Gucci 	<ul style="list-style-type: none"> • Versus for Versace • DKNY for Donna Karen • Emporio Armani • Love • Moschino 	<ul style="list-style-type: none"> • Coach • Diesel • North Face • Massimo Dutti • Sisley • Twinset • Hackett 	<ul style="list-style-type: none"> • Bershka • Zara • H&M • Stradivarius • Mango • American Eagle • Forever 21

As we've just seen, the fashion industry is very complex and often the same brand uses different models and strategies to compete in different market segments simultaneously. In order to identify a clear theoretical framework is appropriate to examine in detail and distinguish the business models and the strategic groups that populate the market, also identifying the main players of the fashion industry.

An important contribution to the academic literature of fashion business provides by Corbellini and Saviolo (2009) which define four business models, combining four macro-parameters such as: value proposition offered to the market; the consumer segments to which the value proposition is addressed, the channels distribution and communication and finally the management of the value chain with particular attention to the degree of vertical integration. Golizia (2016) proposes other variables such as the de-specialization strategy and the de-specialization of the product, the historical origin of the company, the Made in, the type and role played by the founder, the de-specialization in the price range, the naming strategy adopted and the control of value chain. Examining the macro-groups proposed by both authors is possible to identify four different business models specific to the fashion and luxury industry:

- *Fashion griffe/designers or historical brands*: the brands that populate this group have all the characteristics of luxury brands listed in the paragraph 3.1. Their value proposition speaks of heritage, exclusivity and immortality (timeless). Although many of these brands make clothing - and in some cases leather goods - they have a very limited range of core products which also have a lower fashionability than fashion griffe with the aim of creating a more contemporary and long-term image. Their awareness is very high and their identity it is closely related to the founder, such as Dior, Chanel and Saint Laurent, which values keep alive also after the death thanks to skilled designers who collaborated on the collections,. The success of these brand is not tied to the designer's creativity, but rather to heritage and iconic products, constantly reinterpreted. In terms of the business model, these brands use a logic of vertical integration, from (exclusive) distribution to manufacturing and sometimes also to supply of raw materials, as in the case of Dior, which has billions of hectares of gardens where it grows flowers used in the realization of fragrances. This logic allows to maintain control direct throughout the value chain, always ensuring compliance with the quality standards that the brand arises. Usually, in order to keep the exclusivity intact, these brands do not create new related brands, rather opt for brand extension in sense of new product categories different from their core business.
- *Luxury or contemporary brand*: made up mainly between the early 60s and 80s of the century; the main players are Italian brands who have positioned themselves better then French brands thanks to their newness. In this group we find the brands that compete in haute couture, in ready-to-wear, in diffusion and bridge with a strong expertise in the clothing sector, such as Giorgio Armani, Valentino Garavani, Versace or Roberto Cavalli, whose value proposition is focused on the image and prestige of the designer (Golizia, 2016). Although clothing is their core business and fashion shows the main means of communication, some of these brands have associated their name to a wider range of products, through line extension, vertical integration or creating new brands such as Prada with Miu Miu, Dolce & Gabbana with D&G and Armani with Armani Casa, Armani Fiori, Armani Jeans - and so on - and adopted more varied tools communications ranging from advertising on TV, to magazines, newspapers, testimonials up to street billboards. In particular, they have

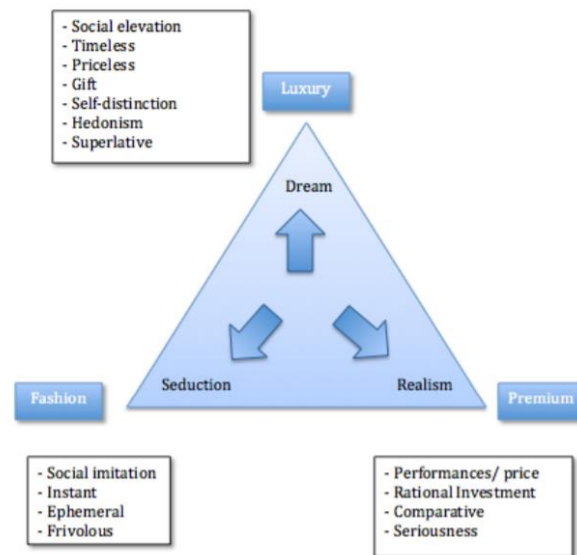
expanded their market by offering lifestyle products, totally detached from clothing and making their name a real style that is present in every aspect of the consumer's life. The distribution of the products varies coherently with the positioning of the single brand, in fact it is possible to have an exclusive distribution as in the case of haute couture (e.g. Armani Privè), but also a mixed and extensive distribution for those products closer to the mass market (e.g. Armani Jeans).

- *Premium or industrial brand*: this group is extremely large and heterogeneous. The main feature that the brands share is the positioning at the base of accessible luxury, in a segment whose prices are between medium to high and aimed at young consumers. Its range varies from brands that produce upper bridge lines to those that are engaged in market diffusion lines. They lead one premium strategy for all marketing levers and they owe their existency not for the intuition of a creative designer, but to the disruptive vision of an entrepreneur. In many cases, these brands were the suppliers of important brands and therefore have a high degree of specialization; their image is the result of a perfect balance between strong and brand recognizable, fashionability and average price (Golizia 2016). Examples are Diesel, Miss Sixty, The North Face, Patrizia Pepe and Coach. Not being vertically integrated, these brands must wisely manage a large number of external suppliers and distributors, making sure everything is in line with the brand image and the brand concept. Their success derives from time to market and excellent quality / price ratio, obtained by selecting key suppliers that offer quality raw materials and assembling everything in countries where industrial labor is cheaper.

- *Fast fashion retailer*: this group, over the past twenty years, has radically changed the scenario of the mass market, imposing a new value proposition and business logic. These brands have a wide geographical extension that is almost impossible not to find them (e.g. H&M, Zara, Mango, Alcott, Pull & Bear, Promod and Top Shop). Their main innovation lies in the introduction of fashionability within the mass market and in the creation of large and very trendy stores, managing to keep prices affordable. Fast fashion allows dreams of luxury to become reality even for those who cannot access it, as in the case of young consumers (Joy et al. 2012). Although defined as "retailers", the activities of these companies go far beyond the distribution, in fact in order to be fashionable and respond quickly to market demands, they integrate the research and development functions. Golizia (2016) identifies three subgroups using two main variables such as sizes and brands in the portfolio. It is therefore possible to distinguish between global leaders, such as H&M Group and Inditex Group, which have very high turnover and many brands in their portfolio; medium / small pluribrand such as Arcadia or Benetton, which have a lower turnover than the global leaders and a reputation limited to one's country or to the maximum continent; medium / small monobrand like Apparel or Mango, with characteristics identical to medium / small pluribrand but with the only difference to own a single brand in the portfolio.

To briefly understand the main differences between fashion, premium and luxury, I reported a diagram explaining the main important features of each category (fig. 10).

Fig. 10 Triangle of positioning: difference between luxury, premium and fashion.



Source: Adapted from Bastien and Kapferer (2012)

2.2. Fast fashion vs Slow fashion

Fashion is, per definition, a phenomenon related to time: a popular expression in a certain time and context. This also affects the perception of what is and should be made more sustainable - if fashion should be "fast" or "slow" - or if it should be more exclusive or inclusive (Clark 2008, Busch 2018).

When it comes down to the garments themselves, their durability depends on their use and "metabolism" - certain garments are made to withstand long use (ex. outdoor and hiking wear, winter jackets) whereas other garments have a quicker turn-around (ex. a party top). This means some garments have properties and a use-life that could be made more durable, whereas others should be compostable or recyclable for quicker disintegration (Fletcher, 2012).

Fast fashion

One of the most apparent reasons for the current unsustainable condition of the fashion system is related to the temporal aspects of fashion: the continuous flood of new goods into the market, that is commonly called "fast fashion." The term has come to signify cheap, accessible and on-trend clothes, sourced through global production chains and sold through chains such as H&M, Zara, Forever21, etc.

Although "fast" shopping of haute couture is often celebrated (for example in movies such as *Pretty Woman*), the "fast" aspect of consumption is primarily a problem to the environment when done on a massive scale. Today, the speed of fast fashion is common across the whole industry as exclusive fashion replicates the fast fashion chains with continuous releases of collections and product drops: the quality of a garment does not necessarily translate to a slower pace of consumption and waste. Slow fashion companies offer two fashion collections per year; in contrast, fast fashion businesses produce as many as twenty (Henninger et al. 2016). Such rapid turnover encourages impulse purchases and frequent visits to retail stores to check on an everchanging selection, as what was purchased only a few weeks earlier is now passé. The "fast" in fast fashion refers not only to the speed of production but also to the speed with which consumers desire continuous novelty. While seemingly infinite varieties of products are on offer, economies of scale and industrial

production limit what can actually be produced. Fast fashion elicits contradictory consumer behaviours in the context of sustainability (Joy & Peña, 2017).

Slow fashion

Slow fashion can be seen as an alternative approach against fast fashion and stands in opposition to industrialization and homogeneity, or “McDonaldization” (Ritzer 2011). The expression was coined in a 2007 article by Kate Fletcher published in *The Ecologist*, where she compared the eco/sustainable/ethical fashion industry to the slow food movement, having in common awareness, responsibilities, defence of biodiversity, need for consumer information and protection of cultural identities. Clark (2008) defines slow fashion as “sustainable fashion solutions, based on the repositioning of strategies of design, production, consumption, use, and reuse, which are emerging alongside the global fashion system, and are posing a potential challenge to it.” However, new ideas and product innovations are constantly redefining slow fashion, so using a static, single definition would ignore the evolving nature of the concept.

Slow fashion often consists of durable products, traditional production techniques or design concepts that are season-less. The impact of slowness aims to affect many points of the production chain. For workers of the textile industry in developing countries, slow fashion means higher wages. For end-users, slow fashion means that the goods are designed and manufactured with greater care and high-quality products. From an environmental point of view, it means that there is less clothing and industrial waste that are removed from use following transient trends in slow fashion (Fletcher, 2008).

The slow approach offers more sustainable and ethical ways of being fashionable that have implications for design, production, consumption, and use. The emphasis on slowness in branding is thus an approach that is specific for a niche in the market (such as Western educated middle-class) that has since the 1990s become dominated by "fast" models.

Some elements of the slow fashion philosophy include: buying vintage clothes, redesigning old clothes, shopping from smaller producers, making clothes and accessories at home and buying garments that last longer. Characteristics of sustainable fashion match the philosophies of "slow fashion" in that emotional, ecological and ethical qualities are favored over uniform and bland convenience of consuming “polluting” clothes. It requires a changed infrastructure and a reduced through-put of goods. “Categorically, slow fashion is neither business-as-usual nor just involving design classics. Nor is it production-as-usual but with long lead times. Slow fashion is a vision of the fashion sector built from a different starting point.” (Fletcher, 2010). It is a fashion concept that reflects a perspective, which respects human living conditions, biological, cultural diversity and scarce global resources and creates unique, personalized products with craftsmanship and long-term utility (Joy & Peña, 2017).

Jung and Jin (2014) proposed a theoretical investigation of slow fashion based five principles: equity, authenticity, functionality, localism and exclusivity. 1) Equity principle is intended as the care and the fair trade among the different stakeholders for sustainable life. 2) The localism principle refers to the use of local resources to produce goods and the integration of artisanship. 3) Authenticity connotes history for sustainable perceived value of the products, loaded with meaning by the form and the way in which they are

developed. Then, 4) exclusivity principle refers to the rarity, diversity and uniqueness that fashion items with can deliver to the consumer. Finally, 5) functionality maximizes product lifespan and efficiency for a sustainable environment and it also refers to the actual product use in the context, providing a sense of social status and identity (Niinimäki 2010, Cordoba 2018).

Nevertheless the concept of slow fashion is not without controversies.

In the actual situation, the imperative of slowness may be a requirement emerging from an edge of privilege. To stop the consumption of fast fashion strikes against low income consumers whose only means to access trends is through cheap and accessible goods, that are also made by polluting materials. “Thus, cotton and polyester dominate, even as a sustainable fashion industry requires greater fibre variety, such as organic cotton, hemp, bamboo, and lyocell. Polyester is dependent on oil as its source; moving away from petroleum may be essential in fostering sustainable production.” (Joy & Peña, 2017).

Another obstacle that the slow fashion paradigm is facing is related to consumers' behaviour towards the consumption of fashion and specifically clothing. In fact, sustainability conscious consumers, that usually take into account social and environmental implications of their purchases, may experience an attitude-behaviour gap preventing them to change their consumptions habits when it comes to choose ethical clothing. Purchasing fashion is still perceived as an action connected to social status and it is still strongly emotionally driven. “The central issue is still: how can designers make sure the issues around sustainable fashion do not become another form of exclusion (in price, time investment, cultural signification, or ethical elitism)? If the fashion metabolism is to be slowed down, and users are to buy fewer, more expensive, sustainable garments, designers must think of new models of payment and service for such garments.” (Busch, 2018)

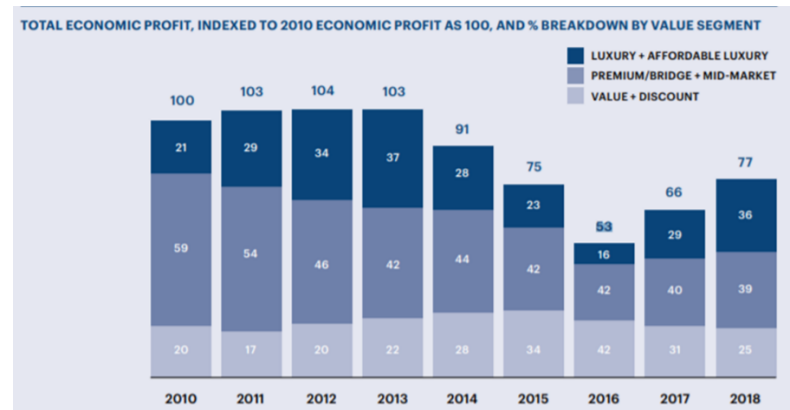
2.3. Fashion industry today: an overview

The immense scale of the fashion industry has been evaluated to be a USD 1.3 trillion-dollar industry, and the world's third largest manufacturing industry, after automotive and technology (UK Parliament, 2019).

Economic profit grew for the second year running in 2018 - driven by luxury market - following four consecutive annual declines from 2012 to 2016 (fig. 11). The 16 percent year-on-year rise came largely from improved operating margins driven by cost cutting. The average industry EBITA⁶ margin was 10.8 percent, a tick up on 2017 and the highest since 2014. Luxury has been driving the bulk of the rebound in the industry's economic profit (McKinsey, 2018).

⁶ EBITDA: Earnings before interest, tax, depreciation and amortization

Fig. 11: Total economic profit in the fashion industry during the years 2010-2018

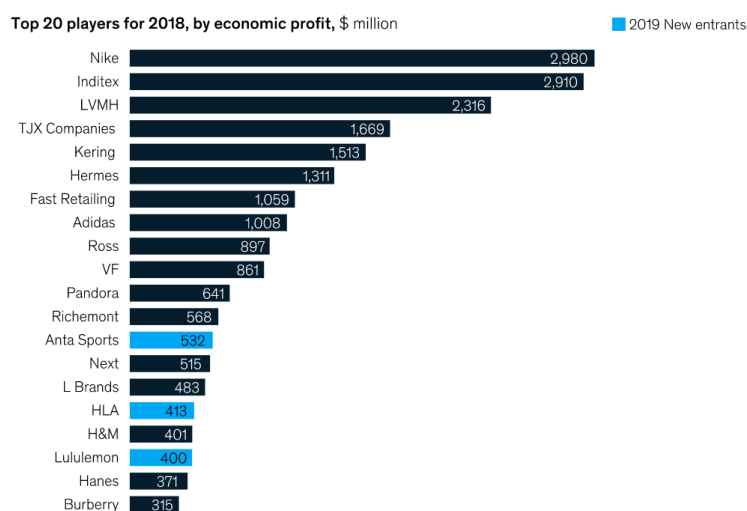


Source: McKinsey Global Fashion Index (MGFI 2018)

Against this background, fashion-industry fortunes are highly polarized. There is an exclusive group of 20 “Super Winners,” dominating value creation in the fashion industry. They account for 138 percent of the total industry’s economic profit in 2018 added more to the industry bottom line than all others combined. They include three new entrants reflecting the strength of sportswear and the growing influence of Chinese players (fig.12). In luxury, Kering made an impressive rise through the ranks, driven by Gucci’s double-digit sales growth and strong performance in Asia–Pacific markets such as Japan. Not only they are leading companies highly value-creating, but they are also at the cutting edge of innovation. They are most successful in attracting funding and talent, often leaving the rest to fight over scraps.

Alongside public companies, there is also a group of “hidden champions.” They are privately owned brands often dominating their category areas and generating significant revenues. Some are household names, while others are less visible, but still powerful. Among the well-known brands, Chanel is a significant player, with revenues of more than \$10 billion, while Rolex is one of the few large independent and private luxury watch brands remaining. At the opposite end of the price spectrum is Primark, whose commitment to its core value proposition has made it a formidable competitor (State of Fashion, 2020).

Fig.12 Top 20 fashion players for 2018 – the “Super Winners”

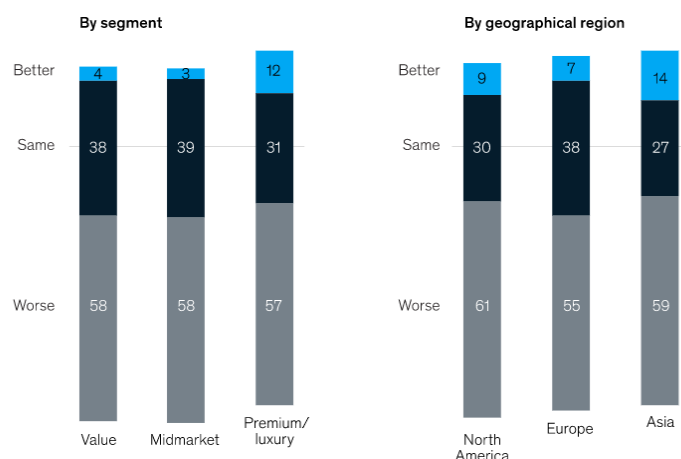


Source: McKinsey Global Fashion Index

According to McKinsey Global Fashion Index 2020, “most fashion executives foresee a slowdown in the industry in 2020, regardless of value segment of geography. The MGFI forecasts that growth will slow to 3 to 4% in 2020, slightly below the predicted rate for 2019. Strikingly, only 9% of respondents think conditions will improve next year, compared with 49% who said the same last year. This slowdown will stem from consumers being increasingly cautious amid broader macroeconomic uncertainty, political upheaval across the globe and the continued threat of trade wars.” (State of Fashion, 2020).

By the way, the reasons are to be researched in a global worsening of the economic conditions (McKinsey, September 2019) for which expectations of future global growth are less favourable than they have been in years (fig.13).

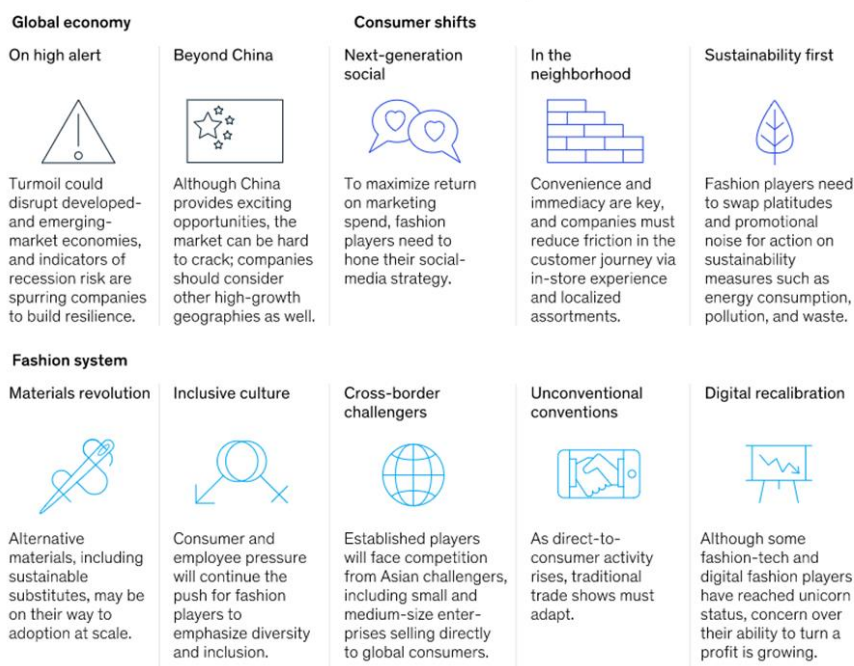
Fig. 13 Fashion executives’ forecast for the industry in 2020 (% of respondents)



Source: Business of Fashion – McKinsey State of Fashion 2020 Survey

Finally, the main important issues for the year 2020 will be sustainability, digitization, and innovation (fig.14).

Fig. 14: Ten themes will be crucial for the fashion industry in 2020



Source: Business of Fashion – McKinsey State of Fashion 2020 Survey

2.4. Environmental impacts of the fashion industry

“85 % of the daily needs in water of the entire population of India would be covered by the water used to grow cotton in the country. 100 million people in India do not have access to drinking water.”

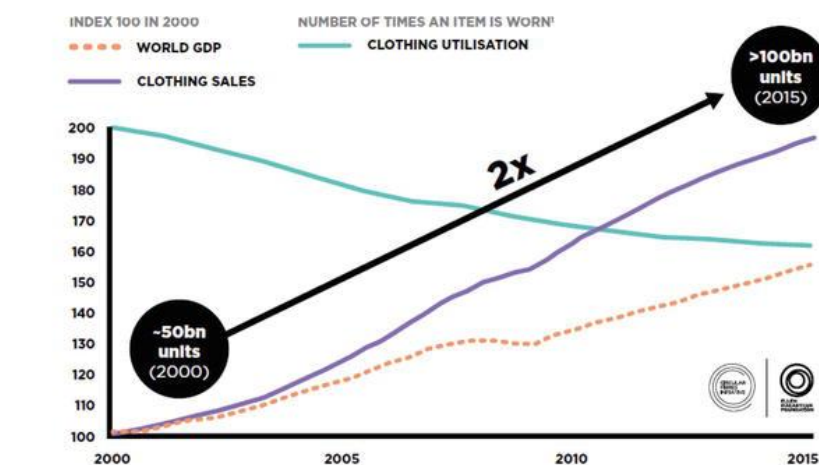
(Stephen Leahy, The Guardian)

In the last three years, the release of considerable reports years revealing the extent of the fashion industry’s environmental impact, as well as the originating of several fashion industry-targeted sustainability campaigns – e.g. the “2020 Circular Fashion System Commitment” of the Global Fashion Agenda and the “Sustainable Clothing Action Plan (SCAP) 2020 Commitment,” – has not only focused the attention to the issues but has also produced a series of intention toward a concrete, quantifiable action for sustainability by 2020 (Xiaopei and Li, 2019).

An enhanced awareness and concern toward the fashion industry’s environmental impact has emerged in recent years, blended by increasing evidence of intensified global clothing consumption and driven by the growing accessibility and affordability of clothing.

According to data from the World Bank the global clothing consumption is doubled from around 50 billion units of clothing sales in 2000 to over 100 billion units in 2015 (fig. 15). This severe enhancement in clothing consumption has been encouraged by fast fashion, a progressively bargain-driven consumer, heightened accessibility via an expanding online shopping panorama, and more buying power from a growing middle class, especially in emerging economies such as China. Regrettably, the enhanced accessibility and affordability of clothing simultaneously propagated not only a culture of excessive consumption but also a quicker disposal of clothing, as exemplified by an approximately 20% decrease in the average number of times a garment is worn before it is abandoned (fig. 15) (Xiaopei & Lili, 2019).

Fig. 15 Growth of clothing sales and decline in clothing utilization since 2000.



1 Average number of times a garment is worn before it ceases to be used

Source: Euromonitor International Apparel & Footwear 2016 Edition (volume sales trends 2005-2015); World Bank, World development indicators - GD (2017)

Source: Xiaopei and Li, 2019

The industry also has a terrible environmental impact in the countries where garments are produced. Producing, spinning and dyeing raw materials such as cotton uses huge amounts of water and often involves large quantities of pesticide and toxic dyes that leach into the ecosystem.

Materials such as polyester, nylon and acrylic are made from fossil fuels and do not biodegrade. They also can release micro plastics into the water supply as they are washed over their lifetime.

Fast fashion - where consumers are encouraged to purchase lots of cheaply made - has only accelerated these problems.

To understand where pollution happens, it's good to look first at the apparel system and what are the life cycle stages⁷:

- The *fibre production* stage covers the extraction and processing of fibres.
- *Yarn Preparation* includes the spinning of yarn (wet spinning and cotton spinning) from both filament and staple fibres.
- *Fabric Preparation* corresponds to knitting (circular and flat) and weaving yarn into fabric.
- The combined *Dyeing and Finishing* steps include bleaching and dyeing as well as fabric finishing.
- *Assembly* refers to the cutting and sewing of fabric into apparel products.
- *Distribution* covers transportation from assembly location to retail stores, but not between retail stores and end-users.
- *End of life* processes involve the collection and management of apparel products at the end of their useful life (incineration and landfilling).

All these stages also included the transportation from one process to another.

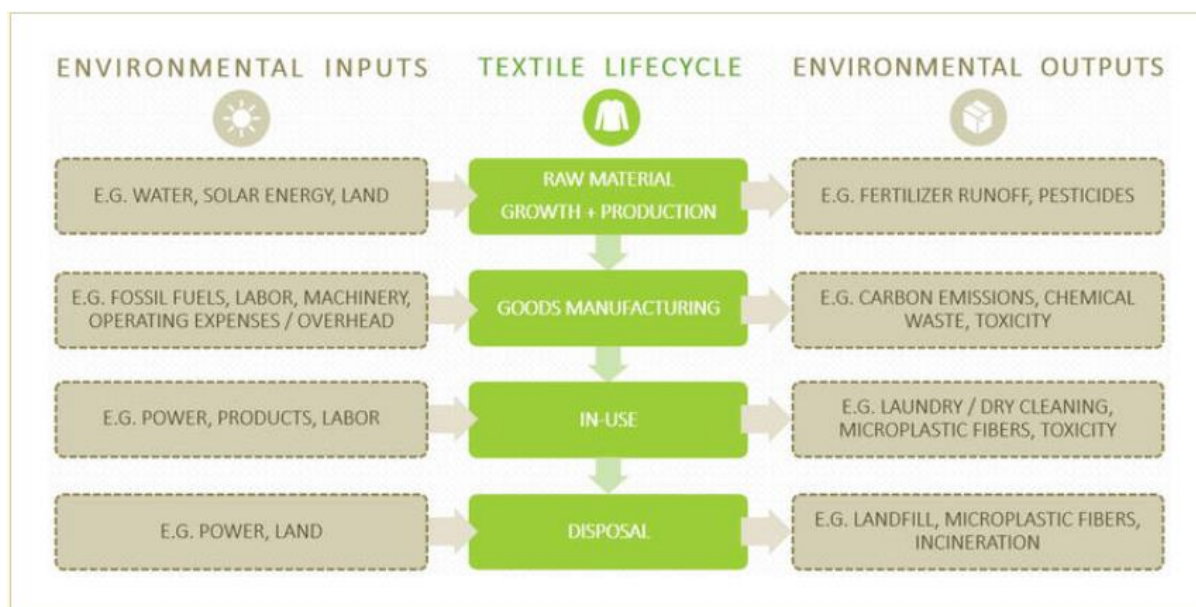
So, it is well known that the textile industry is a large consumer of water, energy and chemicals required to produce fabric at several different stages of production. For the fashion industry, the environmental inputs and outputs of the textile product life cycle⁸ are described by Xiaopei and Li (2019), reported in fig. 16.

“Every product life cycle poses an impact on the environment—by consuming environmental inputs (e.g., water for harvesting raw materials, fossil fuels to power manufacturing equipment, etc.) and releasing environmental outputs (e.g., carbon dioxide emissions from burning fossil fuels, landfill waste after product is disposed, etc.)” (Xiaopei and Li 2019)

⁷ Source: <https://www.theconsciouschallenge.org/ecologicalfootprintbibleoverview/clothing-pollution>

⁸ The term “life cycle” used is misleading in that the above chain of processes does not form a “cycle,” but is instead linear sequence of events, with a definite beginning and end. A true cyclical life cycle would be indicative of recycling or reuse, feeding the end waste back into the system to be used again.

Fig. 16: Environmental inputs and outputs of the textile product life cycle



Source: Xiaopei and Li (2019)

Since fast fashion is the second dirtiest industry in the world, next to big oil, in details are now analysed the type of environmental impacts of the fashion industry for every field.

Water consumption and marin pollution

“In most of the countries in which garments are produced, untreated toxic wastewaters⁹ from textiles factories are dumped directly into the rivers: 20% of industrial water pollution comes from textiles treatment and dying and 200,000 tons of dyes are lost to effluents every year” (Farah et al, 2013).

Wastewater contains toxic substances such as lead, mercury, and arsenic, among others and 90% of wastewaters in developing countries is discharged into rivers without treatment.

“Every time we wash a synthetic garment (polyester, nylon, etc), about 1,900 individual microfibers are released into the water, making their way into our oceans. Scientists have discovered that small aquatic organisms ingest those microfibers; these are then eaten by small fish which are later eaten by bigger fish, introducing plastic in our food chain. Another major source of water contamination is the use of fertilizers for cotton production, which heavily pollutes runoff waters and evaporation waters.”¹⁰

It’s worth to remember that around 100,000 marine animals are killed each year by plastic waste, including microfibers, as was also argued during the World Environment Day on June 5 2019, themed “Beat Plastic Pollution,” recalled that synthetic microfiber pollution is washing up in our oceans at alarming rates.

Greenhouse gas emission & Energy consumption

“The greenhouse gas emissions produced by textile production exceeds that of international aviation and maritime shipping combined (the production of textile industry is estimated 1.2 billion tonnes a year of carbon dioxide equivalent). If it continues down this path, it is projected that by 2050 it could account for 1/4 of the worlds’ carbon emissions” (Ellen MacArthur Foundation. 2017).

⁹ Cfr: <https://www.greenpeace.org/archive-international/Global/international/publications/toxics/Water%202012/ToxicThreads02.pdf>.

¹⁰ Source: <https://www.sustainyourstyle.org/old-environmental-impacts>

The annual carbon footprint of the fashion industry's product life cycle (3.3 billion tons CO₂ emissions) is almost equivalent to that of 28 countries in the EU (3.5 billion tons) (UK Parliament, 2019). Synthetic fibres (polyester, acrylic, nylon, etc.), used in the majority of our clothes, are made from fossil fuel, making production much more energy-intensive than with natural fibres. Most of our clothes are produced in China, Bangladesh, or India, countries essentially powered by coal; this is the dirtiest type of energy in terms of carbon emissions.¹¹

The manufacture of both cotton and polyester fibres is detrimental to the environment, although in different ways. According to the World Wildlife Fund (2016): "It can take more than 20,000 litres of water to produce 1 kg of cotton; equivalent to a single T-shirt and pair of jeans". However, while polyester production uses significantly less water and no pesticides, it requires more than three times the energy of cotton production (Cherrett et al. 2005). Even worse, given the lack of sustainability implicit in the production of both fibres, worldwide demand for both is growing (Carmichael 2015).

Waste consumption

An EU report published in January 2019 found that more than 30 % of clothes in Europeans' wardrobes have not been used for at least a year. The data reveals that: "Once discarded, only one per cent of these are turned into new clothes while over half the garments are not recycled, but end up in mixed household waste and are subsequently sent to incinerators or landfill, releasing more carbon into the atmosphere" (European Parliament, 2019). A study by the Ellen McArthur Foundation (2017) found that one garbage truck of textiles is wasted every second. And the Copenhagen Fashion Summit reported that fashion is responsible for 92 million tons of solid waste dumped in landfills each year.

Clothing has clearly become disposable; as a result, we generate more and more textile waste. A family in the Western world throws away an average of 30 kg of clothing each year. Only 15% is recycled or donated, and the rest goes directly to the landfill or is incinerated. Synthetic fibres (used in 72% of our clothing) such as polyester, are plastic fibres, therefore non-biodegradable and can take up to 200 years to decompose.

The good news is that are being developed technologies to turn used clothes into virgin fibres. Moreover, there are fashion brands making industry more sustainable creating pieces that are designed to last much longer and have buying models that allow garments to be resold, repaired, or properly recycled and replaced as part of the circular economy.

From the side of the consumers, there is an increased awareness about the environmental impact. It can be seen in the considerations about wastefulness of washing, but maybe also in the development of new trends as the second-hand market or the rental.

2.4.1. Practices of sustainability throughout the supply chain

The goal of sustainable fashion is to create flourishing ecosystems and communities through its activity (Black, 2013). According to Xiaopei and Li (2019), the sustainability initiatives will be categorized into two types: front-end approach and back-end approach.

¹¹ Source: <https://www.sustainyourstyle.org/en/whats-wrong-with-the-fashion-industry>.

The beginning stages (**front-end**) of the textile product life cycle refers to the raw material sourcing and design and development processes. About the first stage an example can be the decision to use “low environmental impact”¹² textile fibres. About the design and development process, instead, a solution can be offered by utilizing digital tools to minimize the need for physical prototype samples or by training designers to adopt an eco-conscious mindset into their creations.

The **back-end** approach tackles the by-product and processes at end of the textile product life cycle (e.g. at disposal). “A prime example of this is exemplified in the now widespread initiatives of post-consumer textile recycling. The reason recycled textiles have become so prevalent as a strategy to minimize environmental impact is not only because of the exponential supply of textile waste driven by intensified clothing consumption but more strategically because research has shown that the fibre production stage (extraction and processing) of the textile product life cycle has the greatest environmental impact in terms of water and carbon footprint. Therefore, by recycling post-consumer textile waste back into the textile supply chain enables bypassing the heavy environmental toll of the fibre production stage.” (Xiaopei and Li, 2019). “Aakko and Koskennurmi-Sivonen (2013) summarize such practices and describe them systematically in the following categories:

- taking and returning resources (cradle-to-cradle principle, functional design according to human needs and ecological principles, slow fashion)
- sourcing materials (choosing environmentally friendly fibers, assessing the lifecycle of the materials, recycling the materials, increase the value of local production and products)
- treatment of fabrics (choosing less harmful “finishing processes” that include bleaching, dyeing, printing, and so on, using safer nanotechnologies)
- the production and consumption methods (patternmaking with waste reduction and environment harms reduction, handcrafting, use of transparent supply chains)
- societal implications (social responsibility of the designers, activism, participatory design)
- saving resources (energy efficiency, reducing harm from laundering, repairing garments, leasing clothing, using local resources)
- information transparency (use of eco-labels and cause-related marketing)
- enhancing attachment and appreciation of sustainable fashion (through aesthetics, individuality, quality, and the spirituality of things)
- educate people to practice environmentally friendly consumption by promoting the "green consumer" (Gurova and Morozova, 2018).

The leadership forum Global Fashion Agenda (2019) sets out eight "crucial sustainability priorities", dividing into two parts. The four core priorities for immediate implementation include 1) complete transparency throughout the supply chain, 2) reduction of greenhouse gas emissions, 3) efficient use of water, energy and chemicals and 4) safeguard of workers' rights and work environment.

¹² Note that the term “low environmental impact” is used as opposed to “sustainable” or “eco-friendly” or “green” textile fibers because the latter terms can be misleading as there are no completely “sustainable/eco-friendly/green” fibers. (Xiaopei & Li, 2019)

The four transformational priorities for fundamental change are 5) the development of sustainable material and fibres, 6) the circular fashion system (reuse and recycling of post-consumer), 7) the promotion of better wage systems and 8) the fourth industrial revolution with the digitalisation opportunities.

In short, to be considered genuinely sustainable, brands may need to entirely transform every aspect of their businesses.

2.4.2. Benchmarks and tools for fashion industries

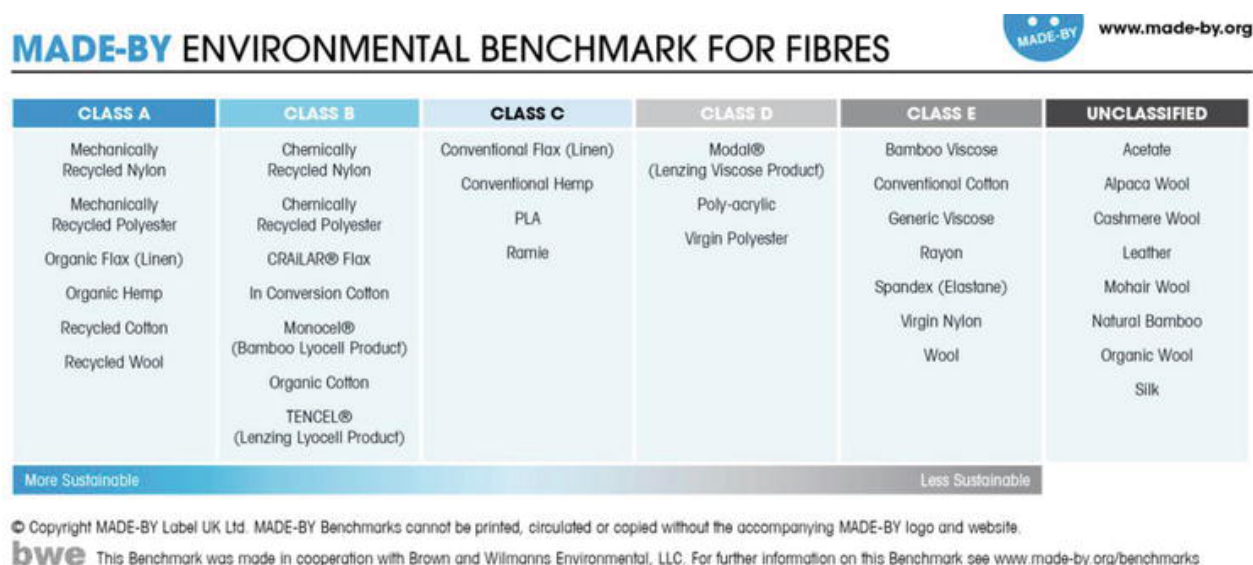
Having reviewed the environmental impacts and the kinds of strategic initiatives being taken toward sustainability providing insight into how companies and various players in the industry have responded, this section will now proceed to provide the benchmarks and the tools relevant for the fashion industry today.

In July 2012, the Sustainable Apparel Coalition (SAC) launched the *Higg Index*, a self-assessment standard designed to measure and promote sustainable supply chains in the apparel and footwear industries (Niinimäki, 2015). The Higg Index is a suite of tools that enables the measure and score of a company or product's sustainability performance at every stage in their sustainability journey, aiming to provide a "holistic overview" that "empowers businesses to make meaningful improvements that protect the well-being of factory workers, local communities, and the environment". It encompasses the following tools: Higg Product Tools, Higg Facility Tools and Higg Brand & Retail Tool.

Others benchmark and tools for the fashion industry to the measurement of environmental impact are "*MADE-BY Environmental Benchmark for Fibers*" developed by MADE-BY in cooperation with Brown and Wilmanns Environmental, LLC and the "*Corporate Fiber and Materials Benchmark (CFMB)*" launched by the Textile Exchange.

The first one, the MADE-BY ranks 28 of the most used fibres in the garment industry into 5 classes (Class A–E), based on the following measures: greenhouse gas emissions, human toxicity, eco-toxicity, energy, water, and land.

Fig. 17 The MADE-BY environmental benchmark fibre classification chart.



CLASS A	CLASS B	CLASS C	CLASS D	CLASS E	UNCLASSIFIED
Mechanically Recycled Nylon	Chemically Recycled Nylon	Conventional Flax (Linen)	Modal® (Lenzing Viscose Product)	Bamboo Viscose	Acetate
Mechanically Recycled Polyester	Chemically Recycled Polyester	Conventional Hemp	Poly-acrylic	Conventional Cotton	Alpaca Wool
Organic Flax (Linen)	CRAILAR® Flax	PLA	Virgin Polyester	Generic Viscose	Cashmere Wool
Organic Hemp	In Conversion Cotton	Ramie		Rayon	Leather
Recycled Cotton	Monocel® (Bamboo Lyocell Product)			Spandex (Elastane)	Mohair Wool
Recycled Wool	Organic Cotton			Virgin Nylon	Natural Bamboo
	TENCEL® (Lenzing Lyocell Product)			Wool	Organic Wool
					Silk

More Sustainable ← | → Less Sustainable

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bwe This Benchmark was made in cooperation with Brown and Wilmanns Environmental, LLC. For further information on this Benchmark see www.made-by.org/benchmarks

Source: Common Objective (Reported by Xiaopei & Li, 2019)

The *CFMB* (*Corporate Fibre & Materials Benchmark*), instead, was launched in 2015 and is a leading industry-led, voluntary self-assessment tool which enables companies to systematically measure, manage, and

integrate a preferred fibre and materials strategy into four key areas of mainstream business operations: corporate strategy, supply chain, consumption, and consumer engagement. It also provides feedback on progress and performance in comparison to peers and the overall industry (Xiaopei & Li, 2019).¹¹¹ companies participated in 2018, an increase of 106% since 2015, with average scores increasing from 49 to 56 since the start of the full program.¹³

¹³ Source: <https://textileexchange.org/cfmb/>.

CHAPTER III: LUXURY

“Some people think luxury is the opposite of poverty. It is not. It is the opposite of vulgarity.”
(Coco Chanel)

“Both luxury and fashion play a key role in our social life: luxury, by recreating a social stratification that was done away with democracy; and fashion, by recreating the rhythm of the seasons that was done away with urbanisation.” (Kapferer et al, 2017).

Fashion is intimately tied to the decline and flow of time. (Okongwo 2007; Tungate 2004). Luxury aims at timelessness: the great classics represent a high share of the sales of a luxury brand, whereas last years’ fashion has little value and can be bought on sale on the internet. Luxury and fashion, then, represent two worlds – both economically important, but still very different because the “luxury streets” are not to be found in the “fashion quarters” and they overlap only marginally (limited to haute couture).

On the other hand, the connections between luxury and fashion are profound. In the beginning, fashion coincided with luxury (Belfanti 2011), being available only to some and was the object of detailed regulation through sumptuary laws (Beebe 2010; Belfanti 2009) which defined who could use certain garments, colours and fabrics in an effort to govern appearances, with the aim that these reflected a defined social order and hierarchy. But in the more modern era, new paths have been forged with fashion becoming more democratic. Yet, the reference to luxury has never been forgotten (Jacomet 2016). And for this reason, it is important to reflect on luxury (Cantista & Sádaba, 2020, p. 3).

Luxury has been reflected on for more than twenty-five centuries, from Plato to Epicure, from Luther to Mandeville and Veblen. And the allure of luxury has never faded; on the contrary, its appeal has intensified in contemporary society (Lipovetsky and Roux, 2012; Cantista and Sádaba, 2020, p.3).

Luxury is in vogue and everywhere. The concept of luxury is attractive and fashionable. Everybody wants his products to be luxurious. There are luxury columns in all magazines and journals. There are TV shows on the business of luxury, and on luxury products and services. Even mass-consumption brands name many of their models ‘Deluxe’ or qualify their experience as luxurious. New words have been recently invented and promoted that add to the complexity: “masstige, opuluxe, premium, ultra-premium, trading up, hyperluxury, real or true luxury, and so on.” (Kapferer, 2017). There is a confusion today about what really makes a luxury product, a luxury brand or a luxury company.

3.1. Conceptualize the Luxury: Literature review

The term ‘luxury’ is increasingly evident and visible in our day-to-day lives—so visible that it appears to be losing its content and value. It seems to be available to everyone, in one form or another. The changing luxury landscape has also boosted research on the topic of luxury. However, luxury as a subject of research is nothing new; in 1899, Thorstein Veblen introduced the concept of *conspicuous consumption* and discussed the theory of the *leisure class*. Since Veblen’s time, luxury has been associated with conspicuousness. Nowadays, it is reasonable to ask whether luxury still plays to the same rules. Does luxury still equal conspicuousness and status in society? And does abundantly available ‘luxury’ still carry the same meanings? What is luxury for

contemporary consumers, and how is it constructed? The time-bound concept of luxury is evolving. The academic literature has sought to capture it from multiple perspectives, but concludes that, at different times, the luxury concept has acquired different content and meanings (Turunen, 2017, p. V).

Luxury is a complex concept, so - following a historical progression of definitions, interpretations and proposed framework – I try to present an overall overview by the origins until now.

In economic terms and according to McKinsey report (1990), “luxury objects are those whose price/quality¹⁴ relationship is the highest of the market and whose demand curve, characterized by a convexity at a positive price, increases more than proportionally with respect to the cost.”

Nevertheless, luxury must not be misunderstood only with richness. Of course - as a matter of fact, from a business and brand placement point of view - it is addressed to a high consumer range, but luxury involves also quality and craftsmanship and above all, intangible elements as uniqueness, exclusiveness, research, experimentation, purity, class, (...) - as I’m going to expound in the next pages.

Luxury goods industry, more than any other, is characterized by intangibility: “Luxury is about history, authenticity, depth, and being a partner. Buying a luxury product is like a love affair”¹⁵, so the strictly economic definition is not sufficient. For example, “even though a Jaguar has always been cheaper than a Porsche, in terms of comparable tangible functions, Jaguar still has a stronger luxury image than Porsche, which is more often perceived as a very technical sport brand” (Kapferer et al, 2017).

Starting from the etymology of the term, Kapferer (1997) tries to clarify - through a semiotic approach, its sociological references and the pragmatics of luxury-brand management - the concept of luxury. The word “Luxury” comes from Latin and it has a double meaning: in a positive way it is related to the words *lux* (light, the Angel) and *luxus* (abundance), with a negative meaning it is associated with *luxatio* (gap, excess) and *lux* (luxuria, bad habits, the Evil), regardless of cost.

“Luxury defines beauty; it is art applied to functional items. Like light, luxury is enlightening. [...] They offer more than mere objects: they provide reference of good taste. That is why luxury management should not only depend on customer expectations: luxury brands are animated by their internal programme, their global vision, the specific taste which they promote as well as the pursuit of their own standards...Luxury items provide extra pleasure and flatter all senses at once...Luxury is the appendage of the ruling classes.” (Kapferer, 1997).

3.1.1. Definitions and Frameworks of Luxury Brand

Luxury is hard to define and lacks a universal conception (Berry 1994).

The luxury and prestige fashion goods sectors utilize fierce brand development strategies in its overall marketing strategy, visibly in communications. Luxury brands recognize that the art of product design, innovation, and aesthetic beauty can only be effectively portrayed through creating strong brands that appeal to the psychology of consumers. Branding is the lifeline of the luxury industry, while design and creativity are its bedrocks. Without branding, there would be no luxury goods. “Luxury fashion brands strive for innovation, differentiation and appeal because the fashion business is forward-thinking. Fashion always incorporates the

¹⁴ By quality, economists mean 'what they know how to measure', i.e. tangible functions.

¹⁵ Christian Hafner, Founder of FAB Atelier and ex Director of Corporate Brand Management at Swarovski.

past and the future and is hardly preoccupied with the present. It draws inspiration from the past in order to create the desire for the future. The present is only a temporary phase because if fashion is here today, it is already old-fashioned” (Okonkwo, 2007).

There is an agreement in the literature to define luxury goods as a good for which the simple use or display of a branded product brings esteem to the owner, apart from any functional utility. Hence, luxury products enable consumers to satisfy psychological and functional needs, and it seems that these psychological benefits are the main factor distinguishing them from non-luxury products or counterfeits (Arghavan and Zaichkowsky 2000, Vigneron and Johnson 2017).

In marketing, analysts have developed this concept from the perspective of consumers in a long process from simple models up to multi-dimensional frameworks (Cantista & Sádaba, 2020).

According to Roux (1991), a luxury brand is characterized by the symbolic, imaginary or social added value that differentiates it from other brands. Roux and Floch (1996) suggested that luxury has two inseparable dimensions: one ethical and one aesthetic. The *ethical* dimension represents the anti-economic character of luxury, and the *aesthetic* refers to the poly-sensuality that luxury brands provide.

Nueno and Quelch (1998, p. 61) define luxury brands as ‘those whose ratio of functionality to price is low, while the ratio of intangible and situational utility to price is high’. This definition is compatible with the economic perspectives of luxury (McKinsey 1990) who define luxury brands as those whose price and quality ratios are the highest of the market; that is, their price is significantly greater than the price of products with similar tangible features. According to these perspectives, luxury turns out to be both an intrinsic quality of a product and the immaterial qualities conveyed by the brand (De Barnier et al, 2012).

Nueno and Quelch (1998) also added that luxury brand is not merely a premium-priced product, an ephemeral status symbol, or a smart investment and that traditional luxury brands share the following characteristics with their historical antecedents:

- consistent delivery of premium quality across all products in the line, from the most to the least expensive
- a heritage of craftsmanship, often stemming from the original designer (e.g. Tiffany’s, 160 years old)
- a recognizable style or design (the savvy consumer does not need to look at the label to know the brand)
- a limited production a run of any item to ensure exclusivity and possibly to generate a customer waiting list
- a marketing program that supports, through limited distribution and premium pricing, a market position that combines emotional appeal with product excellence
- a global reputation (the brand’s world-class excellence is universally recognized)
- association with a country of origin that has an especially strong reputation as a source of excellence in the relevant product category
- uniqueness to each product (e.g. the imperfections in each hand-blown Waterford crystal vase provide, ironically the assurance of exclusivity)
- ability to time design shifts when the category is fashion-intensive
- the personality and values of its creator, that is part of the brand identity.

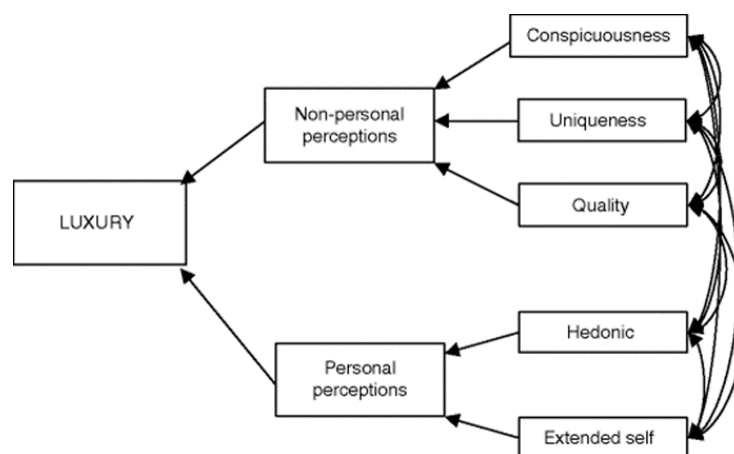
Vigneron and Johnson (1999) developed an operational measure of brand luxury using “*prestige*” as a benchmark to measure the component of luxury in a brand. They assert that the ‘prestige’ inherent in a brand consists of a perceived conspicuous value, perceived unique value, perceived social value, perceived hedonic value and perceived quality value. Three types of brands are categorised as prestigious: they are upmarket brands, premium brands, and luxury brands respectively in increasing order of prestige. In short, a ‘luxury’ brand is perceived to be the end of the prestige-brand category.

According to Phau e Prendergast (2000) luxury brands are competing based on the ability to: evoke exclusivity, a well-known brand identity, increase brand awareness and perceived quality (increasing brand preference and purchases), retain sales levels and customers’ loyalty.

In other words, if everyone owns a brand, prestige is eroded and thus the luxury component is taken away and this defines the ‘Rarity Principle’ suggested by Dubois and Paternault (1995) and Mason (1991). To maintain prestige, luxury brands must sustain high levels of awareness and tightly controlled brand diffusion to enhance exclusivity (Phau and Prendergast, 2000).

In 2004 Vigneron and Johnson define luxury goods as those whose consumption satisfies both functional and psychological needs linked to the perceived characteristics of the product such as quality, aesthetics, scarcity, and elitism. They also developed a Brand Luxury Index scale (BLI) proposing a model formed by two components, “personal vs. non-personal”, and five dimensions, “hedonic, extended self, conspicuousness, uniqueness, and quality”. Some of these components are reflected in Biel’s (1992) definition of a luxury brand. Brand identity, awareness, perceived quality, and loyalty are components, which Biel asserts will serve different functions. These include self-concept congruency, fragmented relationship, and consumption simplification for different luxury purchases.

Fig. 18: Proposed framework of Brand Luxury Index Scale



Source: Vigneron and Johnson (2004)

Okonkwo (2007) identifies, instead, ten attributes of luxury brand, not too distant from those already mentioned: 1 innovative, creative, unique and appealing products; 2 consistent delivery of premium quality; 3 exclusivity in goods production; 4 tightly controlled distribution; 5 a heritage of craftsmanship; 6 a distinct brand identity; 7 a global reputation; 8 emotional appeal; 9 premium pricing; 10 high visibility.

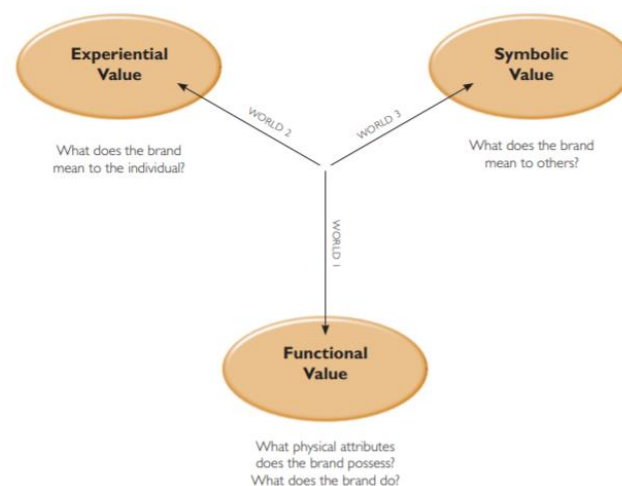
Kapferer and Bastien (2009) affirm that perceived luxury value is made up of its social signifier function and its personal or hedonic component, which can be presented respectively as ‘luxury for others’ and ‘luxury for oneself’.

Corbellini and Saviolo (2009) define luxury as a "coherent system of excellence" with specific attributes and a harmoniously orchestrated universe of values that gives rise to a real luxury brand experience.

In order to have a complete luxury brand experience, they identify eight key features not too far from those already identified by other authors, but also including high-level service, an essential component so that we can talk about luxury customer experience.

Berthon et al. (2009) affirm that luxury is much more than a single dimension or a set of characteristics and to understand luxury brands, it is essential to capture the full dimensionality of the relationships among people, products, and brands. They propose a more innovative vision of luxury brands, formulated on the hypothesis of the “three worlds” of Popper corresponding to three components or dimensions: the functional, the experiential, and the symbolic. For Popper (1979) world 1 is the realm of physical objects, states, and systems; world 2 is the domain of subjective experience involving thoughts, emotions, perceptions, and so on; and world 3 is the sphere of “culture” rooted in objective knowledge, science, language, literature, and so forth. In the context of luxury brands, the three realms of relevance are: (World 1) manifest goods and services; (World 2) individual thoughts, emotions, needs, wants, and perceptions; and (World 3) collective narratives, knowledge, symbols, and images. So, for example, a Louis Vuitton roll-on luggage carrier, crafted in leather with the trademark unique motifs (World 1) becomes a brand associated with certain characteristics (World 3), but with different meanings to its potentially different individual owners (World 2).

Fig. 19: Constituent value dimensions of luxury brands



Source: Berthon et al, 2009

De Barnier et al. (2012) asserts that three main key ideas implicitly emerge from these various research studies. First, luxury brands form an exclusive family of brands in their own right, which are quite distinct from other brands (Alleres 1991, Vigneron and Johnson, 2004). Second, in the luxury category, unlike the non-luxury category, brands are distributed along a continuum expressing the degree of luxury each brand represents (Kapferer 1997; Vigneron and Johnson 2004). Finally, the luxury associated with a brand depends

on the product category: thus, a brand may be perceived as luxurious for one product category, but not for another.

They combine three existing scales (Kapferer 1998, Dubois et al 2001, Vigneron and Johnson's 1999) and show that, despite some idiosyncratic differences, they converge on the following seven factors, ranked in order of decreasing discriminatory power:

- 1) Elitism (very few people can buy it, it is very expensive)
- 2) Creativity (it is magical, very creative, high craftsmanship)
- 3) Uniqueness (rare, unique)
- 4) Distinction (for refined people, it shows who one is)
- 5) Refinement (attractive, dazzling)
- 6) Quality (superior, top quality)
- 7) Power (known, leading brand)

Kapferer (2016) in a recent book proposes six approaches to the concept of luxury, highlighting the problems of luxury interpretations and even if radical, the proposed approach is to deny the specificity of luxury, considered not as a category, but as a limit extreme of a certain number of attributes. The luxury, therefore, is the extremization of all the attributes that it is makeup, design, production, distribution and communication. Notwithstanding the absence of a unanimously accepted definition of luxury, looking at past relevant literature on luxury (e.g. De Barnier et al, 2006 and 2012 based on Dubois et al. 2001) and according to Amatulli et al. (2017) is possible to identify some key characteristics that make a product a "luxury" one:

- *Excellent quality*: unique ingredients, components, finesse, crafts.

Top quality in luxury refers to both materials and craftsmanship. Luxury brands begin with high-quality and scarce natural resources and assemble them with a high level of skill and craftsmanship that rooted in the *savoir fair* of an artisan "elite" who have preserved unique manufacturing traditions allowing luxury companies to consistently deliver excellence.

Inherent in quality is the need for time. For example, manufacturing a Kelly by Hermes leather bag requires many hours of highly specialized labour from dedicated and passionate artisans, to have the best bergamot for the top notes of Chanel No. 5 must wait until nature does its own course, just as it takes time for a whiskey to age in fine wood barrels and can be called a quality whiskey.

Quality also represents a product characteristic related to unique raw materials or manufacturing processes associated with specific geographical areas and places of origin, related to the "Made In" concept (e.g. the Tuscany leather district in Italy for high-end leather jackets and accessories) (Amatulli, 2017) For some brands, its native origins tell a story that links production to a long tradition of *maison* and of the land itself, adding an intangible added value to the brand and playing at the same time the "quality certificate" function. With globalization, luxury brands, however, face the challenge of delocalization to countries where production costs are clearly inferior to those of the birthplace of the brand. From a managerial point of view delocalization is certainly the easiest way, as it allows to exploit economies of scale and access to very high

production volumes that can capture a wider demand and in continuous growth; but from the point of view of luxury and its values, it would mean eliminate part of an intangible asset, therefore part of the brand value.

- *Scarcity, uniqueness, and exclusivity*: selective distribution and personalized concierge (tailor-made).

Luxury products are typically rare and exclusive, and the idea of possessing a unique product is what most attracts luxury consumers in different countries and regions (Radon 2012).

To achieve the “rarity prestige” (Dubois and Paternault 1995) luxury companies create scarcity with the limitation of the production and the control of the distribution through selective channel strategies (Phau and Prendergast 2000). Successful luxury brand management balance between accessibility and exclusivity to strengthen the brand image.

- *Aesthetic beauty and poly-sensuality*: work of art, beauty.

Venkatesh et al. (2010) emphasize the close relationship between aesthetics and consumers’ self-identity enhancement. Luxury successful companies’ approach have developed a partnership model that blend the artistic (creative) soul and the rational (managerial) soul expressed by the figures of the designer and the manager exerting the same influence over the company’s decision-making.

While the designer focuses on marketing and commercial orientation, the manager puts his attention on market performance, and both share their knowledge with a sense of creativity and beauty.

An example is Louis Vuitton’s success in recent decades that has been fostered by the decision taken by the chairman and chief executive Yves Carcelle to hire in 1997 the designer Marc Jacobs, who was given the responsibility to design all main types of products included in Louis Vuitton’s portfolio. (Amatulli et al, 2017)

- *Ancestral heritage and personal history*: a long history, tradition.

Most prestigious luxury brands follow a tradition of heritage deriving from centuries of history. For instance, Cartier (French) founded in 1847, Louis Vuitton (French) founded in 1854, Burberry (English) founded in 1848, Chanel (French) founded in 1909, Gucci (Italian), founded in 1921, Ralph Lauren (US) founded in 1967 or Jil Sander (German), founded in 1968. All these luxury brands, born in different countries, hold a legendary history and a unique heritage, thus customers perceive them as authentic and prestigious. The power of heritage is closely linked to the brand’s country of origin because brands are associated with specific characteristics for which their country is positively known. For example, France and Italy are associated with high-end fashion. France is recognized for its haute couture, fragrance, and champagne industries, whereas Italy is recognized for its ready-to-wear, accessories, and leather goods; Italian products are also renowned for their creativity and design (Amatulli et al, 2017).

- *Fulfilment of dreams / Superfluosness*: uselessness, non-functionality.

Luxury brands are strongly symbolic for consumers. The person who buys a luxury product is buying into a dream and the mechanisms underlying consumer reactions to luxury products are often impulsive, emotional or extravagant (Dubois and Paternault, 1995). Luxury goods typically convey hedonic and emotional benefits to consumers, allowing them to dream and communicate their status and individual identity. Superfluosness is another word used in the literature to define the luxury product (Kapferer et al., 2016). It does not fulfil a need, but a want. From a managerial point of view, luxury brands use this propensity of the consumer in a

strategically, creating communications and open advertising, which the consumer interprets according to his own conceptual model and dreamlike. However, today there are some factors as the predominant influence of Chinese counterfeit products, the central role of the web and social media in consumer choices and the almost absent boundaries between luxury, premium, and masstige that put the dream of luxury in front of important challenges that can be overcome with the experiential luxury.

- *Very high price*: expensive, elite.

The first element associated with luxury is undoubtedly a high price, also connected with the status symbol of richness. According to recent research by Parguel et al. (2016), price displays positively affect luxury consumers (especially brand desirability and brand attitude) thanks to the mediated effect of luxury brand's uniqueness and conspicuousness perception. Recent scholarly research (Kapferer and Laurent 2016) suggests that price perception in the luxury segment might greatly vary from country to country, as consumers have very diverse ideas about the minimum price that products may have to be considered a luxury one. Before the last financial crisis, mass-market competitors began employing the same tactics used by luxury brands. Celebrity endorsement, trendy logos, and license relationships with well-known designers are just some of the techniques that mass-market brands have lifted from luxury brands. For example, some fast-fashion brands have promoted clothing collections in co-branding with luxury brands, for instance, H&M launched some products in collaboration with Cavalli or Jimmy Choo. These collaborations appear to reduce the gap that separates mass-market products from luxury and create even more confusion about the delineation between luxury and ordinary and between mass-market and luxury brand (Amatulli et al, 2017). In addition, after the crisis, many department stores cut the prices of high-end goods and broadening their product range in order to reach more consumers.

The final result of this process is the development of "trading up" products or product versions—that is, new products or new versions that have some characteristics which are typical of luxury (e.g., emotional engagement or aspirations), thus with a premium price, but more affordable than common luxury products or luxury versions. Therefore, mass-market consumers may enter the "luxury world" through more accessible items characterized by a premium price. This mechanism may be referred to as "*trading down*" in consumption (Silverstein et al. 2003) or the "*democratization of luxury*" (Plażyk, K., 2015)

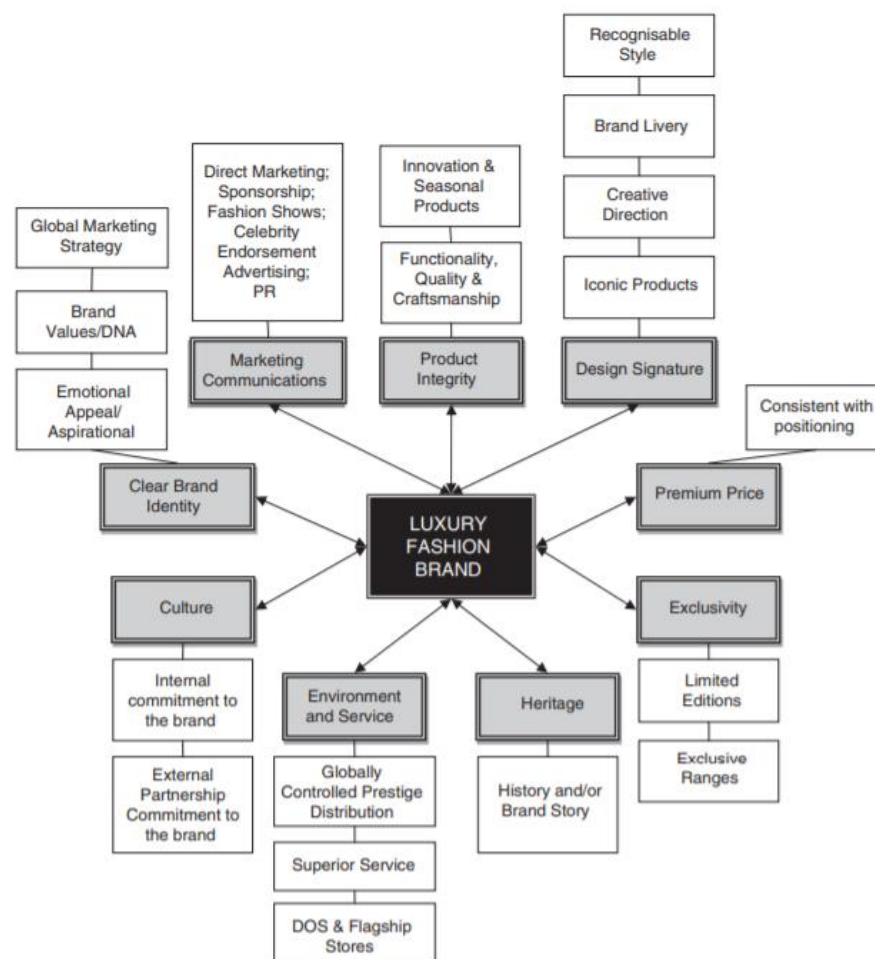
Amidst this confusion, luxury brands can strengthen their market positioning by continuing to underscore the distinctive qualities of their products—that is, high quality, exclusivity, aesthetics, heritage, and other characteristics—through distinctive pricing but far from pure excess and opulence (Pinkhasov and Nair 2014, Amatulli, 2017).

Similarly, Danziger (2016) summarizes the essential values of a luxury brand as superior performance, craftsmanship, exclusivity, innovation, sense of place and time, sophistication and design aesthetic, creative expression, relevance, heritage, and responsibility.

Fionda & Moore (2009) graphically illustrates the various components inherent to the luxury fashion brand (fig. 20). The model identifies nine key components that are inherent to the creation of a luxury fashion brand. Each attribute consisted of several sub-categories, which all must be consistent to create the brand.

The first major dimension identified is a clear brand identity, relates to the symbolic nature and the intangibles of luxury brands and the future development and investment into the brand. The second component, marketing communications, refers to the common methods (that need to be coherent) employed to create or increase awareness about the brand. The subsequent category considers the product integrity, and includes various elements such as quality, craftsmanship and attention to detail. The fashion element within the product is derived from investment in innovation, creativity and the appointment of an eminent fashion designer, which together allow a company to achieve the luxury fashion status and integrity in this attribute. Within the product range, the importance of design signature along with iconic products, eminent designers and brand livery was considered vital in the creation of a luxury brand. The importance of price relevance was identified in the literature (Lichtestein et al, 1993, Dubois et al, 2001) and similarly by each of the case companies. The following component, exclusivity, relates to the accessibility of the brand and the need for this to be strictly controlled, in terms of product availability and distribution, in order to be coherent with the rest of the attributes. The subsequent component relates to the history and heritage of a luxury brand, which was considered crucial for the brand, as it brings an element of authenticity. The store environment and service appear together, as each of the case companies considered the store environment part of the service (Fionda & Moore, 2009).

Fig. 20: The components of a luxury fashion brand



Source: Fionda & Moore (2009)

“Luxury managers need to develop brands able to grow and survive even without carrying visible logos or brand names. Gucci, for instance, uses its distinctive bamboo elements for its sunglasses as a stylistic element that differentiates Gucci’s products from those of the competitors. In order for luxury companies to be able to make their brands less dependent in the luxury market on logos and brand names, it is important that they educate their customers to recognize and assign the greatest possible value to some unique details characterizing their products in an unequivocal way.” (Amatulli et al, 2017)

3.2. Luxury consumption

3.2.1. Determinants of purchase intention and purchase behaviour

According to Nueno and Quelch (1998) luxury turns out to be both an intrinsic quality of a product and the immaterial qualities conveyed by the brand. Furthermore, marketing luxury products depends on a fundamental paradox. Even though managers want to sell their brands as widely as possible to achieve commercial success, in the area of luxury goods, such success necessarily results in failure insofar as a widely retailed product is no longer a luxury good in the eyes of consumers. They therefore ask what the symbolic, affective or emotional added value is that warrants the high price of the luxury brand. Thus, the particularly subjective concept of luxury rests basically on a certain scarcity, which gives rise to a paradox when it comes to selling such goods, since the whole point of luxury brands is to achieve high returns while retaining the perceived scarcity of these items. The domain of luxury is therefore unquestionably tied up with the perception that consumers have of luxury brands. If the brand is widely distributed, yet at the same time consumers are not aware of this and the brand retains its exclusive image in their eyes, it continues to be perceived as luxury brand (De Barnier et al, 2012). As emphasised by Dubois and Duquesne (1993), “We believe that an analysis of the direct relationship between consumers and brands is the key to an improved understanding of such a market.” More generally, those works, inspired by prior economic and psychological theories, are usually based on consumers perceptions (De Barnier et al, 2006). The problematics associated with the definition and measurement of luxury therefore mainly arise from its subjective character. Kemp (1998) explains that the perception of a brand’s degree of luxury depends both on the people questioned and on the context: water can be considered either as a basic necessity good or as a luxury good depending on the situation in which it is placed. Christodoulides et al (2009) indicate that luxury and necessity goods vary from a society to another society. They affirm: “what is regarded as a basic car in a developed country may be considered luxury in a developing country.”

Given the importance of the consumer as an actor in the purchase, it is mandatory to make a premise, and clarify that not all luxury consumers focus on the same values and it is precisely on the basis of their diversity that the company will have to differently capture the customer's attention to induce the purchase. As noted by Hennigs et al. (2012, p. 1019), there is a need in dynamic global marketplaces “to understand why consumers buy luxury goods, what they believe luxury is and how their perceptions of luxury value affect their purchase behavior as well as considering and distinguishing cultural influences”. This is particularly relevant as luxury fashion evolves, now representing a diluted exclusivity compensated for by abundant rarity,

which is achieved through marketing and branding activities aiming to create emotional connections with luxury consumers (Kapferer 2012, Cantista & Sádaba, 2020).

Economists define luxury goods as goods for which demand rises either in proportion with income or in greater proportion than income (i.e. where the income elasticity of demand is equal to or greater than 1), but clearly the purchase of luxury goods is not governed simply by economic factors (Dubois and Duquesne, 1993), as income is a necessary but not sufficient condition to explain purchase. By examining the motivation for consumers to purchase luxury goods within a socio-economic context, Veblen's seminal work (1899, 1994, 2017) proposes that individuals from the wealthy 'leisure class' engage in 'conspicuous consumption' when purchasing high priced items in order to ostentatiously communicate wealth and achieve social status (Bagwell and Bernheim, 1996); this view is consistent with Leibenstein (1950), whose examination of this phenomenon identifies the 'Veblen' effect plus two forms of interpersonal effects of conspicuous consumption: the 'snob' effect and the 'bandwagon' effect.

Three different purchase behaviours - and then three different typologies of consumer - can be identified, based on self-consciousness and price (Vigneron and Johnson, 1999):

- The Veblen effect – perceived conspicuous value. Veblenian consumers attach greater importance to price as an indicator of prestige, because their primary objective is to impress others. It is against the theory of rationality because it states the increase of consumer's demand (or consumption) of a certain good when its price is increased.
- The snob effect – perceived unique value. Snob consumers perceive price as an indicator of exclusivity and avoid using popular brands to experiment with inner-directed consumption. The snob effect is seen when an individual's demand is decreased due to the assumption or knowledge that others are consuming the good.
- The bandwagon effect – perceived social value. Relative to snob consumers, bandwagon consumers attach less importance to price as an indicator of prestige but will place greater emphasis on the effect they make on others while consuming prestige brands. The bandwagon effect is seen in cases where individuals are trying to "fit in". This effect is shown when the demand of a certain good is increased, based on the assumption or knowledge that other consumers are also consuming that same good. The stylish fashion consumer can be an example.

Over the three listed behaviour, we can add other two types of consumers, which behaviours are not related to other consumers behaviour, but the purchase is a response to self-actualization and reassurance as an intimate pleasure.

- The hedonic effect – perceived emotional value. Hedonist consumers are more interested in their own thoughts and feelings, and thus will place less emphasis on price as an indicator of prestige.
- The perfectionism effect – perceived quality value. Perfectionist consumers rely on their own perception of the product's quality and may use price as further evidence of quality. (Mehmedovic, 2009)

O'Cass and McEwen (2004) however voice concerns over the interchangeable use in the literature of the terms '*conspicuous consumption*' and '*status consumption*'. According to them, the former relates to the desires of

consumers to gain prestige by purchasing status-laden products and brands of public or private display, whereas the latter refers to the visual public display or overt usage of products (Tynan et al, 2010).

Fig. 21 Ends sought in the use of luxury products

Effects	Perceptions	Motivations	Behavior
Interpersonal	Conspicuous value Unique value Social value	Ostentation Non-conformity Conformity	Veblenian Snob Bandwagon
Personal	Emotional value Quality value	Self-actualization Reassurance	Hedonist Perfectionism

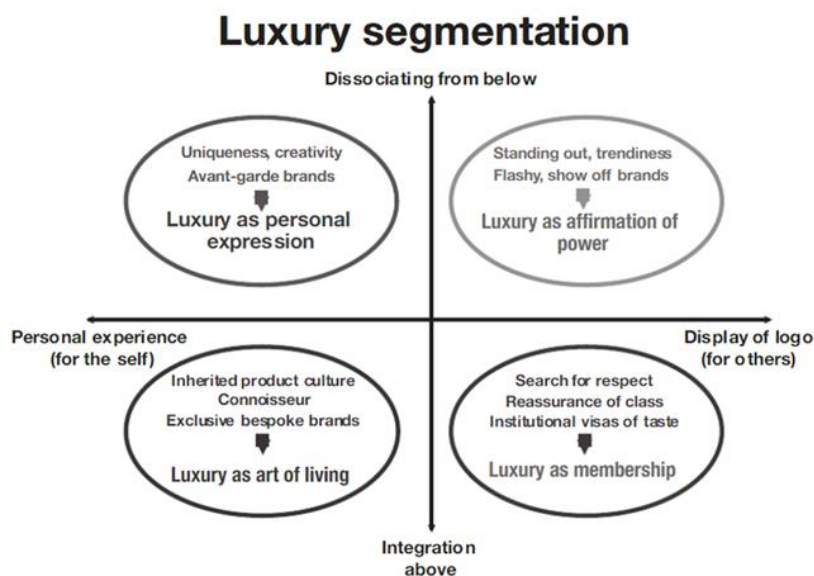
Source: Adapted from Vigneron and Johnson (1999)

Source: Amatulli and Guido, 2012

3.2.2. Social perspective: exteriorized and interiorized luxury

Sociology researches recognise that it is impossible to understand luxury simply as something that is, or an object waiting to be analysed. Luxury is the output of the social dynamics of a society, whereby some groups seek to signal their symbolic superiority in taste, if not wealth and power. Kapferer and Bastien (2009) proposed a classification based on the core social functions fulfilled by luxury brands in each society (fig.22)

Fig. 22: A functional perspective on luxury segmentation



Source: Kapferer and Bastien (2009)

Similarly, an interesting contribution in literature to understand the determinants of purchasing intention provides by Amatulli (2012) that dichotomize luxury good consumption in two categories: "Exteriorized luxury" and "Interiorized luxury" in terms of six dimensions: on the one hand ostentation, materialism and Superfluosness (which refer to luxury as a social statement) and, on the other hand individual lifestyle, emotions/hedonism and culture (which refer to luxury as individual style).

Fig. 23: The main constructs of the luxury consumption dichotomy

Externalized luxury	Internalized luxury
Ostentation	Individual lifestyle/personal taste
Materialism	Emotions/hedonism
Superfluosness	Quality/culture

Source: Amatulli et al, 2017

In the first case, luxury is typically consumed for reasons related to ostentation, social positioning and status symbol accumulation (Fionda and Moore, 2009; Truong et al., 2008). In the second case, consumption involves more personal or cultural goals, related to the search for pleasure, originality, and perfection (Dubois and Duquesne, 1993; Vickers and Renand, 2003). Consumers can “externalize” luxury to show others how much they paid, to emulate people they admire or because they are pushed by a competitive spirit; they choose products based on shared codes. At the same time, consumers can “internalize” luxury if motivated by aesthetic pleasures, cultural or personal sensibility to certain values; they choose products based on taste and individual style, going beyond externally imposed criteria. Considering the study of Tsai (2005), internalized luxury could be connected to concepts like self-directed pleasure, self-gift giving, as well as congruity with internal self. Purchasing intentions principally dependent on “others” (externalized luxury) and purchasing intentions based on individual style and subjectivity (internalized luxury) are opposite motivations but they can potentially co-exist with one single consumer.

On the one hand, external motivations, social and interpersonal; and, on the other hand, internal motivations, subjective and reserved (Amatulli et al, 2012).

External motivations (signal wealth) concern those cases where the goal is essentially that of publicly displaying luxury so as to affirm the consumer’s status (O’Cass and Frost, 2002), while internal motivations (self-reward) relate to luxury consumption based on emotions, state of mind and subjective sensations related to an individual’s self-perception (Vigneron and Johnson, 1999, 2004). It is therefore possible, to distinguish between “interpersonal effects” and “personal effects” of luxury, two different approaches in terms of perceptions, motivations and behaviour, one “other-referenced” and the other “self-referenced” (Amatulli et al, 2017).

How is the externalized versus internalized luxury dichotomy connected with the idea of sustainability? Amatulli et al (2017, p.123) suggests that “companies should regard consumers who buy luxury products for their individual style as relatively more sensitive to sustainability issues compared to those who buy luxury products with the main goal to show others their social status and economic power. Therefore, consumers looking for a luxury item that is consistent with their own lifestyle can be particularly attracted by brands that have made sustainability a core value in their overall strategy and that act in the market in a way that is congruent with such a belief. On the contrary, consumers who consider luxury items as a means to show off are relatively less attracted by brands that have made sustainability a key strategic pillar, as they are more inspired by brands that are instrumental to their status-signalling objective either because they are widely known as luxurious, or because they have visible logos or other types of features. In other words, customers who buy luxury goods to fulfil their dispositional need for status will consider sustainability as a less important feature of luxury brands compared to customers who buy luxury goods primarily to satisfy their own personal lifestyle. Indeed, consumers having an internalized consumption approach to luxury tend to abide by their personal values, among which sustainability may play a central role; therefore, those consumers would perceive sustainability of luxury brands as something that can really fit their personality. In terms of implications for luxury companies interested in fully embracing sustainability, they should be able to segment

the market based on the internalized versus externalized dichotomy and then develop communication strategies aimed at reaching internalized luxury consumers first.

Interestingly, once internalized consumers start appreciating sustainable luxury initiatives, it is likely that also externalized consumers would do the same. In fact, internalized luxury consumers are typically more mature as luxury consumers than are the externalized ones in terms of their general approach to consumption (Amatulli and Guido 2012). Externalized luxury consumers might be willing to follow and imitate internalized luxury consumers' behaviour. Consequently, developing sustainable luxury starting from marketing actions aimed at reaching internalized luxury consumers, would allow, in a second stage, to target sustainable luxury initiatives to externalized luxury consumers as well." (Amatulli et al, 2017, pag. 123).

What emerges is that luxury companies must clearly analyse and understand customer motivations, as such an understanding is the necessary premise for effective marketing strategy and tactical actions aimed at reaching those customers. Only in this way, companies can make their commitment toward sustainable development more effective (Amatulli et al, 2017).

3.2.3. Cultural perspective

The concept of luxury is also closely linked to culture. Consumption is highly symbolic and diversified in different cultural settings, and the concept of luxury and its dimensions varies across time, geography and culture, as people in disparate global marketplaces define luxury differently (Wiedmann et al. 2007; Yeoman and McMahon-Beattie 2006).

Dubois et al. (2001) studied over twenty geographic areas and identified three basic attitudes to luxury: "elitism, democratization, and distance". To some extent, these attitudes reflect the specific cultures, values, and even religions of an area. For example, different aspects of luxury attract French, British and Russian consumers. To illustrate, "uniqueness" seems to be the most important dimension characterizing luxury products for Russian consumers, while "atmospherics" is the most relevant for British and "conspicuousness" for French (De Barnier and Valette-Florence 2013).

Hennigs et al. (2012) argued that global luxury consumers generally possess similar values regardless of country of origin, although the relative importance of value dimensions varies across cultures.

Social theorist, Richard D. Lewis (2003) outlines how countries associated with Romantic cultures are more conscious of values related to beauty and feelings. Creativity, elegance, manners, and humanistic attributes matter greatly. Luxury brands targeting people from these countries need to focus on the senses.

For France and Italy, the creation of luxury products is a part of their national history and character, and they see luxury as part of their own identity. For these countries, the domestic manufacturing of luxury products is particularly important. In contrast to Romantic cultures, people from Germanic cultures and the UK view luxury as representing superior functionality. Certain research has even suggested that cold, harsh climates have influenced the view that luxury clothes, cars and other items need to perform well in all conditions.

These consumers, who place a premium on the performance of luxury products and services, will not be swayed by things that are 'dressed up' but lacking in substance.

Godey et al (2013) conducted a survey in six countries among young people (average age 22.6). The researches created the map of the lexical units which respondents were associated with the concept of luxury. The results confirmed the multi-faceted concepts of luxury, but also clearly shows the strong cross-cultural differences in interpreting the meaning of luxury. The perceptions of luxury are consistent with both the theories of ostentatious consumption behaviour (“hetero-referring luxury”) and with hedonistic consumption theories (“self-referring luxury”). Among the different definitions of luxury there are concepts explaining luxury as self-referred (“desire”, “dream”, “emotional”) and others that are much more hetero referred (“expensive”, “exclusiveness”, “price”, “quality”, “extravagant”). Analysing the results among groups of countries: for the Italians important is "exclusive" of the luxury goods (far behind is “prestige” and “elitist”), but for the French "prestige" and "elitist" are very important. For German consumers luxury is associated with “expensive” and "prestigious", for the Chinese luxury means that something is "prestige", "extravagance" and "visibility". For Japanese respondents "expensive" is the most appropriate adjective associated with luxury, but American consumers most frequently mentioned "exclusive", "prestige", "desirable" and "extravagant” (Godey et al., 2013).

Similarly, Kapferer & Bastien (2016) recruited 500 respondents from each of six countries (USA, China, Brazil, Japan, Germany and France) representing both mature and emerging markets and selected, out of a list of ten traits, the four that were most important for defining luxury (fig. 24). “Although there are some local idiosyncrasies (e.g. the importance of looking fashionable in China, product in temporality in Japan), the homogeneity of the answers is notable, though perhaps not surprising. People learn about what constitutes luxury not from their parents or families, but from the brands themselves, which are pervasive, with highly visible stores and communications” (Kapferer & Bastien, 2016)

Fig. 24: What luxury means for affluent clients in six major luxury markets

	<i>France</i>	<i>USA</i>	<i>China</i>	<i>Brazil</i>	<i>Germany</i>	<i>Japan</i>
1	High quality	High quality	Expensive	High quality	High quality	High quality
2	Prestige	Expensive	High quality	Pleasure	Expensive	Prestige
3	Expensive	Prestige	Fashion	Dream	Fashion	Expensive
4	Pleasure	Pleasure	Minority	Expensive	Dream	Intemporal

Source: Kapferer & Bastien, 2016

One characteristic that’s been noted across India, is the aspect of conspicuousness. In a study of 900 luxury consumers (Shukla, 2015) across China, India and Indonesia, it was found that, for Indians, luxury is about “achieving societal acceptance, reflecting the hierarchical nature of the society.” Likewise, for post-Soviet countries, people from middle and upper classes use luxury brands to distinguish themselves from working classes. Signature products and services and strong brand signifiers are likely to resonate strongly with people for whom exclusivity is important.

Looking at emerging countries, Emirati women have been shown to be more inclined to buy luxury items when compared to Brazilian women (Gil et al. 2016).

Recently, due to the cultural complexity of luxury, researchers (Wiedmann et al. 2009) proposed a framework based on consumers' perceptions of luxury values considering social, individual, functional, and financial aspects that can be used as conceptual structure for cross-cultural studies.

“According to the Managing Director of a European luxury brand, the real challenge is represented by the turn that Western consumers had due to changes of the values of the society and the hyperinflation, that is bringing them to move a little away from products belonging to the hard luxury, as watches, accessories and jewellery, and get closer to lifestyle related goods and services able to generate lasting emotions, as going on vacation, having a car or buying a house. Instead the eastern consumer is still putting greater attention to ostentation and hedonism values, using luxury as a vehicle to declare a social status. Luxury companies all over the world have seen that, year after year, one or two percentage points of their total sales have been moving from the western to the eastern countries.” (Amatulli et al, 2018, p.17)

3.3. Luxury market

3.3.1. Segmentation

To fully understand how the luxury market is structured, it is appropriate to deepen the segmentation of the same. The luxury industry can be imagined as a pyramid (Allérés 1990, Kapferer 1997, Corbellini 2009). According to Danielle Allérés (1990), the luxury market can be divided into three different levels: inaccessible, intermediary, and accessible luxury.

At the top of the pyramid is the inaccessible or absolute luxury: these are goods and services available in limited editions, very often unique pieces, selective distributed and at very high prices. For a product to be placed in this category, it is necessary to keep these characteristics constant over time, in order to survive changing fashions and ever-increasing competition. The buyers belong to the richest social class, which manifest their “superiority” through the possession of not only very expensive, but also exclusive and very rare goods.

We then move on to intermediate or aspirational luxury: the goods in this category come close to the previous one in terms of price and availability, but they are no longer custom-made, although adaptable to customer needs. The consumer in this case is economically strong, but not as much as who can afford absolute luxury. It is usually an individual who has reached a comfortable life thanks to professional success and who is looking for a status statement in luxury goods.

Finally, at the base of the pyramid there is accessible luxury: branded, fashionable and distributed on a large scale, it includes all the products available to the wealthier middle class, who are not satisfied with just premium products. The purchase takes place in this "universe" above all by imitation of the upper classes and they are animated by permanent "catch-up effects". It consists, namely, of a “serial luxury, conceived and distributed on a larger scale, and available to less wealthy social classes, still belonging to the luxury sector” (Brioschi, 2000).

A similar division was also noted by Kapferer (1997), who distinguished between griffe, luxury brands and high range products, and underlined the role of “social marker of luxury”.

At the top of the pyramid is the Griffe - the creator's signature engraved on a unique work which pursue an exclusive distribution strategy that enhances its rarity. This explains what is feared most: being copied. Brands, on the contrary, particularly fear fakes/ counterfeits. Here we find the Supreme luxury segment, or the so-called absolute luxury, whose products include unique pieces - made-to-measure or handcrafted - and "supercostosis" (Corbellini & Saviolo, 2009).

The second level is that of luxury brands produced in small series within a workshop, i.e. a 'manufacture', in its etymological sense, which is the sole warrant of 'good-facture'. For example, this is the case of Hermes, Rolls Royce or Cartier. The corresponding segment is that of the luxury lifestyle, traditionally defined as an aspirational luxury, which includes goods ad limited edition, sometimes hand-made, characterized by a very high quality, an unmistakable style, one brand identity declined in a coherent way with brand heritage and a selective distribution strategy.

The third level is that of streamlined mass production: there are found Dior or YSL, cosmetics and perfumes and SL Diffusion textiles. At this level of real industrialization, the brand's fame generates added value for expensive and prime quality products, which, nonetheless, gradually tend to look more and more like the rest. Here there is the segment affordable luxury where the level of quality is still high, and consumers value the brand in relation to the quality / price ratio. This is therefore the segment of high-end brands - the upper-range brand (Kapferer, 1997).

Finally, at the last level, we find the so-called masstige. Part of the confusion that reigns around the concept of luxury is due to the overlapping of these segments and increasingly blurred boundaries that separate them. The vertical expansion and the resulting business opportunities have led the brands to luxury to increasingly use brand stretching. For example Chanel, it is configured as a undisputed griffe if we talk about haute couture, but loses this status if we move into the sector of sunglasses, which have a less recognizable style and a more extensive distribution; or even Louis Vuitton which is a luxury brand if we look at its ready-to-wear collection and a brand if we consider its core business: leather goods. At the same time the positioning of a brand in a certain segment rather than in another, it changes according to the country that is considered. A clear example of this is Lacoste, who in China is positioned as a luxury brand in every respect, pursuing an exclusive distribution, while in the more mature markets such as the Italian or French one, pursues a strategy typical of a high-end brand.

Similarly, Corbellini & Saviolo (2009) proceed with a similar analysis including from top to bottom: supreme luxury, lifestyle luxury, accessible luxury, and "masstige" (i.e. a mass business logic that takes on prestige connotations).

Fig. 25: The luxury market segmentation and the brand system



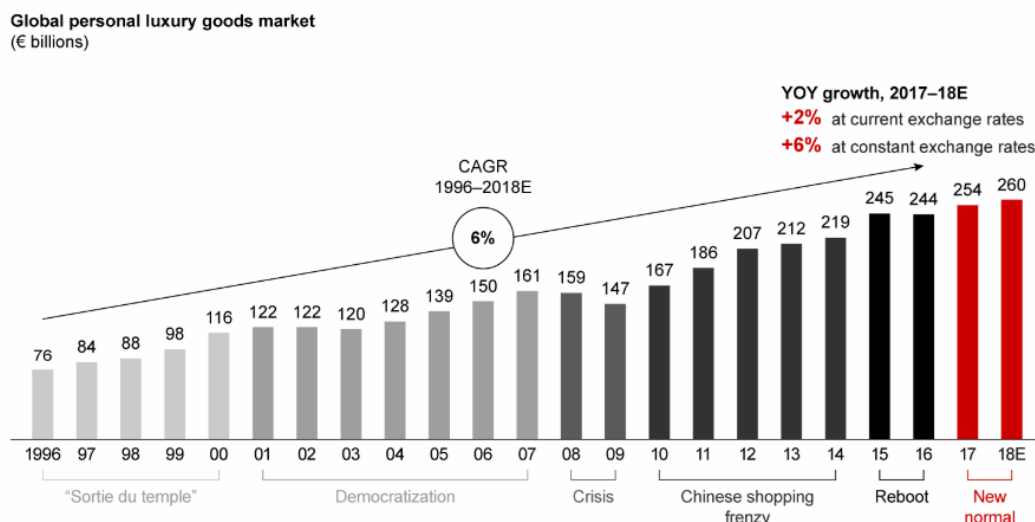
Source: Rielaboration from Kapferer (1997) and Corbellini (2009)

3.3.2. Situational analysis: Stages of growth and type of consumers

According to Bain & Company and Altagamma's analysis (2019), over the last twenty years, the personal luxury goods market comprising apparel, fashion accessories, beauty, jewelry and watches advanced through five stages of growth (fig. 26):

1. Democratization (2001-2007)
2. Crisis (2008-2009)
3. Chinese Shopping Frenzy (2010-2013)
4. Reboot (2015-2016)
5. New Normal (2017 onward).

Fig. 26: Stages of growth of the luxury market



Source: Bain & Company 2019

Democratization of luxury

The trend toward democratizing luxury goods (in some publications also called as "new luxury") is based on the fact that luxury goods, which until recently were available for a small, elite group of the wealthiest people

are becoming affordable to a wider, more mass audience. The democratization of luxury is the result of two major phenomenon on the market for luxury (Plażyk, 2015):

1. In order to raise capital and to compete effectively in the market, companies are entering the stock exchange to reach the largest number of customers. The consequence of this situation is the pressure of investors to improve financial indicators.
2. An equally important reason is the emergence of a new consumer. Currently, more people can afford to buy luxury products (increasing number of wealthy individuals) and new customers are mainly young people. The new consumer is relatively poorer and less loyal than traditional consumer but is more attractive for luxury goods companies because of its quantitative advantages over traditional customers. New consumers are mainly young people and nowadays even teenagers are already active participants of the luxury goods market (fig. 27).

Fig. 27: New and traditional luxury consumer

	<i>Traditional luxury consumer</i>	<i>New luxury consumer</i>
<i>Age</i>	elder (50-69)	younger (30-49)
<i>Wealth</i>	more wealthy, inherited assets	less wealthy, wealth generated
<i>Sensitivity to price</i>	lower - interest in the most expensive goods	higher - interest in products with lower prices
<i>Expectations</i>	more traditional and conservative	more progressive, like changes
<i>Loyalty towards the brand</i>	more loyal	less loyal
<i>Group size</i>	very small	rapidly growing

Source: Ł. Świerzewski & E. Sęk, 2005

Source: Plażyk, 2015.

Back in 2002 luxury consumers had an overpowering conspicuous-consumption drive which ended abruptly with the recession. In 2007 resourcefulness, simplification and comparison shopping became primary.

Then in 2012 as the economy got stronger, luxury consumers' mood turned from saving money toward getting the most value out of the purchases they made; in fact, the search was about "how to spend money on the best stuff". By the way, quality, craftsmanship, and service provided by a brand became a drive to justify the price that they would spend, always in searching of purchases that give more meaning. Luxury consumers want brands that serve a higher purpose, that reinforce and mirror their personal values (Slater, 2019).

The propelling movers forward this new definition of luxury are the HENRYs (high-earners-not-rich-yet) consumers with incomes from \$100k-\$250k and aged on average 43. (Slater, 2019). They have abandoned the old ideas on which traditional luxury marketing and branding were founded. HENRYs are digital savvy, love online shopping and are big spenders, particularly the Millennials. As HENRYs are a critically important customer segment, loyalty could be built by endorsing their core values, such as authenticity, reliability, commitment to do the right things, and following sustainable practices. Consequently, brands have started to deliberately focus on values shared by this aspirational demographic. Luxury brands wishing to target HENRYs must offer inclusive, yet individualized and self-expressive products. Finally, since HENRYs are heavily influenced by modern technology and use of social media to form their buying decisions, luxury brands have started to engage with these customers by leveraging on social media platforms (Deloitte, 2019).

According to Bain & Company (2019), “the overall luxury market – encompassing both luxury goods and experiences – grew by 4 percent at constant exchange rates in 2019 to an estimated €1.3 trillion globally. The core personal luxury goods segment followed a similar path, achieving 4 percent growth at constant exchange rates and reaching €281 billion. The current New Normal period is expected to continue into 2020, characterized by moderate growth in the 3-5% range, with Asian markets driving most of the industry’s growth.” (Bain & Co, 2019)

Despite the recent slowdown of economic growth in major markets including China, the Eurozone and the USA, the luxury goods market looks positive. The USA adoption of protectionist policies, the implementation of fiscal policies, tighter monetary policy and restrictive trade policy have resulted in slower consumer spending, higher consumer prices, and disrupted global supply chains. Other factors impacting the future of the global luxury market include the digital revolution and the impact of technology, the growing global middle class and the influence of Millennial HENRYs and Generation Z (Gen Z) on the development of the luxury market (Deloitte, 2019).

According to Bain & Company (2019), these are the global overview about the growth of the luxury market:

- Mainland China has been a growth driver for the luxury industry in the recent past with the market growing by 26 percent at constant exchange rates to reach €30 billion. Chinese customers accounted for 90 percent of the constant growth of the market in 2019, reaching 35 percent of the value of luxury goods. Government policies and lower price differentials continued to fuel local consumption. For 2025 the forecast affirm that Chinese customers will account for 45%+ of the global market, with half of their luxury purchases happening in Mainland China.
- Japan grew by 4 percent at constant exchange rates to €24 billion while the rest of Asia grew by 6 percent at constant exchange rates, reaching €42 billion.
- In the Americas, US consumption was boosted by domestic confidence but tempered by reduced tourist flows. Growth has been sluggish across the region but with an overall market size of €84 billion, it remains a core region for personal luxury goods.
- Europe experienced slow growth of 1 percent at constant exchange rates with the market reaching €88 billion in size. Spain and the UK were among the top performers, driven by tourism and weak currency, respectively. Germany was impacted by a slowing country dynamism and France by social unrest earlier in the year.
- Other geographies, which account for €12 billion, experienced a 5 percent decrease at constant exchange rates. The Middle East, aside from a hesitant recovery in Dubai, was a subdued market affected by lower consumer confidence and geopolitical uncertainties.

3.3.3.Future trends and Forecasting

According to BCG Luxury Market Model by 2024, personal and experiential luxury alone are estimated to be a €1,1260 billion market—a significant increase from €845 billion in 2015.

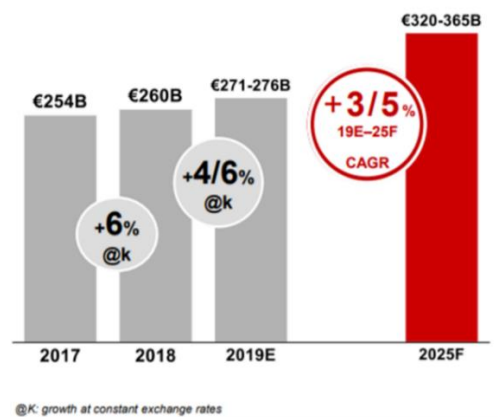
Fig. 28: The Luxury market is poised for growth



Source: BCG Luxury Market Model

Also, Bain & Company (2019) has an optimistic prospective because they forecast there will a solid mid-term growth resulting of 3% to 5% per year through 2025, for a total value of €320 billion to €365 billion. However, socio-political issues, commercial policies and potential soft recessions could make for a bumpy road in the short term (fig. 29).

Fig. 29: Global personal luxury goods market forecast (€billion)



Source: Bain & Company (2019)

In summary, the macro trends that will shape the future of luxury are:

- Sustainability, Social responsibility and Circular fashion as a new mantra: new vision for the environment, for human labour and animal welfare.
- The influence of younger consumers grows

Young people segment, that today is formed by Gen Z (2.6 billion individuals) and Millennials (2.14 billion) making up 64% of the world's population.

Generations Y and Z accounted for 47% of luxury consumers in 2018 and for 33% of luxury purchases. However, they contributed virtually all of the market's growth, compared with 85% in 2017. Bain & Company's annual luxury study (2019) assesses that, in terms of personal luxury goods market trend, new generations (Y+Z) delivering 130% of future market growth. "Millennial customers (also known as Generation Y, born between 1980 and 1995) also have been steady buyers of luxury. They account for 35 % of consumption in 2019 and by 2025 could make up for 45 percent of the market. But it's the even-younger Generation Z that is poised to reshape the industry: by 2035 they could make up 40 percent of luxury buyers and they display behaviours that distinguish them from other generations." (fig. 31)

Fig. 30 Comparison of Generations Y and Z: key features

	Gen Y (millennials)	Gen Z
Role in fashion	Critical consumer	Critical actor
Driver	Experience	Experience through product
Consumption pattern	Convenient newness (rent and share)	Ethical sobriety (recycle and make)
Values	Counternarrative inclusivity Diversity	Nonbinary fluidity Cultural relevance
Reference ecosystem	Digital universality	Phy-gital (g)locality
Sources of influence	Social media Celebrities/influencers	Friends and family (via social media) Accomplished influencers

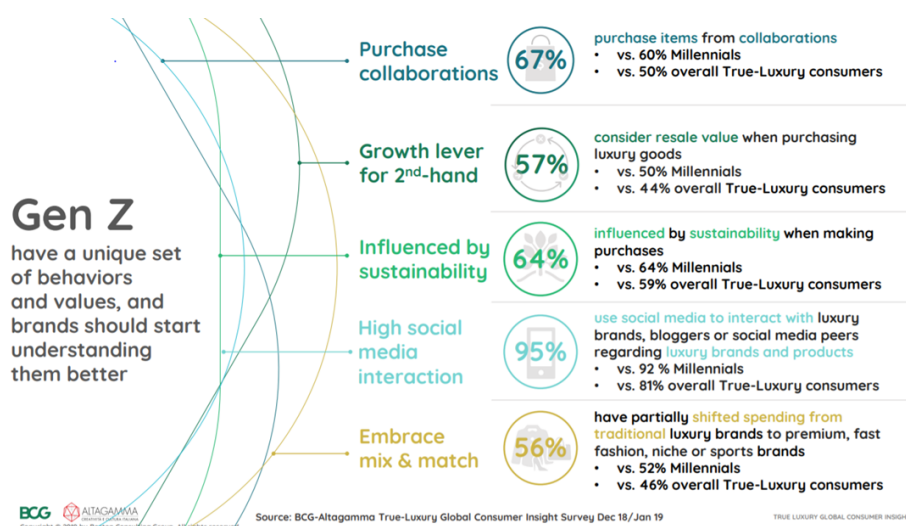
Source: Bain & Company (2020)

The “True Luxury Global Consumer Insight” presented in 2019 by Boston Consulting and Altagamma highlighting that in 2018 the 425 million luxury consumers in the world spent around 920 billion euros. According to the survey, in the future consumption will be driven by Millennials and Chinese and will reach 1.3 trillion in 2025 (with an annual growth rate of 4-5%), while consumers will continue to grow up to almost 500 million of people.

“Gen Z customers are the new frontiers of tomorrow’s luxury market – and they already represent a growing portion of luxury consumption in Asian markets. They see themselves as critical actors of the creativity and conversations with luxury brands; they are returning to products, stores and physical interactions with brands to truly connect and engage emotionally with them.” said Federica Levato, a Bain & Company partner.

Younger consumers, even as their incomes and their ability to afford luxury rises, are embracing the values of conscientious consumption. The luxury resale market is mentioned repeatedly as a business model perfectly attuned to their values, but even those who can afford to pay full price for first-hand brands are attracted to the second-hand model. The old conspicuous consumption model that previous generations embraced has been replaced by a conscientious one (Danziger, 2019). To capitalize, luxury brands are adapting to the preferences of younger consumers in terms of product offerings, communication and engagement strategies, and distribution channels.

Fig. 31 Key trends of Z Generation (born between 1995 and 2010)



- The Growth of Chinese Market

Geographically, China continues to be the majority force, making up 33% of the market in 2018 and expected to rise to 40% by 2025, representing 75% of the market growth between 2018-25; they will make half of their purchases at home in China (up from 24% in 2017). So, the Chinese Gen Z is the “segment to watch”: significant spending force, impulse buyers, proud and empowered.

- Digitalization will permeate every purchase, disrupting the entire luxury value chain and asking for a holistic redesign of the entire technology eco-system.

By 2025, the online channel will represent 25% of the market’s value, up from 10% today. Approximately half of all luxury purchases will be digitally enabled thanks to new technologies along the value chain, and nearly all luxury purchases will be influenced by online interactions. Digital penetration fostering store network consolidation and leading to a radical change in physical stores’ role that will evolve from a simple point of sale to a true touchpoint for consumer engagement.

- Cultures/sub-cultures (religious, ethnic and others) and new consumption trends will arise increasing their influence. The luxury industry is increasingly acknowledging cultural and size preferences. Modest fashion, comprising garments that can be worn by Muslim consumers, accounted for approximately 40% of luxury women’s ready-to-wear in 2018, while “inclusive” fashion, targeted to curvy or plus-size consumers, represented about 20%. Luxury brands will need to acknowledge and address these groups to remain relevant.

- Paradigm shift in consumption favouring access over ownership. The new business model emerging are the *rental* and the growth of the *second-hand market* favoured by digital players with global scale. They can satisfy both the need for novelties and the transition to greater sustainability.

The second-hand market reached €26 billion in 2019 and it is a representation of the change in the luxury customers mentality. Again, according to Ilsole24ore, the younger generations, especially in mature countries, are driving the change: 68% of the Gen Z and Millennials interviewed have purchased a second-hand luxury product and 50% have rented products in the last 12 months. Up to 3 out of 10 young people declare themselves inclined to "sharing" also for goods such as shoes, bags, jewelry and clothing. Only 6% of iGen and 12% of Millennials are not interested in sharing or renting any type of product,

The luxury resale market is mentioned repeatedly as a business model perfectly attuned to their values, but even those who can afford to pay full price for first-hand brands are attracted to the second-hand model.

Luxury brand can consider this trend as a potential avenue to reach a new audience and enlarge their customer base and they need to manage it strategically to grasp the full potential of this opportunity.

- One market will serve “markets of one.”

Brands in 2025 will see a blurring of typical competitive boundaries. The standard model of growth—in which brands either become a specialist in a category or diversify across a broader set of products and services—will be taken to the extreme as companies strive to address individual consumers’ unique needs (Bain & Company, 2018)

- Experience and ecosystem over product

The BCG and Altagamma (2019) report states that “With the global luxury market reportedly reaching €920 billion (\$1 trillion) in 2018, it’s set to top €1.3 trillion (\$1.5 trillion) by 2025, with experiential luxury (dining, hotels, cruises, resorts, wine and spirits, furniture, lighting, cars, boats, smartphones and technology) growing faster at 5% than personal luxury goods at 3%.” (BCG – Altagamma, 2019)

Meanwhile, in hospitality, the convergence of luxury fashion and travel has been steadily increasing year on year – Bulgari, Versace, Dolce & Gabbana and Armani have all partnered with five-star hotels. Most recently, LVMH increased its presence in the hospitality sector with the acquisition of Belmond and all its signature hotels, cruises and trains in a \$3.2 billion enterprise value transaction.¹⁶

- Collaborations and co-branding

This is as a growing trend in 2020 and it doesn’t just apply to streetwear brands. For example, the US company Gap, Inc. worked with Derek Lam to design a line of athletic wear for its Athleta stores; or the Big Box store Target and its collaborations with designers like Missoni and Lilly Pulitzer. Some fast-fashion brands have promoted clothing collections in co-branding with luxury brands, for instance, H&M launched some products in collaboration with Cavalli or Jimmy Choo (Amatulli et al, 2017). The co-branding involves also true luxury collaborations, like Armani and Ferrari.

- Network consolidation redefines the store of the future.

“Reduced foot traffic at physical stores will lead to consolidation in retail networks, like what has already happened in sectors such as music, books and consumer electronics. The role of the store will evolve from a simple point of sale to a true touchpoint for consumer engagement.” (Bain & Company, 2018).

¹⁶ Source: <https://matterofform.com/lmvh-buy-belmond/>.

CHAPTER IV: SUSTAINABILITY in FASHION LUXURY

“We live in a culture of fast fashion and consumer consumption.

I think it is up to luxury designers to lead by example
and create beautiful, thoughtful and responsible design...

If designers demand better quality raw materials suppliers will have to make them.

It is my hope that this creates a shift in the supply chain
where more responsible raw materials are readily available.”

(Melissa Joy Manning, Sustainable designer, Ecouterre 2014).

4.1. Sustainable Fashion

A first step in discussing sustainability in fashion is to recognize an inherent truth (as I’ve already discussed in the paragraph 2.4): fashion is a polluting and resource-intensive industry, even as its future success depends on reducing its environmental and social imprint across the entire life cycle of garment production.

A frequently asked question in the area of sustainable fashion is whether the field itself is an oxymoron (Black, 2008). This reflects the seemingly irreconcilable possibility of bringing together fashion, intended as constant change and tied to business models based on continuous replacement of goods - and sustainability, understood as continuity and resourcefulness (Fletcher, 2008). The apparent paradox disappears whether fashion is interpreted not only as a process aligned to expansionist business models (Fletcher 2010, Raworth 2018) and consumption of new clothing, but instead as mechanism that drives to more engaged ways of living (Dawson 2013, Fletcher 2016) on a precious and changing earth (Weber 2019, Fletcher 2019).

The origins of the sustainable fashion movement are connected with those of the modern environmental movement, of which it is a section. The publication in 1962 of the book “Silent Spring” by American biologist Rachel Carson exposed the dangerous and pervasive pollution associated with the use of agricultural chemicals, a theme that is still important in the debate around the environmental and social impact of fashion today (it emerged also analysing the comments of the respondents in the experimental research). The decades which followed investigated more systematically the environmental impact of human actions, including the effects of industrial activity, and emerged new concepts as the sustainable development (cfr. Paragraph 1.1.3.). In the early 1990s and coinciding with the United Nations conference on Environment and Development in 1992, popularly known as the Rio Earth Summit, 'green issues' made their way into fashion and textiles publications. Typically these publications featured the work of well-known companies such as Patagonia and ESPRIT, who in the late 1980s brought environmental concerns into their businesses and commissioning research about the impacts of fibres used in their companies. In the European Union, the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations required in 2007 that clothing manufacturers and importers identified and quantified the chemicals used in their products (Luz, 2007). With regards to the Environmental Management Systems (EMS), forms of quality assurance are represented by Management Systems Certification such the international family of standards ISO 14001: 2015 and the European Union’s EMAS (Eco-Management and Audit Scheme). These certifications were also born in response to various initiatives carried out by NGOs, which increasingly required greater transparency from

the fashion companies, combined with the publications of several documents criticizing the companies for using dangerous chemicals, as for example the Greenpeace Detox campaign conducted in 2011.

On May 3, 2012, the world's largest summit on fashion sustainability was held in Copenhagen, assembled more than 1,000 key stakeholders in the industry to discuss the importance of transforming the fashion industry sustainable. Copenhagen Fashion Summit has since then gathered thousands of people from the fashion industry in their effort to create a movement within the industry.

4.2. Sustainability and Luxury: the match

“Luxury is about history. A luxury brand is a lifestyle concept, and to be sustainable it has to have history including a history of quality merchandise and of real luxury customers.”

(Joseph Wan, ex CEO OF Harvey Nichols)

The relationship between the luxury industry and the sustainability movement is complex because they are considered antithetical (Beckham and Voyer 2014; Strong 1997).

As mentioned in the chapter III, there is no single definition of luxury, but there are certain characteristics that luxury products and companies embody. Luxury is identified with a lifestyle of excess, indulgence, hedonism, superficiality, ostentation and waste (Dubois, Czellar, & Laurent, 2005; Kahn, 2009). On the opposite angle sustainability evokes ethics, altruism, sobriety, restraint, and morality (Carrier and Luetchford 2012). Sustainability focuses on moderate or responsible consumption of the resources to ensure that future generations would be able to meet their needs on the Earth. Therefore, “excess” or “wastes” certainly seem to have negative impact on what sustainability pursues. Luxury is also associated with rarity: rare animals’ skins or furs illustrate luxury; luxury products, in this case, expect consuming rare animals. Because of these meanings of luxury, luxury often suggest social inequality and therefore sustainability is antithetical to or incompatible with the concept of luxury (Kapferer, 2010).

From an economic perspective, the luxury industry pursues the maximization of gross margins and as a result, luxury providers do not emphasize cost reduction, but rather they focus on value creation. This focus on quality over costs is kept along the entire value chain. In contrast, sustainable development focuses on values such as moderate consumption, parsimony and equality, which privilege economy over high quality. Despite the apparent contradiction between luxury and sustainability (Achabou and Dekhili 2013; Janssen et al. 2014; Kapferer and Michaut 2014a), in reality, luxury brands encourage an approach to production and consumption that might be considered “sustainable by definition” (Amatulli et al, 2017).

A luxury good is first of all a top-quality product, spreading intangible excellence and elegance. Second, a luxury product is rare and exclusive. This rarity is reinforced the use of hard-to-find natural resources and fine raw materials, which are laboured by highly skilled and expert artisans whose workmanship aims to achieve perfection. Luxury goods companies are dependent upon high-quality materials and resources because the use of inferior materials or mediocre workmanship would impede a luxury business’s ability to market its products as rare (Amatulli et al, 2017). So, luxury brands invest in the preservation and conservation of the environment, systems, and workers that support their production processes.

The third core peculiarity of a luxury good is its heritage. “Heritage includes traditional and time-consuming techniques of craftsmanship in the production processes. Heritage implies not only an increased lifespan for the product (i.e., its durability), but also its value. Indeed, heritage implies that a luxury good has the ability to transcend fads. In this way, luxury is the enemy of resource destruction, mass production, over-consumption, and, in general, of the throwaway society.” (Amatulli et al, p.43).

Luxury is also symbolism (Dubois and Duquesne 1993; Dubois et al. 2001; Vigneron and Johnson 2004), even so the representation of “status” has not to be considered just in hedonic terms. Modern luxury customers do not purchase luxury products only for the aim of ostentation. For these customers, the contradiction between luxury and sustainability is low, as reported by a research conducted by Kapferer and Michaut (2015), according to which more luxury customers today expect that the brands they support produce sustainable products (Amatulli et al, 2017).

In summary, the key features of luxury for high quality, heritage, superior durability and rarity of luxury brands reveals the affiliation between luxury and sustainability (Hennigs et al. 2013).

Support to such thesis comes from Guercini and Ranfagni (2013, p. 80), who claimed that “luxury and sustainability, especially in its environmental dimension, converge in the features of durability and rarity, which constitute possible bridges between them.”

Despite their supposed dualities, also Baker and Jones (2018) did a discursive analysis revealing spaces for luxury and sustainability to live in harmony and they propose an illustration to outline the domains of these concepts (Fig. 2.1). The qualities central to both sustainability and luxury as discourses include materiality, quality, the centrality of the maker, closely managed supply chains, and place (i.e., of production or source of materials). As the illustration implies, there are multiple elements for each domain that are not or cannot be found in the other. These excluded elements, particularly for sustainability, point to potential issues when combining the discourses (Baker and Jones, 2018).

Fig. 32 Intersecting discursive domains of luxury and sustainability



Source: Baker and Jones in Chris K. Y. Lo & Jung Ha-Brookshire (2018)

While some recent research supports the idea that luxury and sustainability are today far less incompatible than many might think, this idea has been becoming more and more popular among top managers operating in the luxury sector. According to Marie-Claire Daveu, Chief Sustainability Officer and Head of International Institutional Affairs of Kering, “there is an intrinsic relationship between luxury and sustainability,” up to the

point that “sustainability is already built into the definition of luxury,” that is “all about the highest quality, heritage, creativity and craftsmanship, which is long lasting (Amatulli et al, 2017).

Gardetti (2016) stated that “sustainable luxury promotes the return to the essence of luxury with its ancestral meaning, the thoughtful purchase, the artisan manufacturing, the beauty of materials in its broadest sense, and the respect for social and environmental issues” (Gardetti, 2016, p. 2).

4.2.1. Evolution of sustainable luxury

Having accepted the fact that luxury and sustainability can be complementary concepts, I’m now considering the progressive path that has led to this match.

In the early years of the sustainability movement, many luxury companies adopted these relations to promote their brands to customers avoiding conspicuous consumption. “Luxury companies did not necessarily pursue additional, dedicated sustainability programs, however. Today that is changing, motivated by the evolving demand of luxury consumers.” (Amatulli et al, 2017).

Different studies demonstrate that before consumers were less likely to take ethical criteria into account when they bought luxury products than when they bought FMCG¹⁷ products or commoditised products (Davies et al., 2012). One study from Achabou and Dekhili (2013) also reveals an incompatibility between recycling and luxury products who highlighted that luxury buyers did not appreciate positively the idea of buying a Hermès product in recycled cotton.

Kapferer and Michaut (2014a) found indeed that luxury was felt to be the most contradictory with sustainable development when consumers perceived luxury as ‘superficial’ and ‘creating social unrest’. In this research, although luxury buyers declared they did not care about sustainable development when buying a luxury product, they were also very prompt to react negatively when learning some dissonant disclosures about the luxury brands: those negative news most likely to induce boycott were first engaging cheap workforce to produce luxury goods, then killing animals for their furs, killing three crocodiles to make one single luxury bag, destroying unsold products instead of selling them at a discount web-store, etc.... As soon as questionnaire talk about vivid facts, and abandon abstract yes-saying inducing ethical concepts, consumers get involved. In another study, Kapferer and Michaut (2014b) analysed the determinants of the above identified consumer capacity to mobilise themselves against luxury brands, to boycott them if misbehaviours were discovered concerning sustainable development.

Challenged by a balancing act between brand exclusivity and the globalisation of luxury brands (Tynan et al. 2010), marketing managers face serious problems such as the wide availability of counterfeits, consumer concerns referring to poor labour standards, blood diamonds, gold-mining practices and anorexic models (Bendell and Kleanthous 2007; Janssen et al. 2013). Besides, particularly in emerging markets, luxury brands are accused of tightening social inequalities and the tensions between rich and poor (Kleanthous 2011). Therefore, reasoning that the luxury industry is extremely sensitive to reputational damage and consumers in all social classes are increasingly concerned about social and environmental issues (Bendell and Kleanthous

¹⁷ Fast-moving consumer goods (FMCG) are products that are sold quickly and at a relatively low cost. Examples include non-durable household goods such as packaged foods, beverages, toiletries, over-the-counter drugs, and other consumables.

2007; Kleanthous 2011; Janssen et al 2013), the concept of sustainability has to become a priority for luxury brands as well and for this reason luxury brands have recently adopted sustainability as part of the luxury essence (Hennigs et al., 2013, Amatulli 2017).

According to Achim Berg, global leader of consulting firm McKinsey's apparel, fashion and luxury group, sustainability is beginning to play a more fundamental role in many companies. "Brands have started integrating the philosophy of 'doing business for good' into their values, moving beyond a pure focus on shorter-term shareholder value generation." (Dixon, 2019).

Cervellon and Shammas (2013) argued that the sustainable luxury includes three categories: socio-cultural values (conspicuousness, belonging, and national identity), ego-centered values (hedonism, durability, health, youthfulness, and guilt-free pleasures) and eco-centered values (not doing "harm," doing "good"). Hatice et al. (2019) also incorporate the normative beliefs dimension regarding social and environmental aspects to better measure the luxury product perceptions of consumers.

Hennigs et al. (2013) provide a comprehensive framework of luxury sustainability values through a differentiated model on four dimensions: the financial, functional, individual and social dimensions of luxury value (fig. 33).

Fig.33: Sustainability Diamond



Source: Hennigs et al (2013)

1. *Financial value:* As everyone knows, luxury items are quite expensive. The financial dimension of luxury refers to the value of a product expressed in dollars, euros, yen, etc. Consumers are willing to pay significant price for luxury brands that are commonly expected to contain higher levels of quality, scarcity, taste and aspiration than other products in the same category (Yeoman and McMahon-Beattie 2006; Sarasin 2012). Everything is more desirable in luxury industry since it is related at some point at the idea of dream. This explains why the price strategy leads to high margins, that can "be used to finance more environmentally and socially responsible manufacturing." (Hennigs et al, 2013). Furthermore, regulations, which are important to ensure that sustainability standards and principles are met, will lead to inevitable price increases. Luxury brands are more able to absorb these additional costs and convince customers to pay more for better quality products.

Moreover, luxury depends on limited resources which might be saved indirectly through higher demand (Kapferer, 2010). Indeed, scarcity often leads to moderate consumption due to a limited supply of products. Therefore, “the scarcity of luxury products may convey the idea that luxury brands encourage more reasonable, responsible consumption and help protect natural resources” (Janssen & al, 2013, p. 3). Consequently, deeper luxury is not defined solely by the costs of products to consumers but also by the value beyond the price of transaction (Kendall 2010).

2. *Functional value*: The functional dimension of luxury value is related to dimensions such as quality, uniqueness, usability, reliability and durability (Wiedmann & al 2007, 2009). The aspiration for high quality and superior durability of luxury brands reveals the affiliation between luxury and sustainability (Hennigs et al, 2013). In many cases, luxury brands are inherited through generations (ex: jewellery and pieces of art) and for some products, an after-market exists (ex: the market of vintage Chanel clothes). Durability is not only the main characteristics of sustainable development; it is also the core of a luxury company (Kapferer 2010). Four important areas are named in order to have a sustainable luxury brand management operational: the packaging, products, business operations and socially responsible activities (Hennigs & al, 2013). To ensure sustainable luxury processes, techniques and materials that are consistent with the demands of sustainable development must be established because the highest quality product or service will be the one that generates the most benefit to all involved in its production and trade (Bendell and Kleanthous, 2007). Thus, to address the functional sustainability value not only the raw material and production process itself, but also the entire supply chain must be included in a promising sustainability strategy (Hennigs & al, 2013).
3. *Individual value*: what we mean about individual sustainability value is the customer’s personal orientation. As we have seen before, a luxury brands can be a reflection of a consumer’s personality and is therefore more than a product: it is a symbolic and emotional. Sustainable consumption has gained important weight in the world in recent decades and consumers from luxury industry are people quite affluent and elitist that know about social, cultural and environmental issues around them. They expect convincing information about the brand’s environmental and social responsibility as they use the brands to reflect their own concerns and aspirations. In sum, to address the individual sustainability value, an excellent and well-communicated social and environmental performance is required (Hennigs et al, 2013).
4. *Social value*: social dimensions of luxury value refers to the perceived utility individuals acquire with products or services recognized within their own social group(s) (Wiedmann 2007, 2009).

Luxury essential aspects such as prestige are affecting the evaluation of luxury brands because they improve a customer’s “status and generate benefits in social interactions”. Consumers more turned towards sustainable and environmental concerns will think about the world around them when they buy a product from a certain luxury brand, and not only think about their social group.

“Luxury helps people to express their deepest values as they gain experience and prestige”. According to that, increasingly, leading luxury brands are taking steps in the direction of sustainable development and are introducing the idea of 'sustainable luxury' as an integral part of their own brand image. They have

started to improve their social and environmental standards: for example, by ensuring the well-being of their employees.

Kim, Ko, Xu, and Han (2012) stated that “sustainable development presents an opportunity to improve brand differentiation and corporate image especially in the light of the fact that consumers of luxury products are increasingly aware of social and environmental issues.”

In summary, sustainable luxury represent a new approach both from industries and consumers side. From the demand perspective, the purchase of luxury goods having a positive impact in the environment and in the society at large is “the mark of a new approach to luxury consumption, which is more conscientious than it has traditionally been perceived, and can be manifested in the consumers’ tendency to buy luxury products that are novel inasmuch as they are sustainable.” (Amatulli et al, 2017).

From the supply perspective, sustainable development requires the adoption of a long-term vision with measurable strategies. Heritage luxury brands have had to become expert at crafting a careful balance between tradition and innovation in order to maintain relevancy in the market over time. This includes, on one hand, sustaining the legacy of local craftsmanship (i.e., specialized skills, training) and savoir-faire that is representative of brands’ countries of origin (Joy, 2015)

It is necessary an entrepreneurial mindset that invest in technology and R&D to develop innovations in materials and production processes toward sustainable solutions and protecting their core businesses (Carcano, 2013). The real issue and challenge for luxury industry is the conditions under which a luxury product’s raw material since consumers are more concerned than before about the product sources. Luxury leaders in sustainable development must adopt traceability and transparency within the supply chain (Gardetti & Giron, 2014), as well adopting responsible behaviour in terms of working conditions, material sourcing, environmental protection, and similar matters (Amatulli et al, 2017).

Research demonstrating an alignment of sustainability drivers with the luxury brand ethos is supported by the growing commitment to sustainable development within the luxury goods industry. (Lo and Ha-Brookshire 2018). Successful brands in this sector leverage their know-how in the areas of innovation, creativity, and excellence to provide “the best products and experiences for well-informed, educated, sophisticated, demanding and discerning clients” (Gardetti & Giron, 2014, p. 20).

4.3. Sustainable Fashion Luxury

Can eco-sustainable fashion (i.e. fashion that is friendly to the environment during and after the production process) be also fashionable? While fashion is generally conceived as a process of recurrent change, eco-sustainable fashion implies fashion that lasts. This apparent contradiction in the definitions of fashion and eco-sustainability is most salient in the fashion industry’s luxury segments, where change itself is considered an element of luxury and thus upheld by consumers. As we have seen previously, luxury is compatible with a sustainable strategy and is even complementary with the notion of durability that sustainable development is advocating because durability is a core business value for luxury brands.

Godart & Seong (2014) unfold the challenges and opportunities specifically faced by luxury fashion brands in pursuing the eco-sustainability agenda by taking a theory-informed, action-oriented approach towards the six core principles of fashion (Godart, 2012). I reported the table they presented in the fig. 34.

Fig. 34 Luxury's fashion limitations and opportunities for sustainability

Principle	Limitations for sustainability	Opportunities for sustainability
<i>1. Affirmation</i>	Consumers' desire to assert their individuality and social affiliation by being 'in fashion', which prompts regular changes of clothes. This leads to, and is reinforced by, inflated production cycles.	Institutionalising the practice of sustainable fashion by changing consumers' perception of buying sustainable fashion items as a socially accepted or 'in fashion' practice
<i>2. Convergence</i>	Local styles converge with dominant fashion design trends that are formulated, updated and disseminated by big fashion capitals. These dominant designs are not always compatible with local climates.	Increasing consumers' preference for purchasing sustainable fashion items (principle 1: affirmation) in order to prompt the convergence of producers around producing sustainable fashion.
<i>3. Autonomy</i>	The fashion industry maintains its autonomy when it comes to the choice of fashion styles and designs. This autonomy makes it difficult for third party actors to push the sustainability agenda in the production process.	Encouraging actors within the fashion industry to develop aesthetically appealing designs that are also high on the eco-sustainability agenda.
<i>4. Personalisation</i>	Market audiences share their belief in individual fashion designers' creative autonomy. This makes it difficult for third party actors to push the sustainability agenda in de production processes.	Encouraging each designer to use his/her autonomous influence to set a pro- sustainability trend and let it spill over from the fashion industry to other social spheres.
<i>5. Symbolisation</i>	Fashion brands symbolise a power engine behind a stylistic trend change in the fashion industry. This may not go hand in hand with the notion of sustainability.	Encouraging each fashion brand to leverage on, and reshape its existing identity to include a pro-active message on environmental issues
<i>6. Imperialisation</i>	Business groups play a major role in the industry. The sheer size and power centrality of these business groups can make adoption of changes in favour of sustainability difficult.	Using the power of business groups to influence individual fashion brands and even other luxury segments via ripple effects to adopt and implement a large-scale sustainability agenda.

Source: Godart, Frederic & Seong, Sorah. (2014)

Considering the investigation of how both consumers and producers can take advantage of each principle in supporting the practice of eco-sustainable fashion at the individual and brand levels, they suggest that the institutionalisation of eco-sustainability paradigms in luxury fashion can be realised without negating the core principles of fashion and they also introduce three possible scenarios in which the various stakeholders of the fashion industry can proactively take on an eco-sustainability agenda: institutional change through slow luxury fashion; innovative luxury fashion; and upgrading luxury fashion through regulation. The first involves institutional change by introducing a “slow fashion” mindset; the second requires a change in the processes, for example using materials that have a lower impact on the environment; the third scenario sees the state or the industry itself playing a role through regulation. (Godart & Seong, 2014).

In order to provide a roadmap for a better and a more sustainable fashion system, luxury fashion brands should not associate luxury fashion with only glamour and exclusivity. They must foster deeper values of luxury that support social and environmental concerns and responsibility (Ertekin, 2019).

If we consider the main principles of fast fashion, which are speed, affordability, change, disposable trends and aesthetic fads, we discover that they contradict with sustainability goals and principles. Luxury fashion, on the other hand, emphasizes longevity, durability, authenticity, craftsmanship and quality, and can therefore be better associated with sustainability.

The bridge of slow fashion (cfr. paragraph 2.2.) connects sustainable luxury and artisanship (Fletcher, 2008) which advocates for reducing production and consumption cycles through product quality and engagement (Jung & Jin, 2014). Furthermore, luxury fashion brands are in a better position to pursue superior sustainability performance and accomplish sustainability goals by managing their suppliers to comply with them for the improvement of social and environmental conditions, fulfilling the triple-bottom lines and consumer demands for transparency (Lo and Ha-Brookshire 2018). These aspects represent an opportunity for luxury brands to become leaders in sustainable fashion (Ertekin, 2019).

A recent survey conducted by Deutsche Bank Research (2019) published in the report “What consumer want” shows that sustainability is certainly a growing parameter but strangely not yet at the top of the consumer choice criteria. Quality, fashion and creativity, brand loyalty, commercial policies, historicity and exclusivity of the brand are still the predominant drivers. However, according to the survey, change is underway and consumers, especially the youngest (56% of respondents) assign an increasing value to sustainability. So, the reputation and prestige of the brand still remain the fundamental criteria of the purchasing choices, but considerations on the impacts on the environment and on health, on the treatment of workers, on social and ethical orientation are taking on an increasingly important role.

Although academic studies reveals that consumers yet care primarily about the intrinsic quality of products and the responsible behaviour of brands is a secondary purchase driver consideration, the shift from “conspicuous consumption” (Achabou and Dekhili 2013) to “conscientious consumption” has led consumers of all social classes to be highly worried about the possible social and environmental troubles and to prefer sustainable products that are in line with their own values and beliefs (Hennigs et al. 2013).

Today's consumers demand for sustainable supply chain and luxury products consumers are not an exception. In fact, more recently, luxury brands were criticized for their unsustainable raw materials selection and use of endangered animal skins for apparel products. Consumers started boycotting such brands and it negatively affected luxury brands' images overall (Davies, Lee, & Ahonkhai, 2011).

Consumers care about what they wear and what material are made the products they use. In a wider sense, consumers choose a company not only for its products, but also for the company's mission, values, and efforts to make the world a better place (Kotler et al. 2010). Animal welfare and the slaughtering process have been relatively under-investigated topics in research on sustainability issues. However, significant changes in cultural attitudes toward butchering and increasing sensibilities between humankind and animals call on luxury fashion businesses to pay attention to their sustainable supply chain in sourcing animal skins (Fitzgerald, 2010). "Analyzing social media data of consumers' responses to animal cruelty in a luxury fashion supply chain, findings from this study make a unique contribution by shedding light on diverse targets of consumers' blame attributions and patterns of consumers' coping with an animal welfare issue in the luxury fashion industry" (Lo and Ha-Brookshire, 2018).

Given that luxury products, more than mass-market products, are used to signal consumer identity and individual value systems (Jenkins 2014), it is perhaps yet more important to luxury customers that brands such as Louis Vuitton, Gucci, or Ralph Lauren lead in the pursuit of sustainability standards. Such consumer attitudes have certainly not gone unnoticed by luxury managers. To illustrate, in the opinion of a manager of a digital fashion company, "in these later years, there is a more critical attitude by European customers (not by, for example, Russian or Arabic customers) on sustainability issues, both because they are being considered as a 'fashion trend' as being vegan or not wearing real furs and because the spreading of information through mass media broadens the range of the phenomenon." (Amatulli, et al., 2017, p. 45)

In short, luxury consumers see luxury products as a means to express their deepest ethical and moral values when luxury goods are produced and traded without letting others (people, the environment, or the society) suffer (Bendell and Kleanthous 2007). This attention shift toward sustainability is occurring in Western countries as well as in Latin America, Eastern Europe, and Asia.

To sum up, in all of the dimension of true luxury value, sustainability excellence can be convincingly demonstrated and provided to consumers who demand responsible business: "For luxury brands, the question is no longer why to create a sustainable value chain, but rather how to transform their supply chain to address their stakeholders' growing concerns with environmental and social issues and thus protect their reputation" (Christopher H. Cordey, Founding Director of the Sustainable Luxury Forum). So, luxury fashion can play a major role in transition towards a more sustainable fashion system.

4.4. Current situation all over the world

Fashion is finally waking up to sustainability – but the lexicon surrounding eco-friendly and ethical fashion is full of inaccuracies. A lot has changed over the last twelve months. The Swedish schoolgirl Greta Thunberg has become a spokesperson of a generation who are impatient for change and will not compromise

on their ethics – whether that means going vegan or swapping their clothes rather than buying them new (Blanchard, 2019).

4.4.1. Initiatives

This paragraph deep inside the last initiatives that NGO's, governments and general stakeholders took regard to sustainability in fashion, also involving luxury brands.

One of the first innovation challenge, the *Global Change Award* was created by the H&M foundation in 2015 in collaboration with Accenture. In 2017 H&M also created a trend report to look at the future of sustainable fashion.

In December 2018, while Thunberg was telling the world's leaders at COP24 in Poland that “you are never too small to make a difference”, the not-for-profit global movement Fashion Revolution announced that it too is declaring a climate emergency and has signed the charter. Stella McCartney was launching the *UN Fashion Industry Charter for Climate* – signed by more than 90 labels (including Burberry, Chanel, Gap, H&M, Kering, Levi's, Inditex, ...) – that contains the vision to achieve net-zero emissions by 2050 and includes a target of 30% GHG emission reductions by 2030 and a commitment to analyse and set a decarbonization pathway for the fashion industry drawing on methodologies from the Science-Based Targets Initiative (UNFCCC, 2018).

In early 2019, a group of researchers formed the *Union for Concerned Researchers in Fashion* advocating for radical and co-ordinated research activity commensurate with the challenges of biodiversity loss and climate change, that has also won the North Star Award at the Green Carpet Fashion Awards, which is an organization focused on the promotion of sustainability in fashion (York, 2019). Moreover, in March 2019 ten UN organisations launched the *UN Alliance for Sustainable Fashion* in Nairobi, representing a combined effort by UN agencies to bring sustainable fashion initiatives into fruition across multiple sectors.

Also, in EU were launched interesting initiatives in order to bring greater awareness to the fashion industry's response to climate change. In June 2019, France, a global leader in luxury fashion, introduced a ban on the destruction of unsold fashion goods (to be implemented by 2023), with manufacturers and retailers obliged to donate, reuse or recycle. The move was the first of its kind in the world on a national level. These types of policies are just a reaction after an announcement in August 2018 regarding the British luxury label Burberry reporting that it had burned tens of millions of dollars of unsold goods (worth around £28.6m, about \$37.8 million) in 2018 (Prant, 2019). It prompted fierce criticism exposing not only overproduction and subsequent destruction of unsold stock as a normal business practice, but the behaviours amongst brands that actively undermine a sustainable fashion agenda.

The German government in September 2019 unveiled the *Green Button* – the world's first government sustainable textile label. The EU's Circular Economy action plan, meanwhile, aims to ensure products can be repaired or recycled, with textiles as a key priority. All these activities are having an impact in now bringing the environmental agenda to centre-stage.

At the G7 summit in August, Kering chief executive François-Henri Pinault spearheaded French President Emmanuel Macron's new *Fashion Pact*, aimed at reducing environmental impact. Mr Macron said roughly

150 brands had joined that weekend, with a further hundred joining since then (Farra 2019). According to the State of Fashion 2020 (McKinsey&Co, 2019), brands are taking action on other fronts too. Many are making efforts to increase sustainable options for consumers, or even make it the new normal in the future. Zara this year pledged to use 100 percent sustainable fabrics by 2025, joining H&M which earlier committed to using 100 percent recycled or sustainable materials by 2030, among a host of broader sustainability commitments by the company (Conlon 2019, H&M, 2017).

Adidas has committed to phasing out virgin polyester by 2024. LVMH announced its own series of commitments for the environment and biodiversity during Paris Fashion Week in September, including an Animal based Raw Materials Sourcing Charter; the Charter among other initiatives specifies a target of 70 percent of the groups leather to be sourced in Leather Working Group (LWG) certified tanneries, up from 48 currently (McKinsey & Company, 2019).

4.4.2. Fashion showcases

In the latest years is already a fact that also the industries in fashion – that until recently – were reluctant to apply sustainable models in their governance have switched in sustainable models. It is observable in all the most important Fashion Week of the world: Berlin, London, Milan, Venice, Copenhagen, Helsinki, etc... that all embrace the opportunity of the event as a reflection on how the fashion industry is dealing with the undeniably negative impact it has on both people and planet – and to work together to find solutions.

The British Fashion Council's London Fashion Week has been a leader in eco-friendly fashion initiatives for many years, starting with "Estethica" launched by Fashion Revolution founders Orsola de Castro and Filippo Ricci in September 2006, to promote sustainable fashion during London Fashion Week. It is particularly good at taking the lead in social issues and it was the first main fashion week to go fur-free last year (Shurvell, 2019).

Copenhagen, another city leading showcase on sustainability in January 2019 established a sustainability advisory board of international fashion industry representatives and, shortly after, it initiated a strategy focusing on four United Nations Sustainable Development Goals¹⁸, resulting in - among other things - the ban of single-use plastic bottles and the development of a guide to producing more responsible fashion shows. "Later this year," says CPHFW CEO Cecilie Thorsmark, "we'll reveal our three-year plan where we will dedicate our platform to accelerate the sustainable development of the industry by introducing standards for brands who wish to showcase at Copenhagen Fashion Week." These steps feed into Copenhagen's grander scheme to be a carbon neutral city by 2025, and the government of Denmark's recent announcement of one of the most ambitious climate policies in the world that includes a 70 per cent reduction in greenhouse gas emissions by 2030 (Freeman, 2019).

Berlin demonstrate his commitment hosting Greenshowroom and Ethical Fashion Show Berlin, the largest platform for sustainable fashion in Europe, if not worldwide.

¹⁸ In particular, they focused on the following SDGS: 10. Reducing Inequality, 12. Responsible Consumption and Production, 13. Climate Action, 17. Partnerships for the Goals.

For Italy, the world's biggest luxury fashion producer, sustainability is becoming recently a fundamentally important competitive lever with which to consolidate its leadership. The wind of change has been blowing through the Milan Fashion Week, with new and promising brands that are pledging to forego unsustainable practices and embrace sustainable ones. Sustainability is also one of the pillars of the strategy at "Camera Nazionale della Moda Italiana", an association that started advocating sustainability as a basic value of the Italian fashion industry in 2010. It's a process in which CNMI has involved both its members and other operators across the entire fashion industry in Italy, setting up a Working Group on Sustainability and launched the Sustainability Committee and three Working Groups: Chemicals Technical Working Group, Retail Technical Working Group and Chemicals Analysis Working Group. They also host the International Roundtable on Sustainability, the annual event (at his third edition in 2019) which highlights the pivotal role of Milan in the development of an international conversation about sustainability in the fashion industry; a fundamental occasion for the circulation and exchange of competencies and developing information among the most important actors of the sustainable revolution occurring in the luxury fashion world. For the first time in 2019 the International Roundtable on Sustainability invited important luxury brands and fashion groups to the stage as Sylvie Bénard of LVMH, Marie-Claire Daveau of Kering Group and Elia Maramotti of Max Mara Fashion Group, shared their thought leadership on luxury fashion and sustainability.

In the Finnish capital in July was organized the fifth Helsinki Fashion Week. Although the event has been focused on sustainable fashion since launch, the 2019 edition was the first to ban leather from the catwalks.

In summary, "Sustainability - or the idea of it, at least - was hard to miss during fashion month. Recycled materials were everywhere, from Zero + Maria Cornejo's collaboration with Hyundai, which saw leftover car seat material turned into a capsule collection, to Stella McCartney's use of recycled polyester and plastics alongside organic cotton. Both Preen and Marni used fabrics made from plastic bottles, while the latter's Milan Fashion Week show went a step further by repurposing old clothing, mechanical pulp and plastic bottles into towering palm trees. Dior, meanwhile, garnished its runway with more than 160 real trees, all of which were set to be replanted after the show. Another emerging trend was "carbon neutral" runway shows, beginning with Gabriela Hearst's at New York Fashion Week and followed by Burberry in London and Gucci in Milan. What's more, Gucci's parent group, Kering, which also owns Yves Saint Laurent, Balenciaga and Bottega Veneta, among others, used fashion month to announce that the entire company "will become carbon neutral within its own operations and across the entire supply chain. But according to McKinsey's Saskia Hedrich, using recycled materials or pledging to become carbon neutral doesn't necessarily make a brand sustainable." (Dixon, 2019)

4.4.3. Trend and priorities of 2020 decade

In 2019, the UK Parliament's Environment Audit Committee published a report and recommendations on the future of fashion sustainability, suggesting wide ranging systemic change, not least government regulation and tax-incentives for sustainable practices, such as lowered VAT for repair services. As highlighted in the report, wide political and social changes are needed to push industry towards more sustainable practices and levels of consumption: brands doing "less harm" is not enough. The report finishes with the following statement:

"Retailers must take responsibility for the social and environmental cost of clothes. They should use their market power to demand higher environmental and labour standards from suppliers. Offering rental schemes, lifetime repair and providing the consumer with more information about the sourcing and true cost of clothing are all measures that can be more widely adopted. Shifting business practice in this way can not only improve a business's environmental and social impact but also offer market advantage as they respond to the growing consumer demand for responsible, sustainable clothing." (UK Parliament. 2019, p.54).

Five "megatrends" are identified by the organisation that will lead the future of sustainable fashion (Global Change Award, 2017):

1. *Power of Nature*: juice production, by-product, new yarn produced.

The industries investigate materials that have always been looked at as waste as a more sustainable method to making new clothing. The materials that will mitigate negative impacts from the industry include vegan materials from the earth and recycling old fabric into new clothing.

2. *Rent a Closet*: online services, subscribe to fashion, designer clothes.

Increased utilization rate of each clothing item will eliminate wasted capacity in the clothing industry. A case example is the company "Rent the Runway" that through an online service provides designer dress and accessory rentals for a monthly fee. It would give luxury brands like Hervé Leger, Vera Wang, Etro to people who may not be able to afford the clothing at regular retail price. Renting and sharing clothing is also known as CFC (collaborative fashion consumption), a sustainable fashion trend in which consumer are getting involved in (Gunther, 2016).

3. *Long Live Fashion*: peer-to-peer webshop, handmade items, shop consciously.

It is the revival of vintage clothing and handmade items, a way to lower the amount of clothing that gets disposed of and ends up in landfills. Companies like RE/DONE, Vintage Twin and Frankie Collective sell repaired vintage clothing or Etsy that is a peer-to-peer e-commerce website. Repairing and reselling clothing has less negative impact than creating new clothing does.

4. *Innovative recycling*: polyester textile, microbe eats polyester, new textile.

Looking at waste as value. The industry is starting to create incentives for consumers to participate in the recycling of clothing. Tailored couture is one option for the future of a greener fashion industry as it can potentially lead to less waste and more jobs improving the economy. Tailored couture is no longer desired because of the convenience of malls and stores provide but the consequence of the convenience is the pollution of the environment.

5. *Connected Clothes*: smart technology, create own design, coded clothes.

Digitize clothing to garment traceability and automated material sorting in the textile recycling process is a way to achieve transparency in the fashion value chain from sourcing and production. Hyper-personalization and making clothes an even more integrated part of customer's lifestyle.

In order to shape and deliver a robust agenda for sustainable sourcing, the McKinsey CPO (2019) survey asked respondents to identify the three keys sustainable-apparel-sourcing topics at the top of their agendas for the

next five years. The top-ranked topic by far was sustainable materials; other key priorities were transparency and traceability, supplier relationships, and purchasing practices (fig. 35)

Fig. 35 Key areas sourcing executives plan to work on “Which sustainable apparel-sourcing topics top?”

(Ranks of topic mentioned first, top 8 topics aggregated, n = 64)



Source: McKinsey CPO, 2019.

“There is no sustainable material, per se, because for everything you need a resource,” says Marenzi, founder and director of The Sustainable Angle, an organisation that stages the London-based Future Fabrics Expo. “It’s a matter of how [long] the resource can stay in the [user] cycle, with the least amount of impact [from] extracting and processing, with end-of-life then being as easy as possible – going back into the soil or being used again for another purpose. “It is very complex [but] having a much more vertical, integrated supply chain approach [means] you are in full control of your materials; the more vertical you are, the more you can mitigate [...] your impact on the oceans and climate and biodiversity.”

According to Lidewij (Li) Edelkoort, a trend forecaster and dean of hybrid studies at Parsons School of Design in New York, “material innovation is only one stitch in the complex rebirth of fashion. Slowing down, streamlining production and editing collections are the most important guidelines.” (McKinsey & Company, 2019).

In summary, for many brands and designers as well as consumers, this 2019 has been a year of awakening (McKinsey & Company 2018, Blanchard 2019), but the prevailing mood of fashion leaders for 2020 is one of anxiety and concern. On the one hand, evolving channels, shifting markets, and ground-breaking research offer revenue opportunities and the chance for radical innovation. On the other, global economic growth is slowing and competition is more intense than ever. Equally, consumers and advocates are calling for the industry to become more inclusive. “We see 2020 as being a watershed for *Inclusive Culture*, with diverse races, genders, and sexual orientations increasingly present across organizations and in leadership roles.” (McKinsey & Company, 2019).

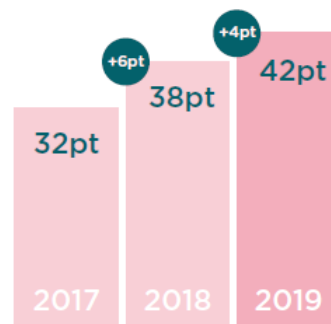
The industry cannot wait for the consumer to lead this movement—it is up to fashion leaders and luxury brands to take bolder moves today to transition to a sustainable industry. In effort to create remarkable progress in sustainability, governments, policymakers, media, NGOs and investors have to be involved in the movement. Governments and businesses need to collaborate closely, too, and investors should urge their investees to improve their social and environmental practices (Pulse of the Fashion Industry, 2019).

4.4.4. Companies and customers: key findings

I now consider the Pulse of the Fashion Industry 2019, an annual report that observes sustainability progress from fashion companies published and created by Global Fashion Agenda and Sustainable Apparel Coalition

in partnership with Boston Consulting Group. The report showcases measurable progress into five phases and scored the measurable progress with a scoring system called the Pulse Index that evaluate fashion companies' sustainability goals and implementation efforts. The Pulse Index is a baseline score, powered by the Higg Index, for measuring and tracking the sustainability management and target setting of the global fashion industry on key environmental and social impact areas (cfr. paragraph. 2.4.2). It is measured on a scale from 0 to 100. The 2019 Pulse Score (fig. 36) shows that while the fashion industry improved its overall score to six points in 2017, in 2018 that score decreased to only four points, so in 2019 as a whole, measurable progress decreased by 1/3. The fashion industry is slowing down on sustainability efforts and this indicates the increasingly difficult challenges companies face in advancing their Pulse Scores.

Fig. 36 : Evolution of industry-wide Pulse Score: Speed of measurable progress slowed vs last year.



Source: Pulse of the Fashion Industry (2019)

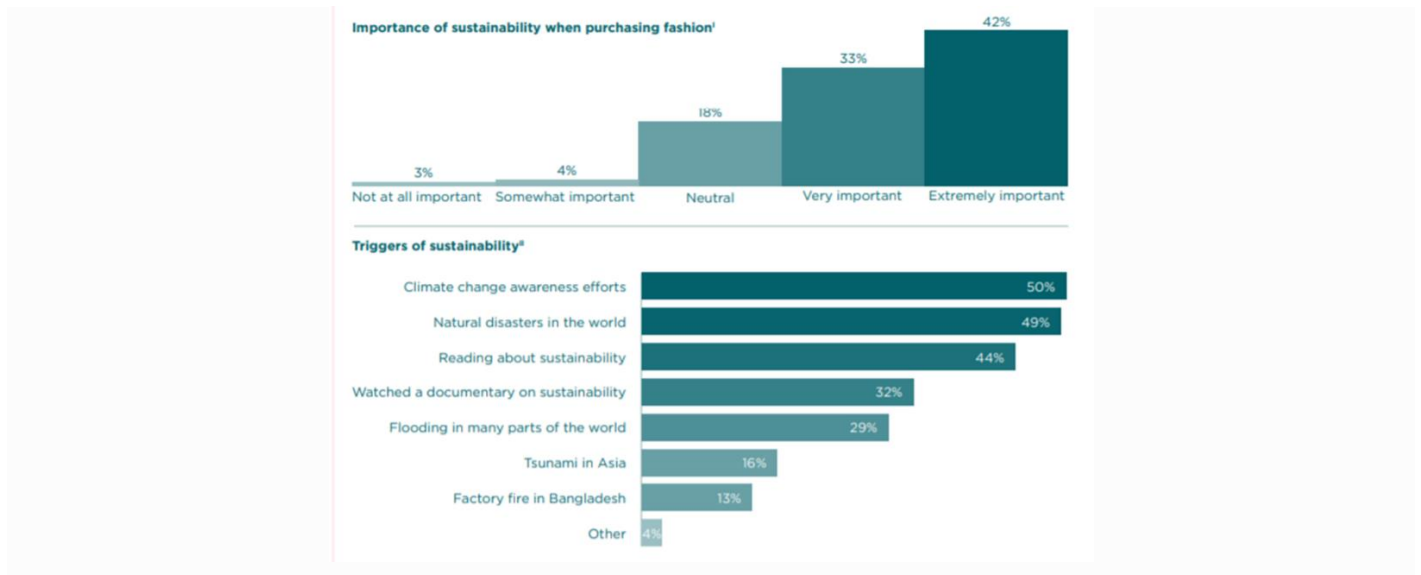
Although the continued progress is encouraging, its decreasing speed is concerning. In the last two years alone the apparel and footwear industry grew between 4 to 5%, in line with projections through 2023 that show annual growth of approximately 5%. This is largely driven by increasing demand in Asia-Pacific and developing countries¹⁹.

As I have already affirmed in the previous chapter, this thesis is an interesting tool for academic and business perspective, but it is customer oriented, so I also take into the account the customer sentiment. In fact, while on the industries companies there is a slowing down toward the implementation of sustainable practices, on the other side consumers have become more aware of sustainability that turn into an increasingly important driver in purchasing decisions and can be considered a prerequisite.

The Pulse report (2019) showed shoppers are increasingly interested in fashion brands' eco-friendly efforts, with 75% of consumers indicating they view sustainability as either extremely or very important to them. The strongest triggers for conscious behaviour concerning sustainability are climate change efforts (50%) and natural disasters (49%). (cfr. fig.37).

¹⁹ Boston Consulting Group calculation based on Euromonitor data (worldwide apparel and footwear industry production value, historic 2018 fixed exchange rate, USD). Projection until 2023 based on the same Euromonitor data; projection until 2030, Boston Consulting Group analysis by extrapolation of Euromonitor projections.

Fig. 37: Importance of sustainability for consumers and its triggers



Source: Pulse of the Fashion Industry (2019)

Those same buyers are demonstrating their concern by making more purchases from fashion brands that have a focus on sustainability. Over 33% of consumers indicated in the same report they have switched from their preferred brand to another because it credibly stands for positive environmental and/or social practices brands. What's more: 50% of shoppers plan to switch brands in the future to support fashion brands that acts more environmentally and socially friendly than their preferred one.

However, consumer considerations of sustainable practices are not yet powerful enough to be the most important driver of purchasing behaviour. For 7% of consumers, sustainability is the key purchasing criterion but 23% prioritise high quality, 17% looking successful and 16% receiving good value for money.

Three broad consumer segments and six nested subgroups emerged in the survey data regarding consumer perception on the importance of switching to a brand with more responsible practices (fig. 38).

Fig. 38: Segmentation of the fashion consumers perception toward switch a sustainable brand

Resistant (35%)	Middle ground (49%)		Believers (3%)	Open (16%)	
	Low involvement (42%)	Supporters (7%)		High involvement (10%)	Enthusiasts (3%)
Rejectors (35%)					
Sustainability practice level: Summary • Not interested in sustainability in fashion • Do not practice sustainability in other categories • Seek to stretch fashion income Profile over-index: • Boomers and Silent Generation • Lower income • Mostly high school education • Retired, home maker, not employed	Sustainability practice level: Summary • Mild interest in sustainability in fashion and in other categories • Some attitudes show certain interest in sustainability Profile over-index: • Lower income • Home maker, not employed	Sustainability practice level: Summary • Mild interest in sustainability in fashion and in other categories • Purchasing decisions with sustainability in mind • Support sustainability in other categories Profile over-index: • Lower income • Female • Self-employed	Sustainability practice level: Summary • Interest in sustainability in fashion and in other categories • Several attitudes show some interest in sustainability • Consider sustainability in purchasing decisions Profile over-index: • Founders and Millennials • Medium income • Full-time employed	Sustainability practice level: Summary • Interest in sustainability in fashion and in other categories • Have chosen brands based on sustainability in the past and will do so in the future • Sustainability plays major role in purchasing decisions Profile over-index: • Millennials and Boomers • Low/Medium income • Retired or self-employed	Sustainability practice level: Summary • Sustainability is key driver when choosing products • Over-indexes in sustainability on all other categories Profile over-index: • Gen X • Male • High income • Graduate and professional degrees

Source: Pulse of the Fashion Industry (2019)

The graph is divided into two parts: the upper part shows the three segments and the six nested subgroups on the 100% of population, while the lower part is an over-index describing the demographic characteristics that

occur over proportionally in subgroup compared to the total sample. The exhibit shows an aggregated percentage of population in subsegments, while the circles are an indicator for sustainability practice level i.e. how important sustainability is for the consumer segment.

From consumer end, 35% are resistant towards sustainability, citing price as the main roadblocks because they expect sustainable products will be more expensive. 16% of consumers have high interest in sustainable products. The demographic of this group ranges from full-time employed millennials with middle income, high degree gen X with high income and retired Baby Boomers with middle income. The remaining 49% expressed mild level of interest in sustainability but expect the companies to take action and communicate; this group sees sustainability as nice-to-have factor.

The last consideration carried out by The Pulse of Fashion Industry (2019) on sustainability's customer sentiment is about the emotional fulfilment that customer seek when they purchase products in fashion categories. They have done a quantitative analysis [N=703US; 703 UK; 529 FR; 514 CN; 523 BR] deconstructing sustainability in 11 emotional factors (fig. 39)

Fig. 39 Emotional factors of sustainability



Source: BCG Sustainability Survey March 2019

These results indicate a shift in importance of these considerations and represent a strong signal to the industry. Consumers nevertheless expect brands to be concerned about environmental, social and ethical issues and to act accordingly. It is just a matter of time before responsible practices become pivotal to decision-making factors when purchasing a product. The question is no longer whether it is necessary to improve sustainable business practices, but rather how long it will take before consumers stop buying from brands that do not act responsibly.

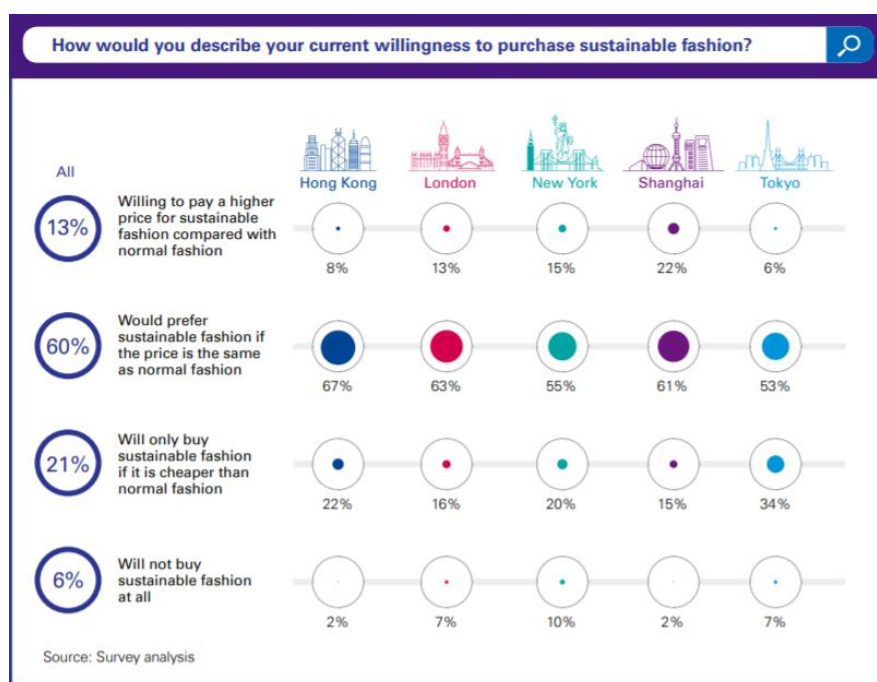
KPMG and Fashion Summit (2019) carried out a survey to collect views on people's definition of 'sustainable fashion', their support for it, their willingness to pay for it, and their ideas on possible measures the fashion industry should adopt to promote sustainability. The survey, which was conducted in Hong Kong, London, New York, Shanghai and Tokyo, with at least 1,000 people polled in each city. They found some significant variations in attitudes among the cities. For example, according to the survey, respondents from Shanghai seem to be the most enthusiastic supporters of the idea. There were also some noticeable East-West divides,

with London and New York viewing socioeconomic factors as crucial to sustainability, while Hong Kong, Shanghai and Tokyo tend to be more focused on environmental factors.

They also discover that the vast majority of those who polled – nearly four out of five – are concerned about environmental issues, and that nearly two-thirds regard themselves as supportive of sustainable fashion.

Although the survey found that few people are willing to pay more for sustainable fashion, and sustainability and environmental impact may not rank high on the list of factors when people purchase fashion, the future seems promising. Worldwide, only 13 percent of people say they are willing to pay more and the 60% declared that will buy sustainable fashion if the price is the same as normal fashion – fewer than the 21 percent who say they will only buy sustainable fashion if it is cheaper than normal fashion (fig. 40).

Fig. 40: Willingness to purchase sustainable fashion related to price

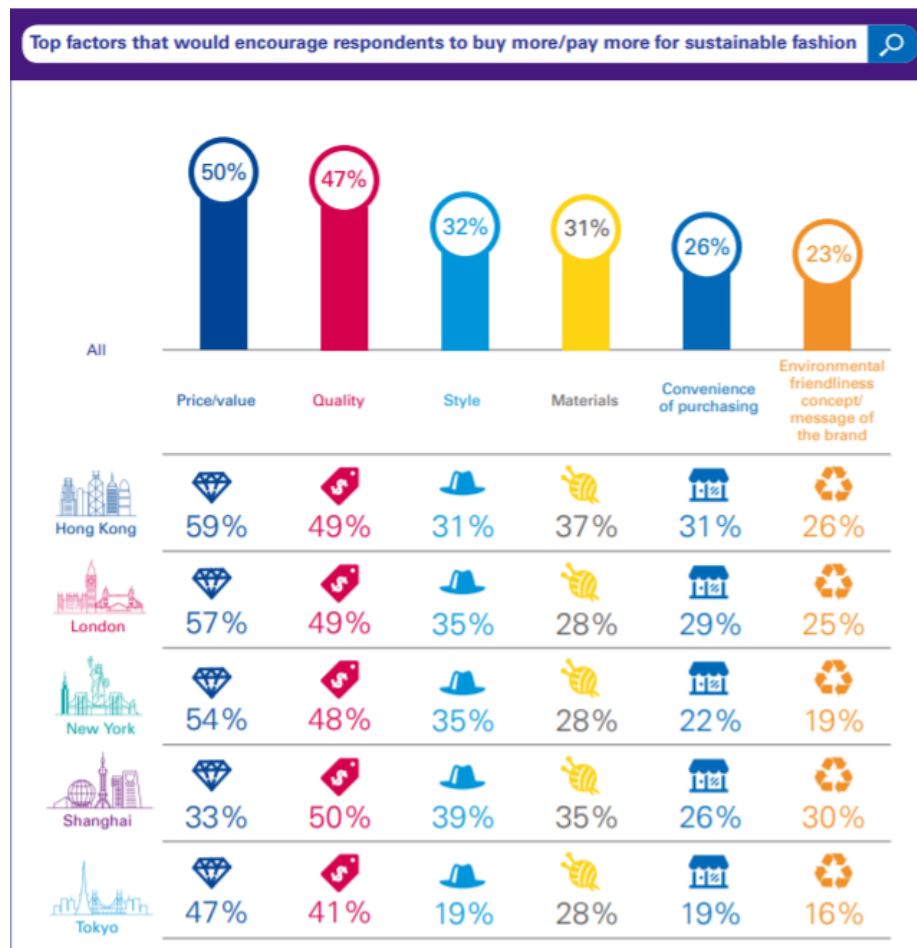


Source: KPMG and Fashion Summit (2019)

Among those willing to pay more, the vast majority say they would be willing to pay at most 25 percent more. This ambivalence about paying more for sustainable fashion is reflected in the factors shaping people's buying decisions when shopping for fashion, in which environmental matters rank low. Asked what influences their thinking when purchasing fashion items, a brand's environmental messaging ranked just 13th out of 16 items. Far more important across all markets are price/value, size/fit, quality, style, convenience of purchasing, and materials, which were picked by 30 % or more of respondents, compared with just 8% who see environmental factors as important.

When asked what would encourage them to buy more or pay more for sustainable fashion (fig. 41), the most popular factors everywhere are price/value followed by quality, except in Shanghai, where quality, style and materials all rank higher than price/value. Shanghai also ranked a brand's environmental friendliness message higher than anywhere else; in the other four cities, convenience of purchasing was ranked higher than environmental friendliness, again suggesting that priorities when shopping for fashion have yet to change significantly, despite increased global awareness of environmental concerns. Younger people, especially those aged 18-24, strongly back the ideas of sustainable fashion.

Fig. 41 Factor enhanced the WTB across the polled cities



Source: KPMG and Fashion Summit (2019)

According to the State of Fashion 2020, environmental protests at London Fashion Week in September 2019 generated significant press. These activist movements are making consumers increasingly aware of the environmental impact of fashion. Some 66 % of respondents to a McKinsey USA cohort survey (and 75 % of Millennial respondents) say they consider sustainability when making a luxury purchase. Still, consumers do not always back words with actions. Only a minority are willing to pay more for sustainable products — only 31 % of Gen-Z and just 12 % of baby boomers. (McKinsey New Age of the Consumer US Survey, 2019).

Different results emerged in Italy from the declarations of Erika Andreetta, Consumer markets consulting leader of PwC Italy, founding that: “90% of young people are willing to pay a premium price for the purchase of fashion products made ethically and sustainably”. In particular, 28% are willing to spend more on brands known for their sustainability practices, 24% for products made in a sustainable or eco-friendly way, 21% for products made ethically, 9% for sustainable packaging and 7% for brands that do charity.”

The last investigation that I have made is about the sources used to collection information on the sustainability of a brand.

Consumers mostly acquire information about sustainability issues through online search (35%), social media (31%) and non-digital print media (29%). According to a study conducted on 2000 young Italians (Ilsole24ore, 2019), the channels preferred by Millennials are the retailer's website (46%) or social media (39%). IGens turn to social media (39%) or go directly to the store. For almost half of the young people interviewed, social media is the most effective tool for communicating information on the sustainability of companies, both in the case

of clothing and accessories. In general, the importance of social media as a communication channel increases, unlike in 2018, when the primacy was given to clothing labels. Mentions of sustainability in social media increased a third faster than overall social media growth between 2015 and 2018. Internet searches for “sustainable fashion” tripled between 2016 and 2019. (George, 2019).

4.5. Case studies: sustainable fashion brands

Circular design has become the big buzzword. It means the entire lifecycle of the product must be thought about at the design and sourcing stage. “The problem is that the brands all need to understand how to make recyclable goods, and whilst this is not impossible, the massive lack of technical infrastructure means that the circles have big breaks in them,” says Rebecca Earley, Professor of Sustainable Fashion Textile Design at University of the Arts London (Blanchard, 2019).

There are several companies, especially in the fashion industry and in the start-up sectors that were born recently having the sustainability as main strategy. Different brands focus on combating various issues in the fashion industry – some just one, while others are tackling multiple.

In the fast fashion industry, Swedish retailer *H&M* has implemented several practices, including a sustainability report website and a recycling initiative that provides vouchers to customers who return old used clothing. *H&M*’s Conscious Collection has a leather jacket and cowboy shoes made using Piñatex, a leather-like material that is made from the leaves that are normally discarded in the production of pineapples.

Niche start-ups like *OAR Basics*, set up by the designer Kim Trager, who is on a mission to make a perfectly crafted white T-shirt from organic cotton using renewable energy, fairly paid labour and a transparent supply chain. Meanwhile the Wellthread x Outerknown collection at *Levi’s* is piloting products which use 40 per cent ‘cottonised’ hemp, which means it’s been engineered to be softer to the touch and includes jackets with detachable hardware to make them more easily recyclable. *Phoebe English* has been incorporating waste materials from previous collections into her new work, and offers her clothes for rental with Higher Studio. The designer said: “The plan is simple. We must now look at design as a solution-based, problem-solving strategy.” *Recover Brands* produces and sells clothing that is made entirely out of recycled material, such as discarded water bottles and cotton. The company also uses environmentally sustainable manufacturing methods, such as restricting the use of dyes as well as minimizing chemical, water, and energy use. Similarly, the firm *Mango* has launched two fashion collections produced with materials such as organic and recycled cotton, recycled wool, modal, and lyocell. The shoe company, *Allbirds*, created an innovative wool fabric made specifically for footwear: a fine merino wool upper and base made from castor bean oil, a natural substitute for plastic and rubber. Moreover, in March 2018 the company started offering their footwear with eucalyptus tree fibre (MacLellan, 2018) and in August 2018, a flip-flop collection made of bioplastic foam from sugar cane.

Other innovative solutions from companies comes from spider silk and leather made from discarded grape skins to fabrics grown from bacteria.

“Many luxury companies operating in the fashion business have significantly increased their commitment to sustainability in the last decades. They recognize that consumers no longer perceive sustainability as the

opposite of beauty and elegance, but instead look for products that are both high quality and good for society” (Amatulli et al, 2017).

Two leaders in luxury industry that grasped a sustainable attitude in their business model are Stella McCartney and Gucci. *Stella McCartney* is a British luxury brand, that until 2018 was part of the Kering group and now is in LVMH. The company is always looking for new ways to be more sustainable as it feels responsible for the resources it uses and the impact its activities have on the planet. This sense of responsibility and forward thinking is present when they design their collections, when they manufacture the clothes and even when they open new stores. In 2018 they first launching the Charter for Sustainable Fashion to United Nations that was a path for collective action to enable low-carbon production methods to be scaled up, signed by more than 90 labels (including Burberry, Chanel, Gap, H&M, Kering, Levi's, Inditex, ...).

Their mission refers to a real impact on the planet during over time, incorporating the sustainability in its way of live and philosophy. It defines itself as a vegetarian luxury brand, that means the avoidance of using or killing animals for fashion business. All Stella McCartney stores, offices and studios in the UK are powered by wind energy and abroad, they use renewable energy to power their stores and offices not to mention that 45% of their operations are run on 100% renewable, green energy. Equally interesting, in Stella McCartney' collections, they use as much organic cotton as possible and continue to do research to find new materials and new ecological processes. Recycling is one of the key points of this company's philosophy. In 2012, 34.3 metric tons of waste was diverted from landfill and recycled or reused – they recycle all textiles that could be used. Moreover, all Stella McCartney locations have recycling systems. When it comes to get involved in green projects, Stella McCartney did not hesitate to take part on the Natural Resource Defense Council (NRDC)²⁰ “Clean by Design” programme, becoming the first company of luxury goods to contribute to such initiatives. It focuses on improving process efficiency to reduce waste and emissions and protect the environment.²¹

Stella McCartney has also made commitments to ensuring respect for workers as part of the Ethical Trading Initiative, an alliance of businesses, professional unions, and NGOs that promotes respect for workers worldwide (Gwilt 2014).

Another leader recognised as the most active in sustainable initiatives is the French company Kering, that is analysed in depth in the next paragraph because the research study of this thesis considers a Gucci object.

4.5.1. Kering and Gucci

Among the most active brands in sustainability, we can mention the “Gucci” brand, belonging to the Kering Group. The Kering group (ex PPR) is a French multinational holding company, founded by Francoise Henry Pinault, which includes several brands distributed in 120 countries and since 2004 has embarked on a policy aimed at environmental and social sustainability.

Gucci is an Italian Fashion company founded in Florence, in 1921 by Guccio Gucci as a leather goods manufacturer and has since risen to become one of the most glamorous and prestigious luxury brands

²⁰ <https://www.nrdc.org/sites/default/files/rsifullguide.pdf>

²¹ Source: <https://thefashionglobe.com/stella-mccartney-sustainable>.

worldwide. The product portfolio is extended: leather goods, shoes, ready-to-wear apparel, watches, and jewellery are the main product categories of Gucci, however they also sell other products such as fragrances and home décor. According to Statista.com by Luiss University, the global personal luxury goods market, of which Gucci is a major player, has grown in value substantially in recent years, rising from 147 billion Euros in 2009 to an estimated 260 billion Euros in 2018 with more of 500 stores around the world. One third of this value is attributed to sales of accessories such as luxury watches or handbags.

Guccio Gucci died in 1953, but the brand growth went on. In the mid-60s Gucci adopted its logo with the two interlocking “G” s and its accessories were worn by world-famous celebrities like Liz Taylor, Grace Kelly and Jackie Kennedy. The brand then diversified its production, proposing a ready-to-wear collection. New markets were entered with new products, like children’s crocodile jackets with silver snake headed buckle. In 1996 was created the Gucci’s Code of ethics conduct as the Group’s first Ethics Charter and it has been enhanced since to include major changes in the company’s policies such as the creation of the Sustainability Department and the Kering Foundation that advocated for women safety and condemns violence. The Code of Ethics is divided into three major sections: ethical principles in the conduct of business, principles of business practice and behaviour towards the principal stakeholders and monitoring the application of the Code.

In the following years business expanded more and more. In the 70s the company was acquired by investors and quoted on the stock exchange. It then turned from a single brand company to a multi-brand luxury group, since the year 1999 when it was included in the Kering’s portfolio.

From the 2000 Gucci reviewed some elements already existing and created strategic partnerships on a communicational level. In 2005 they began a partnership with UNICEF that led Gucci to create a special collection for the United Children's Fund with a percentage of its sales going directly to the Fund. There is also an annual Gucci campaign to benefit UNICEF, supporting various initiatives from education to healthcare for orphans and children affected by AIDS.

In 2013-2014, the brand donations from sales of the Gucci shopper bag would benefit UNICEF’s “Schools for Africa” and “Schools for Asia” initiatives, which would give access to quality education for millions of children. Perhaps the most visible initiative has been “Chime for Change”, a campaign launched in February 2013 to support female education, health services and justice, in partnership with women such as Beyoncé Knowles-Carter, Salma Hayek Pinault, Halle Berry and Jennifer Lopez.

Gucci is also concerned with environmental problems, so much so that the group decided to use eco- friendly materials and techniques of production. Together with high quality, craftsmanship, and Made in Italy, Gucci supports a sustainable luxury model. In 2004 it was one of the first companies to voluntarily start a path of Corporate Social Responsibility (SA8000²²) aimed at safeguarding the wellbeing of all employees and workers. Its environmental commitment materialized in 2010 with 14001 certification and the launch of eco-friendly packaging, reduced CO2 emissions, and the first eco-friendly products, among them biodegradable

²² SA8000 is the certification issued by the Council of Economic Priorities Accreditation Agency, which assesses companies based on practices around human rights, including respect for workers’ rights, protection against exploitation of minors, and standards for safety and health at work (Amatulli et al, 2017).

sandals, recyclable glasses and connected packaging. The whole production-chain and factories are meant to be safeguarded and developed in an economically and socially sustainable way.

In April 2012, Kering committed to a 4-year plan to significantly reduce its impact on the environment. The group defined a set of quantifiable targets covering both environmental and social issues and developed the Environmental Profit & Loss account (E P&L) to measure its progress (Abnet, 2016). It is an instrument to quantify in monetary terms the environmental impacts generated during the production process. Therefore, it is a tool of transparency that allows to highlight the weaknesses and the opportunities thus improving their environmental performance.

After publishing its 2016 sustainability report, Kering announced its new sustainability program, targeting a 40% reduction of its global environmental impact by 2025, a strategy aligned with the UN Sustainable Development Goals.

In January 2017, Kering was approved by the Science Based Target (formed by the Carbon Disclosure Project, the UN Global Compact, the World Resources Institute, the WWF) the first luxury company (and first French company) to create science-based goals around reducing carbon footprint.²³

In 2018, Kering company was really engaged in sustainability: in February they launched the first online class (Mooc) in fashion and sustainability in partnership with the London College of Fashion (Karmali, 2018). In October, Kering started to implement the use of the first 100% traceable organic cotton (Abdulla, 2018), while in December 2018, they launched the Kering Sustainable Innovation Award to reward and invest in start-up focused on sustainability and luxury (Van Elven, 2018).

Along with other ninety fashion brands, Kering signed a United Nations (UN) charter in December 2018 pledging to become carbon-neutral by 2050 and launched the first "regenerative sourcing" standard for fashion suppliers to measure the regenerative potential of raw materials and finished products.

In May 2019, as the group was releasing guidelines for dealing with animal welfare in the fashion industry and bans working with models under 18, the French President Emmanuel Macron appointed François-Henri Pinault to set new climate standards for the fashion and retail industry. The "G7 Fashion Pact" was signed three months later by 32 global fashion corporations, right before being discussed at the 45th G7 summit.

In addition, the Kering group is investing substantial economic resources in the development of innovative and technological materials respectful of the environment and at the same time not compromising of the quality of products, as a fundamental characteristic of luxury goods.

Therefore, in order to seek alternatives to high-consumption raw materials such as cotton, Gucci has chosen to adopt econyl - a sustainable textile ingredient – for its men's clothing line able to decrease waste flows destined for landfills or seas. In addition, they eliminate the use of solvents and the use of bioplastic in the production of some coatings and they ban dangerous processing techniques such as sandblasting for jeans which can cause fatal diseases to workers. They develop a new leather preservation process which reduces environmental impact and an innovative process to enhance the recycling of leather scraps, moreover the

²³Source:

https://internationalleathermaker.com/news/fullstory.php/aid/3621/Kering_as_a_leader_in_carbon_footprint_reduction_.html

attention in using paper and packaging from sustainably managed forests. The entire supply chain use control mechanisms with a blockchain system for enhancing the traceability of information. Following Kering's sustainability framework, the Gucci plan is focused on three pillars²⁴:

1. Environment: Gucci is committed to reducing its environmental impacts and is setting ambitious targets to create a new standard in luxury retail, e.g. guaranteeing the traceability of 95% of our raw materials.
2. Humanity: Gucci recognises the value of its employees and is dedicated to enhancing the lives of the people who make its products as well as supporting communities, e.g. responsible and innovative management of the supply chain (Gucci was awarded with the Green Carpet Fashion award for Sustainable Innovation), gender equality (59% women senior manager, campaigns to support girls and women empowerment), diversity and inclusion.
3. New Models: Gucci is developing new solutions by applying technical innovation to improve efficiency in its production and logistics. e.g. setting up an incubator and start-up environment to foster innovation within the company.

The company's new 10-year 'Culture of Purpose' sustainability plan has two significant commitments. The first, Gucci had joined the Fur Free Alliance eliminating animal fur from its Spring Summer 2018 collection. Fur Free Alliance (FFA) focuses on the deprivation and cruelty suffered by fur bearing animals both in wild trapping and industrial fur farming. The second commitment of Gucci is €1 million contribution as a founding partner of UNICEF's Girls' Empowerment Initiative, that will reach more than 50,000 girls directly with programs aimed at empowering them, and indirectly reach 150,000 more with the aim to support the 2030 Sustainable Development Goals (SDGs), specifically Goal 5, which sets out a robust agenda on gender equality and the empowerment of women and girls. Finally, to reaffirm the importance of the value of sustainability, in 2018 and in conjunction with the World Environment Day, Gucci has launched "Equilibrium", an entire portal dedicated to explaining and providing updates on its social and environmental best practices.

Fig. 42: Gucci equilibrium logo



Source: equilibrium.gucci.com

²⁴ Source: <https://eco-age.com/news/gucci-president-ceo-marco-bizzarri-unveils-culture-purpose-sustainability-plan..>

“We believe that each of us has the ability to transform our social and environmental climate, so that all people may live in a more just moral and equitable world” is written on the website “Gucci Equilibrium”. For this reason, in January 2019 they launched Gucci Changemakers, that is a global employee volunteering program to support industry change and to foster unity through community action. Below, the table showing improvements of Gucci company in the development of sustainable materials.

Fig. 43 Sustainable raw materials improvements of Gucci

Raw material sourcing milestones		
Year	Improvements	
2015	Starting point: Gucci was 73% aligned with the Kering Standards for minimum requirements	
2016	Gucci was 80% aligned with the Kering Standards for minimum requirements	
2017	A Supplier Index of Sustainability was created to ensure 100% of Kering Standards were implemented by suppliers of key raw materials and processes by 2025. This has raised the bar on social welfare, environmental protection, traceability, animal welfare and chemical use.	
2018	We developed a first draft for the Best Practice of the tanning process for our suppliers and will be released in 2019.	Updated analysis of leather-based articles have been carried out to evaluate the alignment with the Kering Standards.

Source: equilibrium.gucci.com

As results, according to Corporate Knights’ Global 100 Index that is a ranking of the world’s most sustainable corporations, Kering is one of the world’s most sustainable corporation.

In 2019 it was the second most sustainable corporation in the world, while it reached the 23rd place in 2020, but remaining the first sustainable company in the ‘fashion’ industry, producing apparel and accessory products. “Care, Collaborate, Create” are the three pillars that shape Kering’s 2025 Sustainability Strategy to develop more sustainable and more responsible Luxury, where the reduction of resource consumption and respect for people are absolute necessities.

CHAPTER V: EXPERIMENTAL RESEARCH MODEL

This chapter will focus on the marketing research process used to develop the research study.

5.1. Research objectives and hypothesis

On the basis of the path and the literature review marked out until now - starting from the problem definitions and the research approaches developed - the final objective of my Master Thesis is to demonstrate that, sustainability is now the key trend in the whole fashion industry and a variable that increases the willingness to buy a product. Moreover, the research will assess that, differently from the past and the previous researches, sustainability is preferred over quality or performance, also in the Luxury industry.

In the past, there was a poor perception of sustainability by consumers in luxury products also according to the materials used to make them. In fact, the luxury industry deals with often or rare high-quality materials that are not considered recyclable in the collective imagination since recycling would cause the loss of prestige of the product, making its rarity disappear.

Nowadays, consumers are more aware of the critical environmental situation and also about the importance of companies in having the least possible impact on society and the planet. This work helps to bridge the literary gap with an interesting on-field and online research to assess how sustainability is now preferred also in the luxury sector and among luxury consumers.

The main goal of this research was to have a sample of luxury good consumers who can demonstrate that even luxury consumers now prefer sustainability over quality or performance because they perceive it as atypical and this preference leads to a higher purchase intention.

So, the main hypothesis is:

H1: WTB increases with a strategy based on sustainability because it is perceived as atypical compared to a strategy based on performance and quality.

5.2. Methodology

5.2.1 Research design

To verify the effect on the luxury market in terms of sustainable product consumption versus quality product, we have chosen to adopt a quantitative methodology, through the construction of an experimental research design. It should be noted that, in addition to sustainability, it was decided to consider an additional item referable to a luxury brand, in this case the quality (also in terms of performance), in order to find an alternative characteristic in contrast with sustainability. In the subsequent analyzes, reference will therefore be made to a sustainable product versus a non-sustainable product. The choice of quality/performance was therefore arbitrary.

To support the main hypothesis, we used the following simple mediation research model.

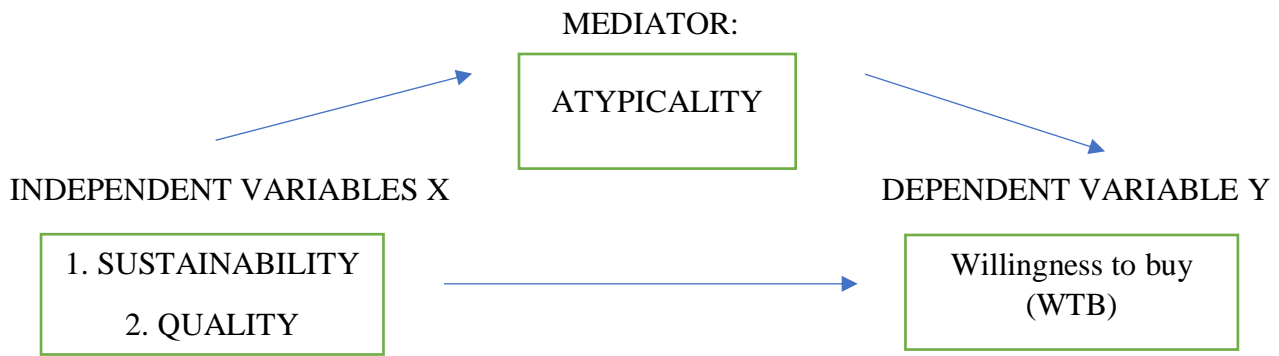


Fig I: Model of simple mediation

The attribution of a causal direction indicates a relationship between independent and dependent variables for which dependent variables are influenced by independent variables. The mediator acts between the dependent and independent variable and explains the relationship between the two specifying how and why certain effects occur. Contextualizing it with the experiment, I assumed there is no direct relationship between the independent variables (scenario of sustainability or quality/performance) and the dependent variable, i.e. the response of individuals in terms of WTB, but they are mediator by the mediating variable of atypicality.

In the next paragraph I will discuss about the tools and the procedure used in the experiment for the collection of primary data.

5.2.2. Data collection

The conceptual framework, presented in the previous paragraph, offers the basis for the present research study. This was conducted during September 2019 and January 2020 submitting the survey on the streets and on social media to a targeted group of luxury consumers. The questionnaire has been distributed in both English and Italian, although the survey was conducted in Italy. The total sample has 273 participants consisting of 250 in Italian and 23 in English.

The construction of the questionnaires and the data collection were provided through the online platform Qualtrics, while the collected data were analyzed using the statistical software STATA.

The field questionnaire was carried out using a tablet on which the participants replied in total autonomy. To make sure that the targeted sample of luxury consumer was involved in the research, I personally stopped people in the main places supposed to be frequented by luxury consumers after considering elements as potential attraction of the area, the target customers as luxury residents, presence of luxury shops. In particular, I carried out the survey in the following places in Rome:

- In front of the 3 Gucci Stores located in Condotti Street, Borgognona Street and Rinascente
- Galleria Alberto Sordi
- Rinascente – Tritone street
- Via dei Condotti
- Piazza di Spagna
- Piazza Ungheria in Parioli district
- Movie theatre in Trieste district

I also gathered some respondents in the Business Class of Freccia Rossa Train between Rimini and Rome. In addition, professors De Angelis - who proposed this survey research in collaboration with Amatulli professor - used his LinkedIn profile and social media sources to administer the survey on his contacts by adding 100 respondents.

To assess that the respondent was a luxury consumer, I used a filter question before the beginning of the survey, asking them: “Do you consume at least one-off or sometimes luxury goods?” After they were in line with the expected answer to the filter question, I assure them that all the data were anonymous and aggregated, allowing confidentiality for respondents and leaving room for more sincere opinions.

5.2.3. Questionnaire construction: procedure, measurement and scaling

The questionnaire, developed through the Qualtrics Insights platform and distributed on-field, had the purpose of collecting primary data, subject to statistical analysis.

To maintain an appropriate level of attention from respondents, the survey was limited to 13 questions, mainly using a Likert scale as a measurement of the answers.

To contribute to the survey, participants were asked to “watch a webpage from the GUCCI e-commerce website and promoting, with a specific claim, a luxury accessory from that brand” and then to respond to a series of questions.

Previously they had not been informed of the main objective of the research nor of the possibility of having one of the two different randomized scenarios.

For the conduct of the experiment, an adequate unisex neutral object was used for both men and women, particularly it was decided to adopt a luxury accessory, i.e., a wallet. The novelty is that it is not a simple common wallet and in addition is not fictitious, but is a real and clear branded wallet, of Gucci’s company (cfr. paragraph 4.5.1. to explore the entire Gucci commitment in terms of sustainability, especially with the Equilibrium strategy).



Fig. II Study Object – Gucci Wallet

The survey flows were randomized on one of the two experimental conditions/scenarios (sustainability or quality) of the experimental design.

The Gucci wallet photo was the same for both scenarios, but the two situations presented a different communication message (claim), composed by two different titles followed by two specific descriptions (see the Appendix for the details).

The following part after reading of the specific claim was the collection of the answer using to test the research hypothesis. It was divided into three parts aimed at investigating the perception of the atypicality of the content of the message, the WTB and real sharing to measure the willingness to leave a positive comment.

The concept of Atypicality was measured with an interval scale. In particular, a 7-point Likert scale was used based on a differential semantic ladder which places the judgment of the person interviewed between two adjectives or propositions of opposite meaning (same as the others / new and different; ordinary / special, not original / original). Participants were asked to judge the characteristics of the product they have seen previously, recalling what type of product it is. In the specific case, depending on the random assignation they were asked to judge a *luxury environmentally sustainable product* or a *luxury high quality product*, compared to the other luxury products in general.

To measure the willingness to buy (WTB), we asked participants to imagine having to buy a luxury wallet. Using a measurement of a 7 points Likert's scale (1 Strongly disagree, 7 Strongly agree) they were asked to indicate their level of agreement with the elements proposed by Dodds et al (1991)²⁵ regarding their intention to buy the product. In particular, the proposed statements were:

- the intention to purchase, i.e., if they would purchase it.
- the consideration of the purchase, i.e., if they would consider buying it
- the probability of the purchase, i.e., if the probability that they would consider buying was high.

The “real sharing” section, gave participants the opportunity to leave a positive comment on the product they saw. They are asking if they are available to leave a short comment with a simple two choice answer of Yes or No. If they answered “Yes” a blank space appeared to leave a comment.

The next part of the questionnaire, block 6 “Controls”, presented 5 questions that use all a Likert scale as measurement of the answers. Except the first question that uses a scale of Frequency based on 5 points (Never, Rarely, Sometimes, Often, Always), all the other questions in the block used a 7 points Likert's scale (1: Nothing at all, 7: Very much).

The “Controls” block pursues different objectives.

1. The first question assessed that the respondent understood what type of product he judged, asking if the communication message content he promoted was oriented to the product quality or the product environmental sustainability.
2. The second question verified the luxury habits throughout a Likert scale of Frequency that indicated how often respondents purchase luxury goods in order to verify relevance with the target group.
3. The third and fourth questions are referred to the Gucci brand, measuring the brand's familiarity and liking. An important premise is that the relationship between familiarity and liking has been noted by several researchers. For example, Raj (1985) shows that the correlation between familiarity and liking is higher for product categories which are publicly consumed (high social desirability) than privately consumed products (low social desirability). Specifically, brands with higher levels of familiarity appear to achieve higher levels

²⁵ Dodds, W. B., Monroe, K. B., & Grewal, D. (1991). “Effect of price, brand and store information on buyers' product evaluations.” *Journal of Marketing Research*, 28(3), 307-319.

of liking or preference among both consumers and retailers (Rindfleisch & Inman, 1998). According to Kent & Allen (1994) that explore the familiarity-liking phenomenon in the marketing literature, brand familiarity is an indicator to measure the resistance to competitive advertising and interference. (cfr. paragraph 6.1 for deeper definitions of both concepts).

4. The fifth question was aimed at exploring the interest of the participants by asking them how realistic they thought the e-commerce web page was.

5. The last question of block 6 explores the environmental concern of the respondents with the interest to understand to what extent they are concerned about the environmental issue. The aim was to assess the relevance of the topic of sustainability and the existence of a pre-existing interest on the theme.

The last part of the questionnaire was aimed at understanding the description of the sample with four socio-demographic questions allowing to classify respondents according to their, age, gender, annual income and nationality (this last question is not present in the Italian questionnaire).

5.3. Preparation of Analysis

5.3.1. Database Preparation

Before importing into STATA, in Excel I prepared both the English and Italian databases.

I first eliminated the questions of questionnaire leaving only the variable codes. I then proceed to delete unnecessary variables and create an ID variable from 1 to ... which represents the “anonymous name” of the respondents. I thus create the variable that indicates which scenario the participants were exposed: S_1 for sustainability and S_2 for quality.

Since I have two different scenarios, I create two divided databases that were cleaned and then combined. In the end, I combined IT and EN into a single database.

5.3.2. Data Cleaning and Sample

I cleaned my data by checking that all participants answered questions about the product and that there were not incomplete or unfinished questionnaires with the treatment of missing answers.

The final sample used for quantitative analysis consists of 149 respondents. The sample can be defined as a convenience sample, chosen on the basis of the ease of achievement of the same, therefore although the number of respondents is acceptable, it may not be entirely representative.

The sample were categorized according to socio-demographic variables, i.e., age, gender and income.

The age was asked to the participants with a blank fill, so it was necessary to cancel the inaccurate answers and calculate the age for which they replied with the year of birth. I generate an age class. In figure III, I reported the Excel table according to four age groups whose ranks are: ≤ 25 years, 25 – 40 years, 40 – 60 years and ≥ 60 years.

The results show that most of the respondents correspond to Z Generation (≤ 25 years) or Millennials (25 – 40) that represent more than 80% of the total sample. The remaining 20% was represented by Generation X (Roughly 40 – 55 years old) and a small percentage of Baby Boomers (Roughly 55 to 75 years old).

Age	Respondents	Percentage
≤ 25	54	36.24
25 – 40	66	44.30
40 – 60	22	14.77
≥ 60	7	4.70
Total	149	100.00

Fig III Age groups of the sample

The gender representation – male and female – was reported in fig. IV.

The percentage of the men is slightly higher (55%) compared to that of women (45%).

Gender	Respondents	Percentage
<i>Male</i>	82	55.03
<i>Female</i>	67	44.97
Total	149	100.00

Fig IV Gender representation of the sample

As for the income question, there was a technical limit in the questionnaire because it was asked to answer with a blank fill. There is a general tendency not to disclose or mislead this type of question due to psychological factors linked to the perception of richness.

Many people answered randomly or in an inconsistent manner and other problems arise from the fact that a monthly or annual income was not specified, so people did not respond equally, and I had to eliminate all unreliable answers. A suggestion for future research is to divide the annual income according to the income brackets which may be less self-disclosure and increase the willingness of reliable and relevant answers. After cleaning and adjusting the data, I have a sample of 79 people who have been divided according to four income brackets (fig V).

Income	Frequency	Percentage
<10000	11	13,92
10.0000 - 40.0000	45	56,96
40.000 - 80.000	13	16,46
>80.0000	10	12,66
Total	79	100

Fig V Income brackets of the sample

The statistical methodology used to measure the variables of interest was composed of descriptive analysis, factorial analysis and regression analysis as described, discussed and commented in the next chapter.

CHAPTER VI: EXPLORATORY DATA ANALYSIS AND RESULTS

6.1. General variables emerged with descriptive analysis

The intentionally targeted group of this research was luxury consumers. The control question about luxury habits, i.e., the frequency of luxury goods purchase reveals that around 21% of the respondents declare themselves as frequent luxury consumers buying luxury products often or always, 38% sometimes and 30% have bought at least one-time luxury goods revealing a rarely luxury habit. However, almost 10% of the interviewees are not luxury consumers.

Luxury Habits	Frequency	Percentage
<i>Never</i>	13	9.70
<i>Rarely</i>	41	30.60
<i>Sometimes</i>	51	38.06
<i>Often</i>	26	19.40
<i>Always</i>	3	2.24

Fig VI Luxury habits

Studying the correlation between frequent luxury consumers and gender (fig. VI), the greatest quantity of luxury fashion lovers is represented by men (68,97%), contrarily to the diffused idea that luxury and fashion involve the female world more.

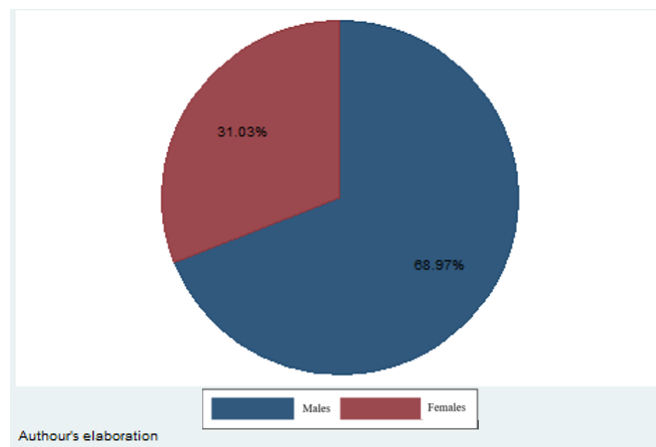


Fig. VII Percentage of luxury fashion lovers by gender

Regarding the environmental concern for environmental issues, the analysis reveals that the distribution of the people with a high concernment is greater than the people with low or medium interest. In particular, 17 people declare to have a low (1-3 points) interest, 44 respondents a medium interest (4-5 points) and exactly the double (n=88) respond with 6 or 7 points, as comparable with fig. VIII.

These results can be a reflexion for companies on the growing importance and the relevance of the theme of sustainability between consumers of the actual society.

Environmental concern	Frequency	Percentage
<i>Low or medium</i>	61	40.94
<i>High</i>	88	59.06

Fig. VIII Summary of the environmental concern of respondents

As the research's object is branded Gucci, it is also interesting to consider the liking and the familiarity variables linked to Gucci brand. Liking and familiarity represent important KPI's (Key Performance Indicators) that influence the customer journey and commercial success of the brand.

According to the literature review, brand liking is described as the third stage in the Hierarchy of Effects developed by Lavidge (1961) in the 1960s, that is one of the original hierarchical models and proposes that customers progress through a sequence of six stages from brand awareness through to the purchase of a product. According to Lavidge in the stage third of the hierarchy- the Liking phase - the consumer develops a favorable/unfavorable disposition towards the brand.

Brand familiarity is a unidimensional construct that is directly related to the amount of time that has been spent processing information about the brand, regardless of the type or content of the processing involved. Brand familiarity is likely to: 1) enhance perceptual identification of a brand, 2) increase the probability of inclusion in the evoked set, 3) generate positive affect toward the brand and 4) motivate purchase behavior (Baker et al, 1986).

The descriptive analysis of the research study shows that among respondents there are no relevant differences between the two variables. Almost half of the respondents (48%) declare that they like Gucci brand in a high degree (corresponding to 6-7 points) as it showed in figure IX. Instead, the corresponding degree of familiarity is lower. These results make sense with the fact that the majority likes Gucci brand, but not all of them buys Gucci's products. This explains the lower Gucci familiarity in its maximum level (32%).

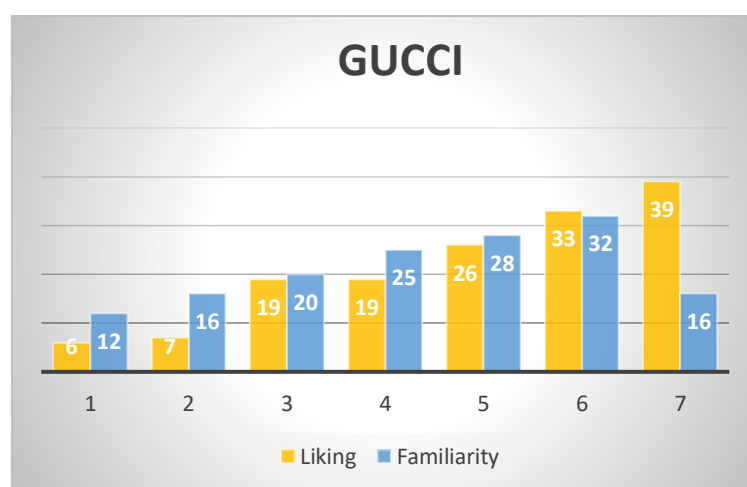


Fig. IX Gucci: Liking and Familiarity brand

6.2. Dependent Variable: WTB

As the WTB is measured with the Likert scale, I first created the dummy (dichotomous) variable 0-1 with the answers corresponding to 6 or 7 points to investigate the overall trend.

With the attribution that 6-7 points in the Likert scale indicate a high WTB, the results show that for both scenarios three quarters (82% rounded up) of the respondents declared a high WTB. On the other side, with the points from 1 to 5 corresponding to a low or medium WTB, the percentage of respondents was of 18% rounded down.

WTB	Frequency	Percentage
<i>High</i>	122	81.88
<i>Low or Medium</i>	27	18.12

Fig. X: Dummy variable for WTB

First, the summary statistics for the variables related to the WTB are analyzed. In this way, the scaling of the WTB is, at least partially, validated for its three asked behavior attitudes.

Analyzing the sum for maximum and minimum value for both scenarios (fig. XI), through a descriptive analysis we can observe that the mean is on average higher when the respondents have seen the luxury eco-fashion wallet compared to those have seen the luxury high-quality fashion product.

Sustainability	Observations	Mean	Standard deviation
I would purchase it.	77	3.87013	1.801685
I would consider buying it.	77	4.233766	1.783669
The probability I would consider buying it is high.	77	3.883117	1.849424
Quality	Observations	Mean	Standard deviation
I would purchase it.	72	3.569444	1.875163
I would consider buying it.	72	3.763889	1.826974
The probability I would consider buying is high.	72	3.597222	1.990539

Fig. XI: Descriptive analysis of WTB

However, as the WTB is captured by all these three variables, and I could not arbitrarily choose one of them, I decided to use a factor analysis to investigate to what extents they can be synthesised by a unique factor. Moreover, in this way, I can capture some latent aspects of the WTB.

Factor analysis is an interdependence technique for analysing a whole matrix of all the correlations among a set of variables which must be reduced to a manageable level revealing the latent sources of variance. Throughout the Principal Component Factor Analysis and considering the Eigenvalue - representing the total variance explained by each factor, in our analysis one factor is retained because it has the Eigenvalue over 1 (Fig. XII)²⁶. As a result, I can say that a unique factor summarises the WTB of respondents. After conducting a factor analysis, it is common to rename the factors with a label/name that can express what the factor summarises. In this case, I can name the factor WTB and, therefore, from now on we use the term WTB to refer to this factor.

²⁶ We also consider the *uniqueness*, that is the percentage of variance for the variable that is not explained by the common factors. It is equal to 1-communality (variance that is shared with other variables). The greater the uniqueness, the more likely that it is more than just measurement error and the lower the relevance of the variables in the factor model. In the pattern matrix variables values more than 0.6 are usually considered high and offer a clear picture of the relevance of each variable in the factor. All the variables in this analysis are even higher more than 0.8, while the uniqueness is low, meanings that they are relevant for the factor.

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	2.59533	2.30275	0.8651	0.8651
Factor2	0.29259	0.18051	0.0975	0.9626
Factor3	0.11208	.	0.0374	1.0000

LR test: independent vs. saturated: $\chi^2(3) = 362.59$ Prob> $\chi^2 = 0.0000$

Factor loadings (pattern matrix) and unique variances

Variable	Factor1	Uniqueness
Q_4	0.8937	0.2013
Q_5	0.9531	0.0916
Q_6	0.9425	0.1117

Fig. XII Factor analysis of WTB (STATA Output)

Before proceeding with the regression analysis, I investigate the variance among respondents of the WTB by a one-way analysis of variance, more commonly known as ANOVA. ANOVA tests whether average values are statistically different or not.

It allows to look how variables (questionnaire responses) are different between groups and within groups of people who replied. The ANOVA is conducted through a group of variables that can divide the sample into subgroups. In my case, the two groups are represented by the two different scenarios: people who watched sustainable product and people who watched quality product. I conduct the analysis for the WTB.

The STATA's output of the analysis of variance is reported in the figure XIII.

Assessed that the main hypothesis can be accepted when $p\text{-value} < 0.05(\alpha)$, in this analysis $p\text{-value} = 0.21$, so is not significant. What emerges is that there are no differences between the groups - therefore between those who saw Scenario 1 (Sustainability) and Scenario 2 (Quality).

Scenario	Summary of Scores for factor 1		
	Mean	Std. Dev.	Freq.
1	.09935493	.95049972	77
2	-.10625459	1.046556	72
Total	-7.151e-09	1	149

Source	Analysis of Variance			F	Prob > F
	SS	df	MS		
Between groups	1.57298077	1	1.57298077	1.58	0.2109
Within groups	146.427019	147	.99610217		
Total		148	.999999999		

Bartlett's test for equal variances: $\chi^2(1) = 0.6763$ Prob> $\chi^2 = 0.411$

Fig. XIII: Analysis of variance of WTB – ANOVA test (STATA output)

In order to better investigate the potential relation between WTB and sustainability, I decide to perform regression analysis. In this way, in fact, I can control for other variables that may influence the result and that I cannot consider in the ANOVA. The regression model, in fact, allows me to analyze associative relationship between a dependent variable (outcome) and one or more independent variables. I exploit a standard OLS model with robust standard errors.

Following the standard interpretation, after running each model I checked:

- r-squared that indicates the part of the dependent variable explained by the model.
- p-value (α) for the significance of each independent variable, ceteris paribus.
- coefficient (β) The sign indicates the direction of the relationship, while the value indicates the magnitude.

In the first regression model the independent variable Y (which scenario respondent watched: sustainable vs non-sustainable) was regressed on the dependent variable X (WTB). I controlled for age, gender, Gucci familiarity and environmental concern. Although I conducted preliminary investigation on the correlation between the Scenario and the three questions related to the WTB separately, I decide to report here only the results regarding the WTB as a whole (i.e. factor)

Analysing the STATA output (fig. XIV), first of all, I can say that the model is quite representative as R-squared=12% and $\beta=0.25$. Even if they are not particularly high, I have to remember that I am analysing real data. Regarding the effect of watching the scenario with the sustainable product, I can say that there is a statistically significant and positive effect ($P>|t| = 0.1$). This suggests that respondents who have seen the eco-fashion (sustainable) wallet have a WTB higher compared to those that have seen the quality (non-sustainable) wallet. Regarding control variables, I can say that being younger positively affects the WTB (age does not become more significant for the older classes) as well as being female. To sum up, the WTB increases when people watched the sustainable product, when people are younger and females.

The significative p-value for the variable of Gucci familiarity demonstrates that WTB increases with the level of brand familiarity. I decided to consider the familiarity instead of the liking because, it involves also the brand loyalty and the brand liking can be a necessary, but maybe not sufficient condition for the increasement of the WTB, also taking into the account the previously commented (see fig. IX).

Contrarily to the expectations, p-value is not significative for the environmental concern, meaning that the interest for the environmental issues don't increase the WTB. On the other side, we have to consider that according to the previous descriptive analysis, it emerged that the majority of respondents declared to have a high or medium environmental concern, while only the 10% declared to have a low interest.

Linear regression					Number of obs = 149	
					F(7, 141) = 3.58	
					Prob > F = 0.0014	
					R-squared = 0.1259	
					Root MSE = .95788	
factor1	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
1.Scenario	.2528507	.1563713	1.62	0.108	-.0562847	.5619861
age						
2	-.3548704	.1763059	-2.01	0.046	-.7034151	-.0063258
3	-.3312212	.279282	-1.19	0.238	-.8833425	.2209001
4	-.1408014	.3908893	-0.36	0.719	-.9135628	.63196
2.gender	.3043294	.1597956	1.90	0.059	-.0115755	.6202344
Q_11	.147887	.0441431	3.35	0.001	.0606191	.2351548
Q_14	-.0239384	.0525966	-0.46	0.650	-.1279183	.0800415
_cons	-.670465	.3604047	-1.86	0.065	-1.38296	.0420305

Fig. XIV: Linear regression for WTB on X (STATA output)

6.3. Mediator: Atypicality

Starting from the descriptive analysis, we can observe that the mean for those who have seen the eco-fashion wallet is higher in all the three variables compared to those who have seen the high-quality luxury fashion wallet. It demonstrates that on average the respondents perceive the sustainable wallet as atypical.

Sustainability scenario	Observations	Mean	Standard deviation
Min 1= Same as the others / Max7= New and different	77	4.558442	1.831691
Min 1= Ordinary / Max 7= Special	77	4.61039	1.857813
Min 1= Not original / Max 7= Original	77	4.597403	2.008271
Quality scenario	Observations	Mean	Standard deviation
Min 1= Same as the others / Max7= New and different	72	3.736111	1.876414
Min 1= Ordinary / Max 7= Special	72	3.388889	1.819732
Min 1= Not original / Max 7= Original	72	3.763889	1.924586

Fig. XV Descriptive analysis for Atypicality

As in the case of the WTB, due to the extremely similarity among these three variables, I decided to conduct a factor analysis rather than chose only one of them. The factor analysis for the Atypicality retains one factor (Eigenvalue over 1), as demonstrated in fig. XVI.

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	2.38427	2.02481	0.7948	0.7948
Factor2	0.35946	0.10319	0.1198	0.9146
Factor3	0.25627	.	0.0854	1.0000

LR test: independent vs. saturated: $\chi^2(3) = 223.07$ Prob> $\chi^2 = 0.0000$

Factor loadings (pattern matrix) and unique variances

Variable	Factor1	Uniqueness
Q_1	0.8915	0.2052
Q_2	0.9104	0.1711
Q_3	0.8721	0.2395

Fig. XVI Factor analysis (STATA Output)

Following the same empirical setting, I first investigate the variance by the ANOVA test and thereafter I conduct a regression analysis. With the analysis of variance one-way ANOVA emerged that the variance between groups is significant ($p\text{-value} > 0.0006$). The significance is also confirmed by the differences between the means. The possibility to use the ANOVA is confirmed by the fact that we can reject the null hypothesis for the Barlett's test as the $p\text{-value} = 0.765$ and the chi-square = 0.0893. It indicates that there is a difference in the perception of the atypicality between the respondents who have seen the scenario 1 of sustainability and those who have seen the scenario 2 of quality.

Scenario	Summary of Scores for factor 2		
	Mean	Std. Dev.	Freq.
1	.26856794	.94721551	77
2	-.28721849	.9809307	72
Total	1.325e-09	1	149

Analysis of Variance					
Source	SS	df	MS	F	Prob > F
Between groups	11.4935138	1	11.4935138	12.38	0.0006
Within groups	136.506487	147	.928615556		
Total	148	148	1		

Bartlett's test for equal variances: chi2(1) = 0.0893 Prob>chi2 = 0.765

Fig. XVII Analysis of variance – ANOVA test (STATA Output)

As for WTB, also for the analysis of atypicality, it was first measured with the single variables and then with the factor. I report only this last result (fig. XVII).

Then, I regressed the independent variable on the mediator (fig. XVIII). The regression analysis' results show that watching the sustainable product increase the mean value of the perception of atypicality (high level of significance: $\beta=0.53$ and negative sign, $\alpha=0,001$). Also, in this case, I control for age and gender, but they are not significative revealing that there is no correlation between these two variables and the perception of atypicality.

Linear regression			Number of obs = 149		
			F(5, 143) = 3.64		
			Prob > F = 0.0039		
			R-squared = 0.1038		
			Root MSE = .96308		

factor2	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
2.Scenario	-.5330594	.1596744	-3.34	0.001	-.8486867	-.2174322
age						
2	-.2003589	.1600284	-1.25	0.213	-.5166857	.1159679
3	-.2607767	.3201356	-0.81	0.417	-.8935863	.3720329
4	.4533115	.2839078	1.60	0.113	-.1078868	1.01451
2.gender	-.0071113	.1608539	-0.04	0.965	-.3250699	.3108472
_cons	.3667405	.1578184	2.32	0.022	.054782	.678699

Fig. XVIII Linear regression for X on Atypicality (STATA Output)

Finally, I regressed the atypicality on the WTB (fig. XIX). The results ($\beta = 0.48$, $\alpha = 0.001$) demonstrates that it is highly significant, instead there is not a positive effect on age and gender.

Linear regression		Number of obs	=	149
		F(5, 143)	=	11.99
		Prob > F	=	0.0000
		R-squared	=	0.2881
		Root MSE	=	.85839

factor1	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
factor2	.4867924	.0712675	6.83	0.000	.3459185	.6276664
age						
2	-.3202649	.1552513	-2.06	0.041	-.627149	-.0133808
3	-.235341	.2239343	-1.05	0.295	-.6779901	.2073082
4	-.281814	.504149	-0.56	0.577	-1.278361	.7147333
Gen						
Male	.2047833	.1504367	1.36	0.176	-.0925838	.5021503
_cons	.121131	.1375037	0.88	0.380	-.1506715	.3929335

Fig. XVI Linear regression for Atypicality on WTB (STATA Output)

CHAPTER VII: GENERAL DISCUSSION

7.1. Interpretation of results

Once the analytical phase relating to the experiment data is concluded, space is given for the interpretation to make a comparison with the previously generated hypotheses.

Contrary to literature review and general survey conducted by worldwide management consulting firms, stating that Millennials and Z Generation have an higher interest in environmental issues, my research has not revealed a correlation between age and environmental concern (see fig. XVII).

	Q_14	age
Q_14	1.0000	
age	0.0096	1.0000

Fig. XVII Correlation between environmental concern and age (STATA output)

Confirming the hypothesis, the descriptive analysis and the regression analysis allow us to say that those who saw the eco-fashion wallet with the linked description (environmental claim) have a greater WTB.

By better studying the behaviours / propensities of the people who saw the first sustainability scenario, we studied whether or not the higher WTB was guided by the fact that the product was considered atypical, i.e., if it was perceived as different, original and special.

According to the hypothesis, the participants that have seen the first scenario of sustainability, - compared to those who have seen the quality scenario – perceive the product as atypical and it is demonstrated by all the analysis done (descriptive, variance and regression). In the same way, people that have seen the sustainable scenario show a higher WTB, I can conclude is at least partially driven by the atypicality perception.

More specifically, a sustainable and luxury good is considered more atypical than a normal high-quality luxury fashion product. This results perfectly in line with the hypothesis of this thesis, demonstrating that “WTB increase with a strategy based on sustainability because it is perceived as atypical compared to a strategy based on performance and quality”.

7.2. Theoretical implications

Taking into consideration the analysis and interpretation of the above data, it is possible to work on new and interesting research paths especially in the luxury sector in terms of sustainability. In the present research, we have tried to show that a sustainable luxury good enjoys interest and appreciation on the market more than a simple high-quality product with a positive impact on the willingness to buy.

It results in opposition with the previous researches. For example, Achabou and Dekhili (2013) found that luxury shoppers did not like buying a recycled cotton product, while Kapferer and Michaut (2014a, 2014 b) revealed that sustainability was only rarely mentioned in the selection criteria of luxury brands. Today the games have changed with the increase in researches and books (Ivan et al. 2016, Amatulli et al. 2017, Lo & Ha-Brookshire 2018) on the relationship between luxury and sustainability.

Luxury apparel shoppers are “more concerned” about the effects of their purchasing choices, not only on themselves but also on the outside world around them. These findings are supported by Davies, Lee, and

Ahonkhai (2012) who argued that consumers pay serious attention to issues beyond the product itself and therefore, marketers should consider the environmental and social impacts of their actions, including the entire supply chain that brings these products to the market (Hatice et al, 2019).

In addition, the proactive and favourable attitude found in the experiment by most consumers towards sustainable luxury goods predisposes to a better reception of a new trend, the eco-fashion, which has already vehemently entered the mass market, but it is still weak in the luxury sector.

Another important implication concerns the discreet strategy pursued by luxury brands in communicating their sustainability policies. Such discretion is confirmed by the fact that sustainability in luxury is yet perceived as atypical. In this perspective, mass market brands are more active in implementing communication strategies that can bring consumers closer to their eco-friendly products. Consumers are intercepted by stimuli from the store, from the channels online and from social networks. Instead, luxury brands are more passive in conveying them "blatantly" their "green" initiatives and therefore this implies that consumers are more reluctant to think that luxury can engage in the creation of sustainable products. Therefore, in light of the results emerged in the research, the luxury market must open up to more fruitful communication in order to grasp business opportunities and stay competitive. As discussed by Amatulli et al (2017), "communicating sustainable initiatives are as important as challenging for luxury companies because they are afraid to reduce consumers' perceptions about the quality, prestige and uniqueness of their offerings".

The communication of sustainability by luxury companies should be done in a subtle tone to keep an authentic narrative, through transparency.

7.3. Managerial implications

Luxury brands have always embraced an element of mystique, but times are changing, in the digital age – consumers are hungry for more information. They want to make sure that their purchase decisions reflect their ethics (Oakes).

Also, the free comments of respondents on the analysed research reflect all the positive attitude of respondents toward initiatives of these type, but also an increasing concern for the entire supply chain that is not completely sustainable. Furthermore, there is a concern for the quality of the product, which, being made with a renewable source and bio-plant, may not be of the same quality as the leather. The luxury industry is often tied to terms like excessive consumerism, disposable income, and guilty pleasures, but the younger affluent generations are more conscious of the environmental and social impact of their purchase decisions and are more likely to buy from a brand that resonates with their own personal values. The higher WTB for the sustainable wallet among younger people in this research thesis is a further confirmation of the general trends. Also interesting are the results for which the WTB is major in the female gender. Noteworthy is the increased WTB for respondents who have a high familiarity with the Gucci brand, while comments reflect also the fact that product such this presented in the research would lead to buying a Gucci wallet even if they are basically interested in the brand. Large luxury brands already meet their affluent Millennials' expectations for social responsibility and positive environmental impact. The first were Eileen Fisher, Stella McCartney, and Brunello Cucinelli that all have in their own way, forging a path for sustainable luxury companies, that unfortunately is one of "weaker

sustainability”. (Williams & Millington, 2004). Consumers started boycotting such brands and it negatively affected luxury brands’ images overall (Davies et al. 2012). Following these events, luxury brands, such as Gucci, Saint Laurent, Prada, Chanel and Armani committed to develop comprehensive sustainability programs, including promoting the use of energy efficient light sources, adopting recycling practices in product supply chain, fur-free, and opting for environmental-friendly bioplastic and native organic wool (Guercini & Ranfagni, 2013, Lo & Ha-Brookshire 2018).

Considering the existing trends will continue around the globe, global consumers will be more likely to be concerned about the social and environmental impacts of their luxury purchases in the near future. (Janssen et al., 2014). Accordingly, luxury brand manufacturers not only must promote sustainable luxury consumption (Bendell & Kleanthous, 2007) to satisfy consumers’ changing demands, but also using the environmentally/socially conscious dimension as a differentiating factor from the competitors’ offerings (Hatice et al, 2019). High-end brands that want to retain their status in the luxury market need to evolve to keep up with this growing trend towards ethical and sustainable luxury and most of all they have to clearly analyse and understand customer motivations for effective marketing strategy and tactical actions (Amatulli et al, 2017) “Our ambition is to redefine luxury to help influence and drive these positive changes,” says Marie-Claire Daveu, Kering’s chief sustainability officer, that can be taken as example for every luxury brand.

7.4. Limits and future researches

Like all empirical studies, this investigation is also subject to some limitations that could give rise to new ideas and research paths.

First, the analysis was conducted using one as the object of study specific product (a wallet), therefore the research could be extended to other typologies of products.

Although there are also international respondents, most were Italians who seem to have a single cultural identity. In the future it can be interesting to consider also other nationalities with a more varied sample including more individualistic cultures such as the American one and more collectivist cultures such as the Asian ones (cfr. paragraph 3.2.3. to have an overview on the cultural differences in the perception of luxury concept). It would be interesting also to extend the search to countries with economic and cultural parameters different from ours, then include both emerging and mature economies. For industry experts, in fact, the speech of sustainability changes drastically depending on whether we are talking about industrialized countries compared to emerging ones. In fact, in the former case, a higher income has a greater influence on the environmental concern and on the purchasing decision because these people pay more attention to sustainable products, in particular by the female public. In emerging countries, on the other hand, sensitivity and green products are still, according to scholars, a niche genre reserved for few people.

In addition, although the power analysis conducted demonstrates the effectiveness of the sample size, it may be worthwhile to gather a greater number of respondents to better study the phenomenon.

We must not forget, then, that the study was conducted on-field through online administration and that the interviewees, however carefully selected, may not have felt adequately involved. The limits of this type of approach were linked both to technical and psychological factors. The structural difficulties derive from

Internet connection and the not perfect optimization for Tablet. Psychological elements may be identified with the diffidence of people, a lack of attention in doing the questionnaire because of limited time available, hurry or the “surprise” effect.

Among other things, these are subjects who were asked to participate voluntarily without any incentive that would push them to pay close attention to what they were doing. So, despite the subsequent skimming and data cleaning process carried out before the analysis, it can be possible that there are answers that are not perfectly representative of those who provided them. In this regard, future research could foresee the carrying out of a similar experiment, also providing for an adequate incentive.

Furthermore, this study envisaged the use of a real brand that is Gucci and it may have influenced the perceptions of the respondents.

Finally, this research only considers the Willingness to Buy (WTB), while future research could explore the Willingness to Pay (WTP) and the Willingness to Pay More (WTPM) for sustainable products. In fact, considering the comments of the respondents and also considering the last international surveys (reported in the chapter 4), there are conflicting results according to the different sources. For example, Nielsen (2014) survey of 30,000 people in 60 countries reveals that 55% are “willing to pay more for products and services provided from companies that are committed to positive social and environmental impact”. On the contrary, the KMPG and Fashion Summit’s survey (2019) founds that few people are willing to pay more for sustainable fashion. Worldwide, only 13 percent of people say they are willing to pay more – less than 21 percent say they will only buy sustainable fashion if it is cheaper than normal fashion. Among those willing to pay more, the vast majority say they would be willing to pay at most 25 percent more.

Therefore, future research would be suggested based on the limitations set forth.

CONCLUSION

The framework of this study is sustainability which must be understood as the capacity of human beings to preserve and conserve the planet so that all generations can enjoy the right to live in a qualitatively better environment and not depleted of its resources.

Although the concept of luxury embraces a whole range of wide discussions in political philosophy since it can be seen as a negative manifestation of the differences in wealth and richness between people tightening social inequalities, from a business perspective, luxury is an important sector of the economy that moves huge capitals. However, luxury is now experiencing an epochal turning point reflected by the rise of a new type of consumer following trends and tendencies that until a few years ago were considered antithetical to the concept of luxury, as for example the demand for sustainable products or the growth of the second-hand market.

Is it possible to practice a sustainable luxury and even more, is it a successful strategy that luxury brands must undertake? The purpose of my thesis is to understand if it is possible to apply environmentally friendly luxury and if it is a suitable business model, also considering the case of the most sustainable fashion luxury brand, i.e., Kering and Gucci.

According to McKinsey, referring to sustainability, “2019 was the year of awakening after the reckoning of 2018 - a time for fashion companies to look at opportunities and not just at surmounting challenges.”

However, McKinsey’s latest (2019) survey on economic conditions shows that executives’ views on the current global economy and expectations of future global growth are less favourable than in their previous years, so industries need to invest in enhancing their productivity and resilience, as the outlook is uncertain. External shocks to the system continue to lurk, and growth cannot be taken for granted. Companies need to take an active stance on social issues, satisfy consumer demands for radical transparency and sustainability, and, most important, have the courage to “self-disrupt” their own identity and the sources of their old success to realize these changes and win new generations of customers.

It means that there will be a watershed between companies that will grow exponentially and those that will suffer a setback.

Although the increasing demand for sustainable products, academic studies and global surveys (e.g. Pulse of Fashion Industry 2019, Deutsche Bank Research 2019, KMPG and Fashion Summit 2019) show that sustainability is certainly a growing parameter, but strangely not yet at the top of the consumer choice criteria. The studies reveal that consumers yet care primarily about the intrinsic features of products, as quality, fashion and creativity, brand loyalty, commercial policies, historicity and exclusivity of the brand that are still the predominant drivers. However, change is underway and consumers, especially the youngest, assign an increasing value to sustainability. So, the reputation and prestige of the brand still remain the fundamental criteria of the purchasing choices, but considerations on the impacts on the environment and on health, on the treatment of workers, on social and ethical orientation are taking on an increasingly important role. Although the responsible behaviour of brands is a secondary purchase driver consideration, the shift from “conspicuous consumption” to “conscientious consumption” has led consumers of all social classes to be highly worried

about the possible social and environmental troubles and to prefer sustainable products that are in line with their own values and beliefs (Amatulli et al, 2017).

The research carried out in on this thesis is not only perfectly in line with global trends asking for sustainability, but also demonstrates that a strategy based on sustainability compared to a strategy focused on quality or performance is perceived as atypical, equally among luxury consumers. In other words, a sustainable luxury product followed by an environmental claim has improved its evaluation among consumers with greater willingness to purchase, rather than a high-quality luxury product, because it is perceived as atypical (different, original, special).

This is even more true when considering young people segment, which today are composed by Gen Z (2.6 billion individuals) and Millennials (2.14 billion) making up 64% of the world population. According to Bain & Company (2018) it will represent approximately 55% of the 2025 market and will contribute 130% of market growth, offsetting the decline in sales among older generations.

Young customers are the new frontiers of tomorrow's luxury market – and they already represent a growing portion of luxury consumption in Asian markets, so the road to responsible luxury passes through the profiling of a new figure of consumer that is more critical in the choice of what to buy, more attentive and informed and, above all, more interested in the well-being of the global community and not only in their own needs. New luxury consumers see themselves as critical actors of creativity and conversations with luxury brands; they are returning to products, stores and physical interactions with brands to truly connect and engage emotionally with them (Bain & Company, 2019)

Younger consumers, even as their incomes and their ability to afford luxury rises, are embracing the values of conscientious consumption, having as priorities personal wellness and environmental concern. According to PwC 2019 research²⁷, “28% of Millennials and 41% of iGens can be defined as "Personal & Planetary Health Activists" and consider personal and planet health as a fundamental aspect in purchase choice”. Not only is extremely increased the demand for sustainable products, but there is also a considerable willingness to pay more. PwC founds that “90% of young people are willing to pay a premium price for the purchase of fashion products made ethically and sustainably.” So, if companies would make their commitment toward sustainable development more effective, they have to clearly analyse and understand customer motivations for effective marketing strategy and tactical actions aimed at reaching those customers (Amatulli et al, 2017).

Sustainability is not only referred to the environment issue, while, according to Bain & Company Luxury Study, “social responsibility remains top of mind for luxury customers and encompasses more than just environmental impact: 80 percent of luxury customers say they prefer brands that are socially responsible, particularly among millennials. Further, 60 percent of luxury customers think luxury brands should be more engaged than other industries.”

²⁷ PwC research was conducted on 2000 young Italians, made up of 62% of Millennials and 38% of Z Generation.

Notwithstanding that sustainability in the luxury fashion sector is a topic quite treated (especially on an academic level), the elements that distinguish this research from the previous ones are the target of 90% of luxury consumers and the fact that it is updated at the end of 2019 which can be considered a year of turning point marking a new era of sustainability in fashion luxury industry. In fact, according to the Pulse of Fashion Industry 2019, while on the supply side there is a slowing down toward the implementation of sustainable practices, on the other side consumers are more aware of sustainability which becomes an increasingly important driver in purchasing decisions. This thesis can be considered a good starting point for students and researchers interested in the issues of sustainability of luxury fashion because it suggests an intense literature review from its origins so far, detailed and integrated as demonstrated by the wide bibliography and webliography in the references section and in the several case studies. By the way, the presented research is also an interesting tool from a business point of view because both the market side and the offer are taken into consideration as customer oriented.

The most important keys emerged are that the luxury industry must increasingly emphasize the quality that distinguishes their products, the craftsmanship that allows to preserve the disappearance of talents and artists and the local production (also in terms of “Made in...”) rather than improving the rarity or the high price of the offer. It is also necessary that luxury companies intensify internal and above all external communication (especially on social media) around the main values and the sustainability actions they follow. Sustainability is an element of further differentiation for companies operating in the luxury market and represents a source of competitive advantage considering consumers' appreciation for sustainable luxury goods for which they will pay a higher price in order to be actors through an ecological commitment and at the same time being able to enjoy a high-end product. So, the results of this study definitively break prejudices against eco-fashion in luxury and open new perspectives because the companies that would stay competitive need to see new trends not as threats, but as opportunities and manage them strategically to seize the full potential of new tendencies.

In the future there will be a very high content of craftsmanship and therefore of sustainability, which will be those that will truly make luxury. Luxury is naturally moving towards a sustainability issue, not because companies want, rather because they must follow the market and consumer demand. Consumers are becoming more aware and are asking for more sustainable and respectful products and focus on handmade and artisanal product, craftsmanship and quality, personalized services.

Sustainable luxury promotes the return to the essence of luxury with its ancestral meaning, the thoughtful purchase, the artisan manufacturing, the beauty of materials in its broadest sense, and the respect for social and environmental issues. It is luxury itself that will return to its origins, so it will no longer be necessary to use the term "sustainable".

To sum up, sustainability is therefore becoming a pillar of brand equity and a crucial factor for the success of brands and products. Like it or not, luxury brands, which have a direct correlation between brand equity and growth / margins, must take this into account. This appears to be an irreversible process.

Two issues such as social complaint remain open to discussion and reflection both from the demand and supply side.

The democratization of luxury is becoming the manifestation of the luxury dictatorship because the majority would achieve a luxury product, even just for a status symbol. Indeed, anyone who cannot afford luxury products either steals or falsifies it. Luxury is exclusivity, so is it really true that consumers want a sustainable product? It is well-known that even consumers' stated willingness to vote with their wallets does not translate to the same degree in actual purchases of sustainable fashion luxury. Closing this gap and changing consumer behaviour is made even more difficult because of a lack of clear information and tools for the consumer. Consumers are unsure what "sustainability" means or how to identify sustainable brands (McKinsey CPO, 2019). A survey of corporate representatives across over 100 European firms shows consumers are often swayed by misinformation or lack of information. Still, as awareness has grown, so has the quest for knowledge.

The other question is whether the brands will be able to follow real sustainable strategies and make their commitment toward sustainable development more effective, completely respectful of the environment, animal and people throughout all the supply chain and which do not declare themselves sustainable only for marketing reasons applying misleading practices such as greenwashing.

Well, we just have to wait and see.

Thank you for your attention.

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FIGURES

Fig.1: Graphical variations in form of the descriptors of “sustainability”.

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Fig. 2: Venn diagram of sustainable development: at the confluence of three constituent parts.

Fig. 3: The Three Spheres of Sustainability. Source: Adapted from Sustainability Assessment and Reporting for the University of Michigan's Ann Arbor Campus (2002)

Fig.4: Environmental, social and economic dimension of sustainability.

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Fig. 5: Illustration of the Circles of Sustainability framework to map the Sustainable development goals. James Paul (2017). 'Domains of Sustainability' (2016). Global Encyclopedia of Public Administration, Public Policy, and Governance.

Fig. 6: The Pyramid of Social Responsibility (adapted on Carrol 1979)

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Fig. 7: Perception of sustainability among consumers. Source: CGS 2019 Sustainability Infographics.

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Fig. 8: Overview of the first 10 selected by 2019 Global 100 Most Sustainable Corporations in the World Index. Source: Corporateknights.com.

Fig. 9: 2019 Leaders Companies - Survey by GlobeScan and SustainAbility. Source: Globescan.com.

Fig. 10: Triangle of positioning: difference between luxury, premium and fashion. Source: Adapted from Kapferer, J-N. and Bastien, V. (2012) “The luxury strategy: break the rules of marketing to build luxury brands (2nd edn).” London: Kogan-Page.

Fig. 11: Total economic profit in the fashion industry during the years 2010-2018.

Source: McKinsey Global Fashion Index (MGFI). Report (pag. 90) available from:

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Fig. 12: Top 20 fashion players for 2018 – the “Super Winners”.

Source: McKinsey Global Fashion Index

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Fig. 13: Fashion executives’ forecast for the industry in 2020 (% of respondents).

Source: Business of Fashion – McKinsey State of Fashion 2020 Survey

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Fig. 14: Ten themes will be crucial for the fashion industry in 2020.

Source: Ibid.

Fig. 15: Growth of clothing sales and decline in clothing utilization since 2000.

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Fig. 16: Environmental inputs and outputs of the textile product life cycle

Source: Ibid.

Fig. 17: The MADE-BY environmental benchmark fiber classification chart.

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Fig. 18: Proposed framework of Brand Luxury Index Scale.

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Fig. 19: Constituent value dimensions of luxury brands.

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Fig. 20: The components of a luxury fashion brand.

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Fig. 21: Ends sought in the use of luxury products.

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Fig. 22: A functional perspective on luxury segmentation.

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Fig. 23: The main constructs of the luxury consumption dichotomy.

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Fig. 24: What luxury means for affluent clients in six major luxury markets

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https://www.researchgate.net/publication/281251957_The_Luxury_Strategy_Break_the_Rules_of_Marketing_to_Build_Luxury_Brands [Accessed 04/02/2020]

Fig. 25: The luxury market segmentation and the brand system.

Source: Rielaboration from Kapferer (1997) and Corbellini (2009)

Kapferer, J.-N. 1997. “Managing luxury brands.” *Journal of Brand Management*, 4(4), 251–260.

<https://link.springer.com/article/10.1057/bm.1997.4> [Accessed on 12 December 2019].

Corbellini E., Saviolo S. 2009. “Managing Fashion and Luxury Companies”, Etas, Milan.

Fig. 26: Stages of growth of the luxury market.

Source: Bain & Company (2019) Report: Luxury goods worldwide market study, fall–winter 2018.

Fig. 27: New and traditional luxury consumer.

Plażyk, (2015). “The democratization of luxury—a new form of luxury.” *Studia University of Economics in Katowice*, 158-165.

Fig. 28: The Luxury market is poised for growth.

Source: BCG Luxury Market Model. “Growth in the Luxury Market”. Available from:

<https://www.bcg.com/it-it/industries/consumer-products/luxury.aspx>. [Accessed on 02/02/2020].

Fig. 29: Global personal luxury goods market forecast (€ billion)

Source: Bain & Company (2019, 19 Nov). “Personal luxury goods market grew by 4 percent in 2019 to reach €281 billion.” <https://www.bain.com/about/media-center/press-releases/2019/fall-luxury-report/> [Accessed 11/01/2020].

Fig. 30: Comparison of Generations Y and Z: key features

Source: Bain & Company (2020) Eight Themes That Are Rewriting the Future of Luxury Goods.

Available from: <https://www.bain.com/insights/eight-themes-that-are-rewriting-the-future-of-luxury-goods/>. [Accessed 08/02/2020].

Fig. 31: Key trends of Z Generation (born between 1995 and 2010)

BCG-Altgamma - Report “True Luxury Global Consumer Insight”

<http://media-publications.bcg.com/france/True-Luxury%20Global%20Consumer%20Insight%202019%20-%20Plenary%20-%20vMedia.pdf>. [Accessed 08/02/2020].

Fig. 32: Intersecting discursive domains of luxury and sustainability

Baker Katie Jones and Joseph P. Jones (2018) “Sufficient Desire: The Discourse of Sustainable Luxury” in: *Sustainability in Luxury Fashion Business*. Chris K. Y. Lo and Jung Ha-brookshire (editors). Springer Verlag, Singapore.

Fig.33: Sustainability Diamond

Hennigs, Nadine, Klaus-Peter Wiedmann, Christiane Klarmann, and Stefan Behrens. (2013). “Sustainability as Part of the Luxury Essence.” *The Journal of Corporate Citizenship* 58: 25–35.

Fig. 34: Luxury's fashion limitations and opportunities for sustainability

Godart, Frederic & Seong, Sorah. (2014). Is sustainable luxury fashion possible?

In: Sustainable luxury : managing social and environmental performance in iconic brands. Sheffield : Greenleaf Co, p. 12-27.

Fig. 35: Key areas sourcing executives plan to work on “Which sustainable apparel-sourcing topics top?”

McKinsey CPO Survey (2019, October). “Fashion’s new must-have: sustainable sourcing at scale”,

Available from: <https://www.mckinsey.com/industries/retail/our-insights/fashions-new-must-have-sustainable-sourcing-at-scale>. [Accessed 31/12/2019]

Fig. 36: Evolution of industry-wide Pulse Score: Speed of measurable progress slowed vs last year.

Pulse of the Fashion Industry (2019) Available from: <http://media-publications.bcg.com/france/Pulse-of-the-Fashion-Industry2019.pdf>. [Accessed 23/01/2020].

Fig. 37: Importance of sustainability for consumers and its triggers.

Source: Ibidem.

Fig. 38: Segmentation of the fashion consumers perception toward switch a sustainable brand

Source: Ibid.

Fig. 39: Emotional factors of sustainability

Source: BCG Sustainability Survey March 2019. In: Pulse of the Fashion Industry (2019).

Fig. 40: Willingness to purchase sustainable fashion related to price

KPMG and Fashion Summit (2019). Report: Sustainable fashion - A survey on global perspectives.

<https://assets.kpmg/content/dam/kpmg/cn/pdf/en/2019/01/sustainable-fashion.pdf>. [Accessed on 29/01/2020].

Fig. 41: Factor enhanced the WTB across the polled cities

Source: Ibid.

Fig. 42: Gucci equilibrium logo

Source: <http://equilibrium.gucci.com/>

Fig. 43: Sustainable raw materials improvements of Gucci

Source: Ibid.

APPENDIX: QUESTIONNAIRE

THANK YOU for participating in this research!

There are no right or wrong answers, as we are simply interested in your opinions. When you are ready to begin, please click >> in the bottom right to proceed.

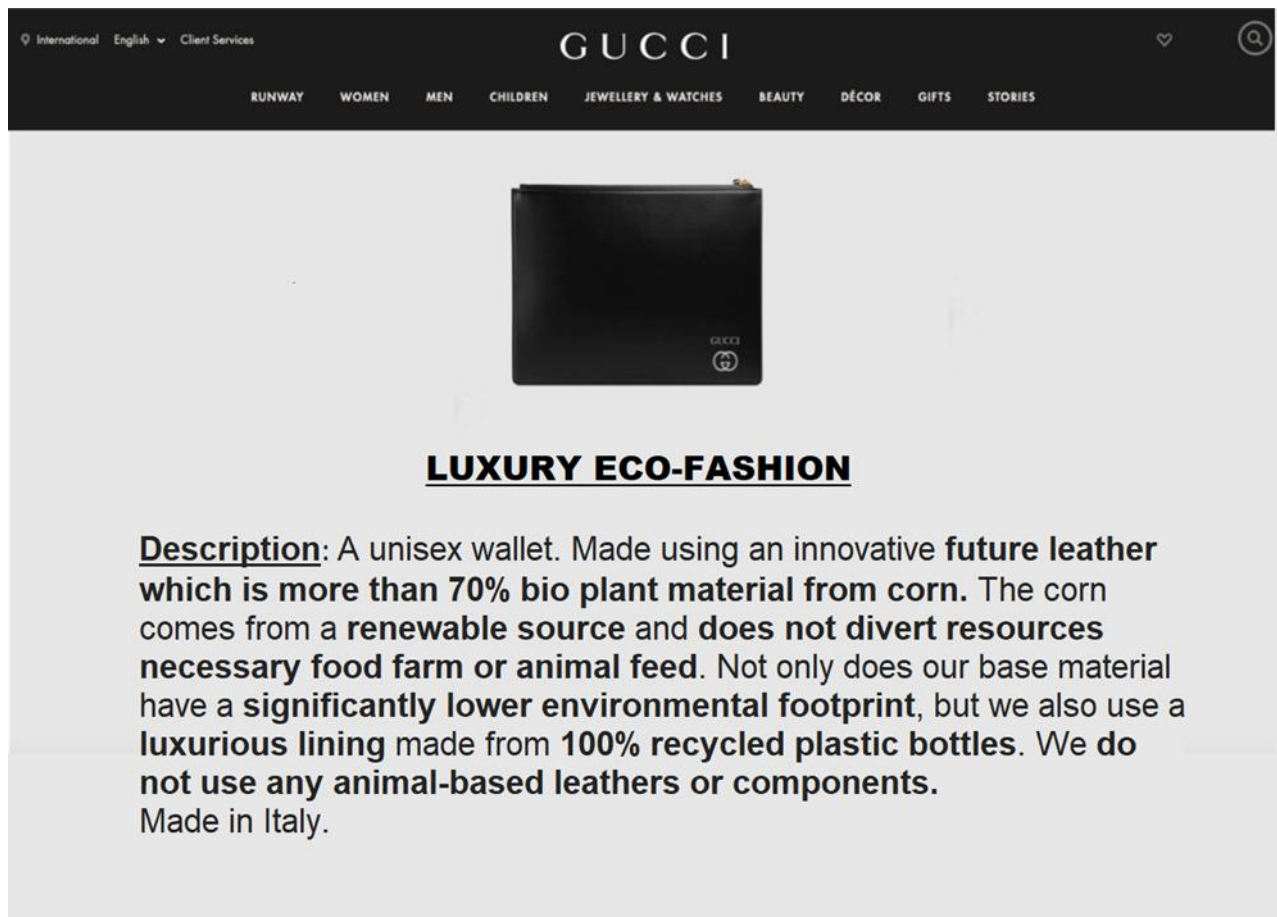
On the next screen, you will be asked to carefully watch a webpage from the GUCCI e-commerce website and promoting, with a specific claim, a luxury accessory from that brand.

After watching the communication message, you will be asked a series of questions. Click to proceed when you are ready.

(NOTE: The next page may take a little while to load depending on the processing speed of your computer.)

SUSTAINABILITY

Please have a look at the GUCCI e-commerce webpage here below where you can see a communication message promoting a **luxury and environmentally sustainable** product. Please read it carefully.



Please indicate how you judge the characteristics of the product above (it is a **luxury environmentally sustainable** product) compared to the other luxury products in general:

	1	2	3	4	5	6	7	
It is the SAME as all the others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	It is NEW and DIFFERENT
It is ORDINARY	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	It is SPECIAL
It is NON-ORIGINAL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	It is ORIGINAL

Now imagine you need to buy a luxury wallet, please indicate your level of agreement with the following statements regarding your intention to buy this one:

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
I would purchase it. (wtb_1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would consider buying it. (wtb_2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The probability that I would consider buying it is high. (wtb_3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Shortly, you will be given the opportunity to leave a positive comment about the product you saw. Are you available to leave a comment?

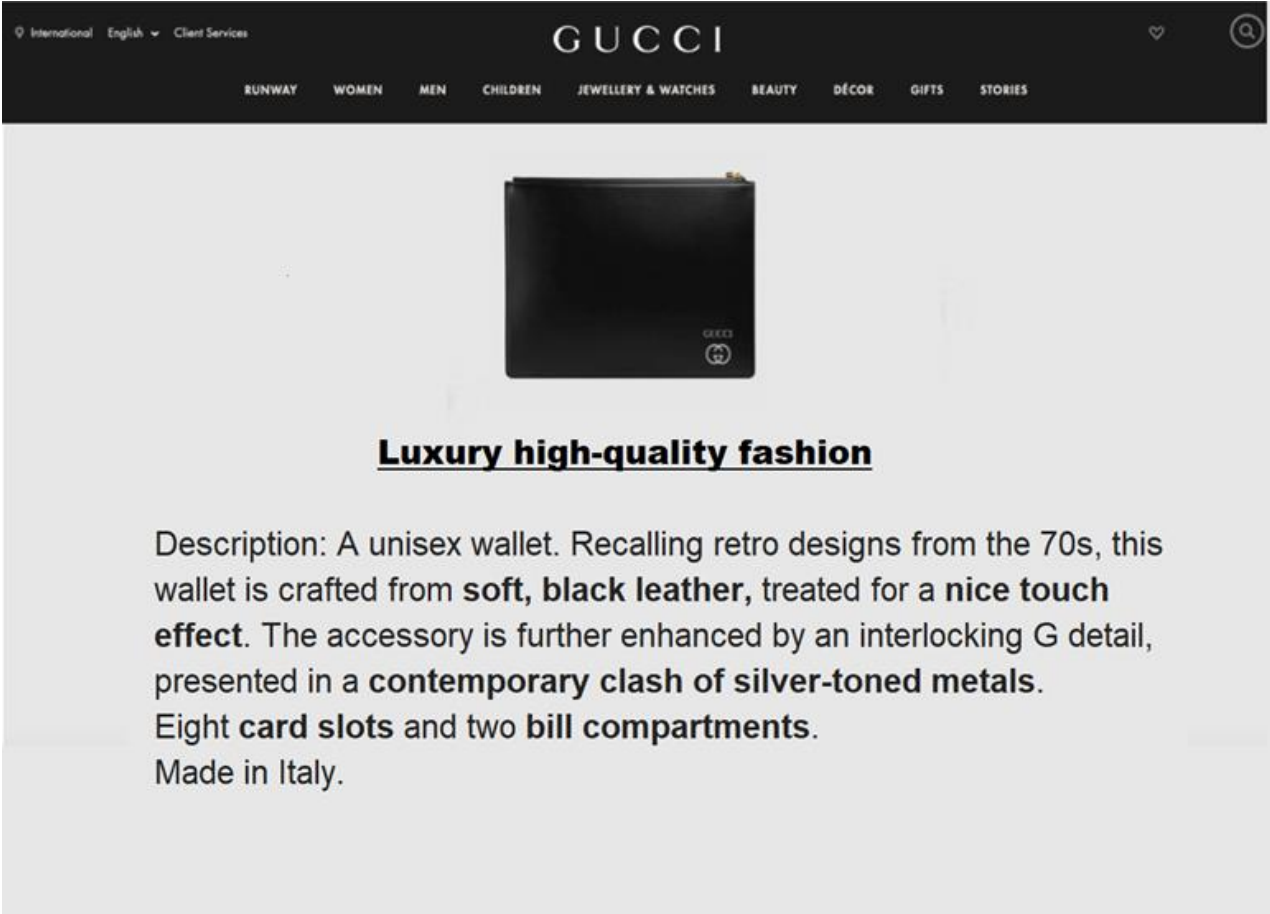
☐ YES

☐ NO

Comment:

QUALITY

Please have a look at the GUCCI e-commerce webpage here below where you can see a communication message promoting a **luxury high-quality** product. Please read it carefully.



The screenshot shows the Gucci e-commerce website. At the top, there is a dark navigation bar with the Gucci logo in the center. To the left of the logo are links for 'International', 'English', and 'Client Services'. To the right are a heart icon and a search icon. Below the navigation bar is a horizontal menu with categories: RUNWAY, WOMEN, MEN, CHILDREN, JEWELLERY & WATCHES, BEAUTY, DÉCOR, GIFTS, and STORIES. The main content area features a black leather wallet centered on a light gray background. Below the wallet, the text reads: **Luxury high-quality fashion**. Further down, a description states: 'Description: A unisex wallet. Recalling retro designs from the 70s, this wallet is crafted from **soft, black leather**, treated for a **nice touch effect**. The accessory is further enhanced by an interlocking G detail, presented in a **contemporary clash of silver-toned metals**. **Eight card slots and two bill compartments**. Made in Italy.'

International English Client Services

GUCCI

RUNWAY WOMEN MEN CHILDREN JEWELLERY & WATCHES BEAUTY DÉCOR GIFTS STORIES

Luxury high-quality fashion

Description: A unisex wallet. Recalling retro designs from the 70s, this wallet is crafted from **soft, black leather**, treated for a **nice touch effect**. The accessory is further enhanced by an interlocking G detail, presented in a **contemporary clash of silver-toned metals**. **Eight card slots and two bill compartments**. Made in Italy.

Please indicate how you judge the characteristics of the product above (it is a **luxury high quality** product) compared to the other luxury products in general:

	1	2	3	4	5	6	7	
It is the SAME as all the others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	It is NEW and DIFFERENT
It is ORDINARY	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	It is SPECIAL
It is NON-ORIGINAL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	It is ORIGINAL

Now imagine you need to buy a luxury wallet, please indicate your level of agreement with the following statements regarding your intention to buy this one:

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
I would purchase it. (wtb_1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would consider buying it. (wtb_2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The probability that I would consider buying it is high. (wtb_3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Shortly, you will be given the opportunity to leave a positive comment about the product you saw. Are you available to leave a comment?

- ☐ YES
- ☐ NO

Comment:

CONTROLS

To which extent the communication message content promoting the wallet is oriented to the ...

	1	2	3	4	5	6	7	
Product quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Product environmental sustainability

Please indicate with what frequency you buy luxury goods

- ☐ Never
- ☐ Rarely
- ☐ Sometimes
- ☐ Often
- ☐ Always

How **familiar** you are with the GUCCI brand?

[illegible]

How much do you **like** the GUCCI brand?

[illegible]

How **realistic** did you find the e-commerce webpage?

[illegible]

To what extent are you concerned about the environmental issue?

	1	2	3	4	5	6	7	
Not at all	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very much

SOCIO-DEMOGRAPHICS

What is your age?

What is your gender?

☐ Male

☐ Female

What is your annual income?

What is your nationality?

Thank you for your participation!

Have a good day.

SUMMARY

The title of this work emphasizes the term “paradox”, considered as a self-contradictory concept because sustainability seems to be in contrast with all the fields discussed in this thesis: marketing, fashion and luxury.

The research approach provided in this work is based on the literature review, but also on the analysis of the last international surveys and reports as well as business case studies.

The thesis is organized with a funnel structure, from the general to the particular one.

Starting from a digression on the theme of sustainability, is then presented the fashion sphere that has in the slow fashion the compatibility with the sustainability. Successively, the luxury domain is analysed. As the literature review reveals, there is an intrinsic relationship between luxury and sustainability, up to the point that “sustainability is already built into the definition of luxury” (Amatulli et al, 2017). Having considered all the main components, current situation, trends and prospects of sustainability, fashion and luxury, the match between the three domains expressed in the theme of Sustainable Fashion Luxury is finally investigated.

Subsequently, my experimental research and the relative statistical results, findings and implications are presented.

The definition of sustainability is not that easy as it might seem, likewise with the definition of sustainable development and related concepts. The most common accepted definition is that of the Brundtland report (WECD, 1987), “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” Thus, sustainability provides a long-term view of the future in a responsible and respectful approach that recognizes the role of all stakeholders and both present and future generations’ entitlement to the use of resources. It is based on a set of ethical values and principles that consider the environment and societal consequences of actions, as well as economic goals. However, the term is actually used in an undiscerning and loose way. At any rate, sustainability has developed into the categorical and collective imperative of contemporary responsibility for creation and the 21st century has been chosen as the century of sustainable development (Jenkins and Schröder, 2013, p.9). The general approach is that of the triple bottom line (TBL) consisting of social equity, economic, and environmental factors, corresponding to people, planet, and profit. Even so, the discussion about the general concept continued during the years and other domain were included such as culture and politics. One systematic model that responds to the debates over the last decade is the Circles of Sustainability approach distinguishing four domains: economic, ecological, political and cultural sustainability. A good marketing strategy always must be implemented with Corporate Social Responsibility expressed as business ethics and sustainable governance. In fact, some marketing activities, particularly advertising, have been criticised for feigned claims in the promotion of sustainability, defined in the practice of “greenwashing”- misleading consumers about a company’s environmental performance for business gains. An interesting research (Steinhart et al., 2013) examines how an environmental claim differently affects consumers’ evaluations of utilitarian products and luxuries ones. The results show that consumers perceive an environmental claim as being a utilitarian aspect of a product more than a hedonic. Therefore, such claims may enhance consumers’

evaluations of utilitarian products, especially when the content of the claim emphasizes global environmental benefits. Conversely, for luxury products, the utilitarian perception of an environmental claim may have constituted an available justification to consume a self-indulging product and the effect is enhanced when the content of the environmental claim emphasizes personal-social benefits, related to the user's social status.

By the way, also the intentionally misleading environmental communications produce different reactions and responses from stakeholders (Collison et al., 2003). Some approaches can receive nonsignificant responses, but others can lead to reputation problems, scandals, protests, boycotts, and so forth. Several studies demonstrate that when an ad is perceived environmentally misleading, customers react negatively because they perceive lower advertiser credibility, express negative attitudes toward the ad, and develop lower purchase intentions for the brand. (Newell 1998, Schmuck, 2018, Torelli et al, 2019), For this reason, it is imperative for companies that CSR strategies become more and more integrated, keeping their commitments without misleading the reality of facts in practice in practices such as greenwashing.

The "paradox" is reflected in the seemingly irreconcilable possibility of bringing together sustainability, defined as continuity and resourcefulness - and fashion, understood as constant change, and tied to business models based on continuous replacement of goods (Fletcher, 2008).

Characteristics of sustainable fashion match the philosophies of "slow fashion" in that emotional, ecological and ethical qualities advocates for reducing production and consumption cycles through product quality and engagement, especially throughout the craftsmanship. This relationship has been explained by the five principles introduced by Jung and Jin (2014). Slow fashion advocates for 1) equity, which primarily refers to fair trade among the different stakeholders; 2) localism, referred as the use of local resources and the integration of artisanship; 3) authenticity, for which slow fashion products acquired perceived value by the form and the way in which they are developed; 4) exclusivity, which refers to the rarity, diversity and uniqueness of the items; 5) functionality intended as maximization of the product lifespan and efficiency for a sustainable environment and the actual use that provide a sense of social status and identity (Niinimäki, 2010).

The immense scale of the fashion industry has been evaluated to be a USD 1.3 trillion-dollar industry, and the world's third largest manufacturing industry, after automotive and technology (UK Parliament, 2019). Economic profit grew for the second year running in 2018 - driven by luxury market - following four consecutive annual declines from 2012 to 2016; however, the sector is highly polarized by few companies dominating that account for 97% of economic profit, while an increasing proportion of publicly-traded fashion companies struggle to create any economic value (McKinsey, 2019).

An enhanced awareness and concern toward the fashion industry's environmental impact has emerged in recent years, blended by increasing evidence of intensified global clothing consumption and driven by the growing accessibility and affordability of clothing. This phenomenon has been encouraged by fast fashion, a progressively bargain-driven consumer, heightened accessibility via an expanding online shopping panorama, and more buying power from a growing middle class, especially in emerging economies such as China. It propagated not only a culture of excessive consumption, but also a quicker disposal of clothing. Producing, spinning and dyeing raw materials use huge amounts of water and energy and often involve large

quantities of pesticide and toxic dyes that leach into the ecosystem. Materials such as polyester, nylon and acrylic are made from fossil fuels and do not biodegrade. They also can release micro plastics into the water supply as they are washed over their lifetime. Moreover, the waste consumption has a further impact. Data of European Parliament (2019) reveals that “Once discarded, only one per cent of these are turned into new clothes while over half the garments are not recycled, but end up in mixed household waste and are subsequently sent to incinerators or landfill, releasing more carbon into the atmosphere.”

In reality, there is no sustainable material, per se, because for everything is necessary a resource; but is possible to mitigate the effects. The leadership forum Global Fashion Agenda (2019) sets out eight "crucial sustainability priorities", dividing into two parts. The four core priorities for immediate implementation include: 1) complete transparency throughout the supply chain, 2) reduction of greenhouse gas emissions, 3) efficient use of water, energy and chemicals and 4) safeguard of workers' rights and work environment. The four transformational priorities for fundamental change are: 5) the development of sustainable material and fibres, 6) the circular fashion system (reuse and recycling of post-consumer), 7) the promotion of better wage systems and 8) the fourth industrial revolution with the digitalisation opportunities.

In short, to be considered genuinely sustainable, brands may need to entirely transform every aspect of their businesses.

If we consider the main principles of fast fashion, which are speed, affordability, change, disposable trends and aesthetic fads, we discover that they contradict with sustainability goals and principles.

Luxury fashion, on the other hand, traditionally emphasizes the highest quality, longevity, superior durability, authenticity, heritage, craftsmanship, creativity as deeper values. So, they can therefore be better associated with sustainability and are more likely to preserve social and environmental values (Amatulli et al., 2017, Ertekin, 2019). Instead of being regarded as contradictory, luxury and sustainability can be perceived as closely related concepts that inspire and complement each other (Hennigs et al. 2013).

“Sustainable luxury promotes the return to the essence of luxury with its ancestral meaning, the thoughtful purchase, the artisan manufacturing, the beauty of materials in its broadest sense, and the respect for social and environmental issues” (Gardetti, 2016, p. 2).

Luxury buyers have ambivalent attitudes, in order to consider luxury and sustainability somewhat contradictory, especially as regards the aspect of social and economic harmony of sustainable development. However, today’s consumers demand for sustainable supply chain and luxury products consumers is increasing every day. In fact, more recently, luxury brands were criticized for their unsustainable raw materials selection and use of endangered animal skins for apparel products. Consumers started boycotting such brands and it negatively affected luxury brands’ images overall (Davies et al, 2012). Following these events, luxury brands, such as Gucci, Saint Laurent, Prada, Armani and Chanel, have committed themselves to developing comprehensive sustainability programs, including promoting the use of energy efficient light sources, adopting recycling practices in product supply chain, fur-free, and opting for environmental-friendly bioplastic and native organic wool (Guercini & Ranfagni, 2013). Important initiatives were taken in politics and on catwalks. One of the first innovation challenge, the Global Change Award was created by the H&M foundation in 2015

in collaboration with Accenture. In 2018, Stella McCartney was launching the UN Fashion Industry Charter for Climate – signed by more than 90 labels (including Burberry, Chanel, Gap, H&M, Kering, Levi's, Inditex, ...) – that contains the vision to achieve net-zero emissions by 2050 and includes a target of 30% emission reductions by 2030 and a commitment to analyse and set a decarbonization pathway for the fashion industry. In August 2019, during the G7 summit, Kering chief executive François-Henri Pinault spearheaded French President Emmanuel Macron's new Fashion Pact, aimed at reducing environmental impact; it was joined by 150 brands in this occasion, with a further hundred joining after.

In the latest years is already a fact that also the industries that until recently were reluctant to apply sustainable models in their governance, have now switched in sustainable models. It is observable in all the most important Fashion Week of the world: Berlin, London, Milan, Venice, Copenhagen, Helsinki, etc... that all embrace the opportunity of the event as a reflection on how the fashion industry is dealing with the undeniably negative impact it has on both people and planet – and to work together to find solutions.

By the way, fashion brands are taking action on other fronts too. Zara pledged to use 100 percent sustainable fabrics by 2025, joining H&M which earlier committed to using 100 percent recycled or sustainable materials by 2030, among a host of broader sustainability commitments by the company. Adidas has committed to phasing out virgin polyester by 2024. LVMH announced its own series of commitments for the environment and biodiversity during Paris Fashion Week in September.

In luxury industry that a leader that grasp a sustainable attitude in his business model is undoubtedly Kering. Kering group is investing substantial economic resources in the development of innovative and technological materials respectful of the environment and at the same time not compromising of the quality of products, as a fundamental characteristic of luxury goods.

Following Kering's sustainability framework, the Gucci plan is focused on three pillars: environment, humanity and new models. They are translated in the reduction of the impacts and guarantee of the traceability of the raw materials; the respect for the employee and the community, gender equality, diversion and inclusion; development of new solutions with an improvement in production and logistics.

In the years Kering was both promoter and supporter of important campaigns, especially with UNICEF partnership, aimed to improve the female education, justice and health services for orphans and children.

Thanks to the company's new 10-year 'Culture of Purpose' sustainability, Gucci had joined the Fur Free Alliance eliminating animal fur from its Spring Summer 2018 collection. Finally, to reaffirm the importance of the value of sustainability, in 2018 and in conjunction with the World Environment Day, Gucci has launched "Equilibrium", an entire portal dedicated to explaining and providing updates on its social and environmental best practices.

Although the concept of luxury embraces a whole range of wide discussions in political philosophy since it can be seen as it negative manifestation of the differences in wealth and richness between people tightening social inequalities, from a business perspective, luxury is an important sector of the economy that moves huge capitals. According to BCG Luxury Market Model by 2024, personal and experiential luxury alone are estimated to be a €1,1260 billion market. Also, Bain & Company (2019) has an optimistic prospective because

they forecast there will be a solid mid-term growth resulting of 3% to 5% per year through 2025, for a total value of €320 billion to €365 billion.

Luxury is now experiencing an epochal turning point reflected by the rise of a new type of consumer following trends and tendencies that until a few years ago were considered antithetical to the concept of luxury, as for example the demand for sustainable products or paradigm shift in consumption favouring access over ownership, like the growth of the second-hand market and the rental.

The propelling movers forward this new definition of luxury are the HENRYs (high-earners-not-rich-yet) consumers with incomes from \$100k-\$250k and aged on average 43 (Slater, 2019). They have abandoned the old ideas on which traditional luxury marketing and branding were founded. HENRYs are digital savvy, love online shopping and are big spenders, particularly the Millennials. As HENRYs are a critically important customer segment, loyalty could be built by endorsing their core values, such as authenticity, reliability, commitment to do the right things, and following sustainable practices. Consequently, brands have started to deliberately focus on values shared by this aspirational demographic. Luxury brands wishing to target HENRYs must offer inclusive, yet individualized and self-expressive products. Finally, since HENRYs are heavily influenced by modern technology and use of social media to form their buying decisions, luxury brands have started to engage with these customers by leveraging on social media platforms (Deloitte, 2019).

New generations will be the primary engine of growth for the luxury market in the coming years and they already represent a growing portion of luxury consumption in Asian markets, so the road to responsible luxury passes through the profiling of a new figure of consumer that is more critical in the choice of what to buy, more attentive and informed and, above all, more interested in the well-being of the global community and not only in their own needs. Young people segment today is formed by Gen Z (2.6 billion individuals) and Millennials (2.14 billion) making up 64% of the world's population. According to Bain & Company (2018) it will represent approximately 55% of the 2025 market and will contribute 130% of luxury market growth.

To capitalize, luxury brands are adapting to the preferences of younger consumers in terms of product offerings, communication and engagement strategies, and distribution channels. The luxury industry is also increasingly acknowledging cultural (religious, ethnic and others) and size (curvy or plus-size) preferences. Luxury brands will need to address these groups to remain relevant, being the more inclusive possible. “We see 2020 as being a watershed for *Inclusive Culture*, with diverse races, genders, and sexual orientations increasingly present across organizations and in leadership roles.” (McKinsey & Company, 2019).

So, if companies would make their commitment toward sustainable development more effective, they have to clearly analyse and understand customer motivations for effective marketing strategy and tactical actions aimed at reaching those customers (Amatulli et al, 2017).

Godart & Seong (2014) unfold the challenges and opportunities specifically faced by luxury fashion brands and they proposed a framework suggesting that the institutionalisation of eco-sustainability paradigms in luxury fashion can be realised without negating the core principles of fashion. They introduce three possible scenarios in which the various stakeholders of the fashion industry can proactively take on an eco-

sustainability agenda: institutional change through slow luxury fashion; innovative luxury fashion; and upgrading luxury fashion through regulation.

The real issue and challenge for luxury industry is the conditions under which a luxury product's raw material since consumers are more concerned than before about the product sources. Luxury leaders in sustainable development must adopt traceability and transparency within the supply chain (Gardetti & Giron, 2014), as well adopting responsible behaviour in terms of working conditions, material sourcing, environmental protection, and similar matters (Amatulli et al, 2017). Research demonstrating an alignment of sustainability drivers with the luxury brand ethos is supported by the growing commitment to sustainable development within the luxury goods industry. (Lo and Ha-Brookshire 2018). Successful brands in this sector leverage their know-how in the areas of innovation, creativity, and excellence to provide "the best products and experiences for well-informed, educated, sophisticated, demanding and discerning clients" (Gardetti & Giron, 2014, p. 20). Although the increasing demand for sustainable products, academic studies and global surveys (e.g. Pulse of the Fashion Industry 2019, Deutsche Bank Research 2019) show that sustainability is certainly a growing parameter, but strangely not yet at the top of the consumer choice criteria. The studies reveal that consumers yet care primarily about the intrinsic features of products, as quality, fashion and creativity, brand loyalty, commercial policies, historicity and exclusivity of the brand that are still the predominant drivers. However, change is underway and consumers, especially the youngest, assign an increasing value to sustainability. So, the reputation and prestige of the brand still remain the fundamental criteria of the purchasing choices, but considerations on the impacts on the environment and on health, on the treatment of workers, on social and ethical orientation are taking on an increasingly important role. Although the responsible behaviour of brands is a secondary purchase driver consideration, the shift from "conspicuous consumption" to "conscientious consumption" has led consumers of all social classes to be highly worried about the possible social and environmental troubles and to prefer sustainable products that are in line with their own values and beliefs (Amatulli et al, 2017).

On the basis of the path and the literature review marked out until now - starting from the problem definitions and the research approaches developed - the final objective of my Master Thesis is to demonstrate that, sustainability is now the key trend in the whole fashion industry and a variable that increases the willingness to buy a product. Moreover, the research will assess that - differently from the past and the previous researches - sustainability is preferred over quality or performance, also in the Luxury industry. In the past, there was a poor perception of sustainability by consumers in luxury products also according to the materials used to make them. In fact, the luxury industry deals with often or rare high-quality materials that are not considered recyclable in the collective imagination since recycling would cause the loss of prestige of the product, making its rarity disappear. Moreover, an emergent issue is that of how luxury brands can communicate their sustainability. As discussed by Amatulli et al. (2017), "communicating sustainable initiatives are as important as challenging for luxury companies because they are afraid to reduce consumers' perceptions about the quality, prestige and uniqueness of their offerings".

Nowadays, consumers are more aware of the critical environmental situation and also about the importance of companies in having the least possible impact on society and planet. This work helps to bridge the literary gap with an interesting on-field and online research to assess how sustainability is now preferred also in the luxury sector and among luxury consumers. The research carried out in this thesis is not only perfectly in line with global trends asking for sustainability, but also demonstrates that a strategy based on sustainability compared to a strategy focused on quality or performance is perceived as atypical, equally among luxury consumers. In other words, a sustainable luxury product followed by an environmental claim improves its evaluation among consumers with greater willingness to purchase - rather than a high-quality (non-sustainable) luxury product - because it is perceived as atypical (different, original, special).

The main goal of the experimental research was to have a sample of luxury good consumers who can demonstrate that even luxury consumers now prefer sustainability over quality or performance because they perceive it as atypical and this preference leads to a higher purchase intention.

The survey was conducted during September 2019 and January 2020 submitting the questionnaire on the streets (identified and selected luxury districts) and on social media to a targeted group of luxury consumers, selected by a filter question. The total sample had 273 participants consisting of 250 in Italian and 23 in English.

To support the main hypothesis, we used a following simple mediation research model. I assumed there is no direct relationship between the independent variables, i.e. scenario of sustainability or quality/performance and the dependent variable, i.e. the response of individuals in terms of WTB, but they are mediated by the mediator variable of atypicality. The construction of the questionnaires and the data collection were provided through the online platform Qualtrics, while the collected data were analyzed using the statistical software STATA. To maintain an appropriate level of attention from respondents, the survey was limited to 13 questions, mainly using a Likert scale as a measurement of the answers.

To contribute to the survey, participants were asked to “watch a webpage from the GUCCI e-commerce website and promoting, with a specific claim, a luxury accessory from that brand” and then to respond to a series of questions. For the conduct of the experiment, an adequate unisex neutral object was used. It was decided to adopt a luxury accessory, specifically a Gucci branded wallet.

The survey flows were randomized on one of the two experimental conditions/scenarios (sustainability or quality/performance) of the experimental design. The photo of the Gucci wallet was the same for both scenarios, but the two claims were different according to the presented situation.

The questionnaire was divided into five parts. The first three were aimed at investigating the perception of the atypicality of the content of the message, the WTB and real sharing to measure the willingness to leave a positive comment. The last two were the controls and the socio-demographic questions.

After data cleaning, the final convenience sample used for quantitative analysis consisted of 149 respondents, categorized according to socio-demographic variables, i.e. age, gender and income. Most of the respondents correspond to Z Generation (≤ 25 years) or Millennials (25 – 40) that represent more than 80 % of the total sample. The percentage of men was slightly higher (55%) compared to that of women (45%).

Studying the correlation between frequent luxury consumers and gender, the greatest quantity of luxury fashion lovers is represented by men (68,97%), contrarily to the diffused idea that luxury and fashion involve the female world more. Regarding the environmental concern for the environmental issues, the analysis revealed that the distribution of people with a high concernment (n=88) is greater than people with medium (n=44) or low (n=17) interest. Subsequently the Gucci Liking and Familiarity were considered, as they represent important KPI's (Key Performance Indicators) that influence the customer journey and commercial success of the brand. The descriptive analysis of the research study showed that among respondents there are no relevant differences between the two variables. Almost half of the respondents (48%) declared that they like Gucci brand in a high degree (corresponding to 6-7 points); instead, the corresponding degree of familiarity is lower in its maximum level (32%).²⁸

In the first regression model the Y (which scenario respondent watched: sustainability vs quality) was regressed on the X (WTB). I controlled for age, gender, Gucci familiarity and environmental concern.

The STATA output reveals that the model is quite representative as R-squared=12% and $\beta=0.25$. Even if they are not particularly high, I have to remember that I am analysing real data. About the effect of watching the scenario with the sustainable product, I can say that there is a statistically significant and positive effect ($P>|t| = 0.1$). This suggests that respondents who have seen the eco-fashion (sustainable) wallet have a WTB higher compared with those that have seen the quality (non-sustainable) wallet. Regarding the control variables, I can say that being younger positively affects the WTB (age does not become more significant for the older classes) as well as being female. To sum up, the WTB increases when people watched the sustainable product, when people are younger and females. The significative p-value for the variable of Gucci familiarity demonstrates that WTB increase with the level of brand familiarity.

Regarding the atypicality, the factor analysis and the analysis of variance one-way with an ANOVA test retains one factor with a significant variance (p-value> 0.0006) between the groups. It reveals that there is a difference in the perception of the atypicality between the respondents who have seen the scenario 1 of sustainability and those who have seen the scenario 2 of quality/performance.

With the regression analysis emerged that watching the sustainable product increases the mean value of the perception of atypicality (high level of significance: $\beta=0.53$ and negative sign, $\alpha= 0,001$). Also, in this case, I control for age and gender, but they are not significative revealing that there is no correlation between these two variables and the perception of atypicality.

Finally, I regressed the mediator, i.e. atypicality on the dependent variable WTB. The results ($\beta = 0.48$, $\alpha = 0.001$) demonstrates that it is highly significant, instead there is no a positive effect on age and gender. To sum up, according to the hypothesis, the participants that have seen the first scenario of sustainability - compared to those who have seen the quality scenario – perceived the product as atypical and it is demonstrated by all the analysis done (descriptive, variance and regression). In the same way, people that have seen the

²⁸ These results make sense with the fact that the majority likes Gucci brand, but not all them buys Gucci's products.

sustainable scenario show a higher WTB, so I can conclude is at least partially driven by the atypicality perception.

In the present research, I demonstrate that a sustainable luxury good enjoys interest and appreciation on the market more than a simple high-quality product with a positive impact on the willingness to buy. It results in opposition with the previous researches. For example, Achabou and Dekhili (2013) found that luxury shoppers did not like buying a recycled cotton product, while Kapferer and Michaut (2014a, 2014 b) revealed that sustainability was only rarely mentioned in the selection criteria of luxury brands. Today the games have changed with the increase in research and researches, studies and books (Ivan et al. 2016, Amatulli et al. 2017, Lo & Ha-Brookshire 2018) on the relationship between luxury and sustainability.

Luxury apparel shoppers are “more concerned” about the effects of their purchasing choices, not only on themselves but also on the outside world around them. These findings are supported by Davies et al. (2012) who argued that consumers pay serious attention to issues beyond the product itself and therefore, marketers should consider the environmental and social impacts of their actions, including the entire supply chain that brings these products to the market (Hatice et al, 2019).

In addition, the proactive and favourable attitude found in the experiment by most consumers towards sustainable luxury goods predisposes to a better reception of a new trend, the eco-fashion, which has already vehemently entered the mass market but it is still weak in the luxury sector. In fact, luxury brands are more passive in conveying “blatantly” their green initiatives and therefore this implies that consumers are more reluctant to think that luxury can engage in the creation of sustainable products. It also was confirmed by the fact that sustainability in luxury is yet perceived as atypical. Therefore, in light of the results emerged in the research, the luxury market must open up to more fruitful communication in order to grasp business opportunities and stay competitive. The communication of sustainability by luxury companies should be done in a subtle tone to keep an authentic narrative, through transparency.

Future research could explore the Willingness to Pay (WTP) and the Willingness to Pay More (WTPM) for sustainable products. In fact, considering the comments of the respondents and also considering the last international surveys (cfr. paragraph 4.4.4.), there are conflicting results according to the different sources. For example, a 2014 Nielsen survey of 30,000 people in 60 countries reveals that 55% are “willing to pay more for products and services provided from companies that are committed to positive social and environmental impact”. On the contrary, the KMPG and Fashion Summit 2019’s survey found that few people are willing to pay more for sustainable fashion. Worldwide, only 13% of people say they are willing to pay more and the 60% declared that will buy sustainable fashion if the price is the same as normal fashion. Among those willing to pay more, the vast majority say they would be willing to pay at most 25 percent more (KMPG, 2019).

Although the thesis provide an international approach and there are also international respondents in the sample, most were Italians who seem to have a single cultural identity. In the future it can be interesting to consider also other nationalities with a more varied sample including more individualistic cultures such as the American one and more collectivist cultures such as the Asian ones (cfr. paragraph 3.2.3. to have an overview

on the cultural differences in the perception of luxury concept). It would be interesting also to extend the search to countries with economic and cultural parameters different from ours, then include both emerging and mature economies. For industry experts, in fact, the speech of sustainability changes drastically depending on whether we are talking about industrialized countries compared to emerging ones. In fact, in the former case, a higher income has a greater influence on the environmental concern and on the purchasing decision because these people pay more attention to sustainable products, in particular by the female public. In emerging countries, on the other hand, sensitivity and green products are still, according to scholars, a niche genre reserved for few people.

To conclude, circular design has become the big buzzword. It means the entire lifecycle of the product must be thought about at the design and sourcing stage. For many brands and designers as well as consumers, this 2019 has been a year of awakening (McKinsey & Company 2018, Blanchard 2019), but the prevailing mood of fashion leaders for 2020 is one of anxiety and concern. On the one hand, evolving channels, shifting markets, and ground-breaking research offer revenue opportunities and the chance for radical innovation. On the other, global economic growth is slowing and competition is more intense than ever. Equally, consumers and advocates are calling for the industry to become more inclusive (McKinsey 2019). Consumers still consider the ‘true values’ of luxury significant, which suggests that luxury brands need to promote their true values credibly to consumers so that they can perceive how those values are in line with sustainable development principles (Kapferer and Michaut 2015).

The luxury industry must increasingly emphasize the quality that distinguishes their products, the craftsmanship that allows to preserve the disappearance of talents and artists and the local production (also in terms of “Made in...”) rather than improving the rarity or the high price of the offer. It is also necessary that luxury companies intensify internal and above all external communication (especially on social media) around the main values and the sustainability actions they follow.

Therefore, in order to provide a roadmap for a better and a more sustainable fashion system, “luxury fashion brands should not associate luxury fashion with only glamour and exclusivity. They have to foster deeper values of luxury that support social and environmental concerns and responsibility (Ertekin, 2019).” As result, luxury fashion can play a major role in transition towards a more sustainable fashion system. Even so, the industry cannot wait for the consumer to lead this movement—it is up to fashion leaders and luxury brands to take bolder moves today to transition to a sustainable industry. In effort to create remarkable progress in sustainability, governments, policymakers, media, NGOs and investors must be involved in the movement. (Pulse of Fashion Industry, 2019).

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