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**How CSR affects brand equity: the case of the Italian
fashion industry**

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*“Itaca t'ha donato il bel viaggio.
Senza di lei non ti mettevi in via.
Nulla ha da darti più.*

*E se la ritrovi povera, Itaca non t'ha illuso.
Reduce così saggio, così esperto,
avrà capito che vuol dire un'Itaca”¹*

- Kavafis, Itaca

¹ <http://proletteraturacultura.com/2014/03/la-poesia-itaca-di-konstantinos-kavafis-a-cura-di-emanuele-marcuccio.html>

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Introduction

*“τὰ ὄντα ἰέναι τε πάντα καὶ μένειν οὐδέν”*²

*“All things move and nothing remains still”*³

According to the Greek philosopher Heraclitus, the world consists of a constant transformation, a dissolving and resolving with an incessant rhythm. The basic idea for Heraclitus is in fact that the world is like a flow that runs without ever stopping and where, just as happens in a river, the waters are never the same.

Just as in fragment 91, *“You cannot step twice into the same rivers and it is impossible to touch the same moral substance twice in the same state.”*⁴

In addition to the world, also the form of being is in becoming because everything flows, everything is in continuous transformation and is never as it was before.

This transformation concerns everything, even what seems static and still, but which in reality is dynamic and in continuous movement.

Today's society can in fact be interpreted as a continuous becoming, as the result of an evolutionary process which began during the first industrial revolution in 1780 and which, over the centuries, has led us today to talk about the fourth industrial revolution and industry 4.0, i.e. an industry in which the use of large data, open data, the internet of things, and machine learning is at the center of our personal and productive life.

The combined application of these technologies to production processes provides significant benefits in terms of production flexibility, integration of supply chains and value chains through improvements in supply systems and logistics.

To these benefits is undoubtedly added the possibility of increasing the efficiency and also sustainability levels of companies.

In the world we live in, talking about sustainability is essential.

The topic of sustainability and the responsible environment has become increasingly important in recent year for many reasons: climate change, pollution, gender inequalities, child exploitation and other problems has profoundly changed the perception of people about what concretely do in order to solve all those problems. Many companies are, for instance, looking for a way to improve their businesses in respect of community and following the Sustainable Development Goals, a collection of 17 global goals instituted in 2015 by UN, designed to be a *“blueprint to achieve a better and more sustainable future for all.”*⁵

² <https://www.informationphilosopher.com/solutions/philosophers/heraclitus/>

³ Plato, *Cratylus* 402 from <https://www.informationphilosopher.com/solutions/philosophers/heraclitus/>

⁴ *Idem*

⁵ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

When we talk about CSR we “refers to the general belief held by growing numbers of citizens that modern businesses have responsibilities to society that extend beyond their obligations to the stakeholders or investors in the firm.”⁶

Through continuous analysis it has been tried to divide the population into groups and understand their characteristics, in order to adopt marketing strategies focused on the achievement of the company's objectives. What emerged was precisely that a segment of the population seemed to be more attentive to "hot" themes such as sustainability: the so-called millennials and the Z generation. The new generations tackle the issue of sustainability through digital media, using social networks and blogs to obtain information on the real origin of the garments or creating direct contact with the brand in case of lack of information.

In this scenario, firm's behaviour is very important: having a CSR strategy is an essential part to improve the brand equity of the firm.

The importance of brand equity is especially due to the idea that, with positive brand equity, you can charge more for your products and services than a generic products or competitors; inversely, with a negative brand equity, consumers now will be more inclined to pay more for generic products or products from competitors.

A particularly interesting market that I took into consideration for my thesis was the Italian fashion industry.

For many years, for instance, the fashion industry has been synonymous with very high costs, exclusivity and pleasure.

But this trend seems to change.

My analysis will begin with an initial approach to CSR strategies, identifying why talking about sustainability is important nowadays and how this "problem" has profoundly influenced the market and consumers themselves.

More and more people are talking about the Millennials and Generation Z as those who will have to face up to past problems and try to solve them to create a better world.

We will therefore find out what the main characteristics of this large segment of the population are and how they relate to the problem of sustainability.

This thesis aims to identify how a company's brand equity changes when CSR strategies are applied.

The reference market chosen for my analysis was the fashion market and in particular I focused on the fashion luxury segment in Italy.

The reasons that led to this choice were several, both in terms of the magnitude and importance of the sector, but also because it is considered one of the most polluting.

⁶ Carroll, Archie. (2018). Corporate Social Responsibility (CSR) and Corporate Social Performance (CSP).

It was therefore interesting to analyse and see how it could change the perception of "new consumers" towards fashion luxury brands and therefore whether these CSR strategies could actually have a positive impact on brand equity and with what intensity.

For this analysis I selected two Italian brands that, both in terms of importance and sustainable strategies, could be used as perfect examples for my marketing research: Gucci and Prada.

Chapter 1

The first chapter of my thesis will be a very introductory chapter in which the boundaries of my work will be defined and delimited.

First of all, the topic of sustainability will be addressed and we will analyse why this topic is so important in the world today, especially in relation to new clients, the Millennials and Generation Z.

Then we will present the reference market that is the subject of the thesis, represented by fashion luxury.

We will see why it is essential for this sector to make sustainable choices and therefore implement CSR actions.

More specifically, we will go into the Italian market, one of the most famous and important in the world and we will see how sustainable fashion is spoken of in Italy and which organisations promote it.

1.1. Why sustainability theme is so important

New generations, with new point of views and ideas, are taking over the market following their new values, always more associated with a sustainable world.

Also, “consumers’ expectation for fashion luxury brands are changing during the years. Ethics and moral values are becoming essential for consumers and this start to influence their purchasing decisions.”⁷

Values that have positive impact on communities are sustainability, animal welfare, environment, labour practices, gender equality, all elements that have a to be considered also in fashion world. Millennials and Gen Z are the most dedicated to sustainability and they are showing even more interest on brand’s ethical standard.

The fashion industry is one of the most polluting and intense industries in terms of energy and raw materials consumption. Is reported that “fashion accounts for 20 to 35 percent of microplastic flows into the oceans and outweighs the carbon footprint in international flights and shopping combined.”⁸ For this reason, despite the progress already introduced, 2020 will be the year in which companies will have to put aside exuberant advertising initiatives and replace them with significant actions that can overcome current consumer demands. In this way, the definitive transformation of the sector towards a new sustainable model will be promoted.

Marketing communications are the only source of information on which consumers and investors can trust, thus restricting the opportunity to draw comparisons between different sustainability solutions on an equal level.

⁷ Deloitte, Global powers of luxury Good 2019

⁸ <https://www.mckinsey.com/industries/retail/our-insights/the-fashion-industry-in-2020-ten-top-themes-from-the-state-of-fashion>

Communicating sustainability is the key: can be an important element in reputational risk management; companies that communicate effectively and efficiently can influence not only other companies, but also set a good example for consumers etc.

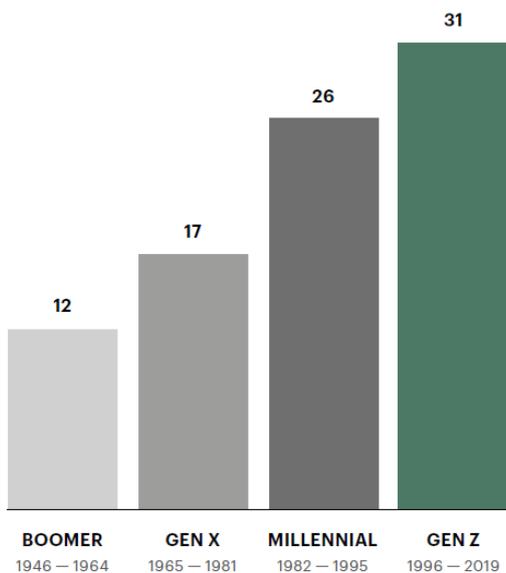
However, it can also help those brands operating only on a compliance point of view to achieve the status of leadership in the green fashion race.

Fashion industries are trying to follow this trend, for example by developing new fabrics, reducing the destruction of unsold products and ensuring that products can be repaired or recycled.

This trend is always becoming more important and felt into modern society. Many firms are constantly researching to adapt and to bring their companies in that direction and in order to do this, is necessary having a good control of the techniques and tools to communicate these trends in a better way.

It is seen that the newer generation are addressing the issue of sustainability through digital media, actively researching on social media and blogs all kinds of information about where clothes come from or, when they are missing, asking the brand directly about the imprint of their products. According to a study by the Mckinsey & Company Group, the new generations are in fact the most likely to spend more on eco-sustainable products. This is a very important data because to stimulate the interest to buy their product, firms are developing specific advertisement for their new customers.

Figure 1: % of us consumers in 2019 who would pay more



Source: the state of fashion 2020

1.2. Who are millennials and Gen Z?

In a world of about 7 billion people, a person's little action can feel like a drop in the ocean. However, if these people gradually start to increase, then, changes are beginning to be seen. When these changes are made by a large part of the population, the results are even more visible.

The largest generation nowadays is composed by the so called “millennials”, people born between 1981 and 1996.⁹

Millennials, for instance, are the ones that are working in order to implement Sustainable Development Goals, in terms of equality, justice, climate change, poverty...;

Sustainable and business practices effort a lot of organization to change their values in order to hang out sustainable principles. Millennials have a crucial role in this scenario because they are working and investing in business that are in line with this vision.

1.2.1. Millennials

As reported on Forbes, we can underlie eight main characteristics that are owned by millennials:

1. **Social conscious:** The millennials were the first generation to take their first steps along with the growth of the internet. This meant that their perception of some factors was slightly different from previous generations, with 79% of them more likely to support societies that care about social issues. The millennia believe that CSR policies can help to improve life, especially in the most troubled areas, reduce poverty and help protect the planet earth. They are in fact, in most cases, the real promoters of many initiatives in which they ask their colleagues to donate time, part of their profits, to give to charity. Millennials then tend to share on social media. This allows them to exchange information, advice, learn about new trends also in terms of sustainability, thus making them the most connected generation.
2. **Technology-based:** The millennia have fallen in a period in which technology has been the master: this has meant that they grew up with a certain aptitude for technology, the use of smartphones and laptops, to develop a stimulus to curiosity. For this generation in fact it is almost impossible to imagine a world now without their devices and without connections.
3. **Ethnically Diverse and Optimistic:** Millennials are an ethnically open generation, ready to accept all kinds of diversity, without distinction of sex, skin colour, religion...;
Having grown up in a connected extractive world, that gave them the opportunity to establish relationships and to be connected with people from all over the world. They are also very confident in technological systems and sustainable development, which is considered by many as one of the main principles on which to base their lives and activities.

⁹ <https://www.forbes.com/sites/margueritacheng/2019/06/19/8-characteristics-of-millennials-that-support-sustainable-development-goals-sdgs/#285e46d129b7>

4. **Embrace Experiences and Ethical Spending:** Their being digital means that they are always looking for experiences that can help them grow: travel, exchange programs abroad, volunteer experiences. they also spend a lot of their money on eco-lodges.
5. **Educated and knowledgeable:** The millennia have been depicted as the most knowledgeable and cultured generation in history. Therefore, they almost always have access to higher education. According to the Pew Research Center¹⁰, “63% of Millennials appreciate higher education and are preparing to acquire one. A total of 19% are already graduating, and the remaining 44% are still in college and working towards graduation.”¹¹ The rise of social media has allowed millennials to deepen some knowledge through the sharing of information and online services, often free of charge, where it is easy to learn even more technical skills.
6. **Health conscious:** Millennials tend to prefer healthy food to typical fast food. On average, 8 out of 10 millennials believe that healthy eating is the key to longevity and well-being. These are considered as the most health-conscious generation ever and this is certainly thanks to the various health and nutritional information that can be found on the web.
In recent years we have seen a great increase in foods such as chia seeds, avocado and cayenne pepper and many others, driven by the great demand of the millennials about their beneficial values. Online information has also helped them to understand the benefits of regular sporting activity. Millennials are investing more and more in their health, trying to balance work and free time, making healthy lifestyle choices, and aiming for good mental and physical health.
7. **Financially conscious:** Millennials earn about 20% less than their parents. This, together with a low ownership rate and low income, forces them to make different investment choices, such as renting a property instead of owning it; they favour "shared economy" facilities, such as car rental, instead of buying new cars. Moreover, to counterbalance their poor revenue, a considerable number of millennia concentrate on the construction of their own savings.
8. **Spiritually conscious:** According to a study by the University of Virginia, the millennials identify more with spirituality than with "organized religion". In fact, they believe more in human rights, equality and less in religion per se. The millennials have developed a greater sense of connection with one another, united without considering differences of sex, religion, politics.

1.2.2. Gen Z

Generation Z are people born from 1995 to 2010 and they are true native digitals: from the very beginning of their life, they have been exposed to the internet, to social networks and every type of mobile advices. In this

¹⁰ <https://educationinitiative.thepacificinstitute.com/articles/story/millennials-changing-the-face-of-higher-education>

¹¹ <https://www.forbes.com/sites/margueritacheng/2019/06/19/8-characteristics-of-millennials-that-support-sustainable-development-goals-sdgs/#4897280a29b7>

scenario, they have formed a hypercognitive generation that is very appropriate with “collecting and cross-referencing many sources of information and with integrating virtual and offline experiences”¹².

With the rise and ease of creating interconnections between several people even in different parts of the world, the new generations can play a major role: young people can become potential influencers of all ages and nationalities.

In a recent study conducted by McKinsey in collaboration with Box 1824 (a research company specialized in consumer tendencies), the aim was to examine how the point of view of this new generation could influence the population in general, as well as consumption in general.

Through this type of analysis, some behavioural characteristics of Gen Z were highlighted, which can be summarised in the following sentence: the search for truth by this generation.

“Gen Zers value individual expression and avoid labels, they fight for a variety of causes, they deeply believe in the effectiveness of dialogue to resolve conflicts and help improve the world and they make choices and relate to institutions in a very analytical and practical way.”¹³

These characteristics of Gen Zers can certainly influence the relationship between this generation and the brands. Companies must therefore implement three specific behaviours to involve and reach this segment of users¹⁴:

- Consumption as access rather than possession.
- Consumption as an expression of individual identity.
- Consumption as a matter of ethical interest.

Together with technological advances, this generational shift is shaping the consumer scene in a way that crosses all socio-economic groups and reaches across Gen Z, embracing the entire demographic pyramid.

1.2.3. Meet true gen

Each generation is the result of the historical period in which it lived.

The baby boomers, born from 1940 to 1959, are the generation after World War II and are better represented by consumption as an ideology. The Gen Xers (born in 1960-79) have acquired consumer status, while the millennia (born in 1980-94) have gained experience. For Generation Z, the main stimulus to consumption is the search for truth, both from a personal and collective point of view. This generation feels free to express

¹² <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies>

¹³ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies>

¹⁴ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/true-gen-generation-z-and-its-implications-for-companies>

itself fully, without borders or barriers imposed by society, which allows it to be open and understand all kinds of people.

Mckinsey tried to define the characteristics of each population group just as you can see in the following picture.

Figure 2: Charactericts of population

				
	Baby boomer 1940–59	Gen X 1960–79	Gen Y (millennial) 1980–94	Gen Z 1995–2010
Context	<ul style="list-style-type: none"> • Postwar • Dictatorship and repression in Brazil 	<ul style="list-style-type: none"> • Political transition • Capitalism and meritocracy dominate 	<ul style="list-style-type: none"> • Globalization • Economic stability • Emergence of internet 	<ul style="list-style-type: none"> • Mobility and multiple realities • Social networks • Digital natives
Behavior	<ul style="list-style-type: none"> • Idealism • Revolutionary • Collectivist 	<ul style="list-style-type: none"> • Materialistic • Competitive • Individualistic 	<ul style="list-style-type: none"> • Globalist • Questioning • Oriented to self 	<ul style="list-style-type: none"> • Undefined ID • “Communaholic” • “Dialoguer” • Realistic
Consumption	<ul style="list-style-type: none"> • Ideology • Vinyl and movies 	<ul style="list-style-type: none"> • Status • Brands and cars • Luxury articles 	<ul style="list-style-type: none"> • Experience • Festivals and travel • Flagships 	<ul style="list-style-type: none"> • Uniqueness • Unlimited • Ethical

Source: Mckinsey&Company

1.3. Fashion market

“Fashion is not something that exists in dresses only: it’s the wind that blows in the new fashion; you feel it coming, you smell it in the sky, in the street; fashion has to do with ideas, the way we live, what is happening”¹⁵

- Coco Chanel

The world of fashion has often been subject to a lot of criticism as it is considered superficial and frivolous.

¹⁵ Coco Chanel quotes from <http://www.quoteswise.com/coco-chanel-quotes.html>

What is often ignored, however, is the strong role that this sector has played in the evolution of society.

Fashion has in fact always represented a key social element, since the most remote epochs of Egyptian, Greek and Roman civilization where accessories, clothing and cosmetics became a real medium of transmission of values and customs.

Fashion is like a “mirror of society, a way of measuring a mood that can be useful in many ways, culturally, socially and psychologically”¹⁶.

Luxury fashion has played a leading role in social and economic life of the previous ages and is still influencing our modern societies, economies and governments.

The global luxury fashion sector is considered one of the world’s most important industries, driving a significant part of the global economy¹⁷.

“In 2018, the industry is projected to reach a staggering 2.6 trillion in total value. If it were ranked alongside individual countries’ GDP, the global fashion industry would represent the world’s seventh largest economy...”¹⁸

This sector has also been fundamental for the development of some national economies, just think of France, where the luxury fashion sector is the fourth largest producer of income; or Italy, Spain, USA where this sector is one of the most important.

Fashion has become so important in today's society and for the world economy that the United Nations have also presented a fashion show programme called "catwalk the world" in order to help " to create awareness and generate funds for the millions of children suffering from hunger and hunger- related diseases and to get more children in school, especially girls, by making sure they receive one nutritious meal per day.”¹⁹

Now fashion is also extremely connected with other sectors, such as cinema, music, art, sport, as never before and this is because fashion is considered as a form of identity, a way to express one's personality.

Fashion, especially luxury fashion, has gradually crept into consumers' lives, regardless of their income and social status. In fact, luxury brands have changed the world of consumer thinking, influencing them in everyday life. Indeed, it is enough to think about when we go to buy a piece of clothing, shoes or accessories: we often find ourselves faced with a choice, that is, whether we prefer that garment because we like it ourselves or because we like the way we look to others, because of what that brand/dress represents.

Even if the fashion market is one of the most important, the data of recent years have shown a decrease.

However, even before the deep economic and health crisis caused by the corona virus, the major players in the fashion industry were not at all optimistic about 2020.

¹⁶ *What is fashion* from <https://www.pbs.org/newshour/extra/1999/10/what-is-fashion/>

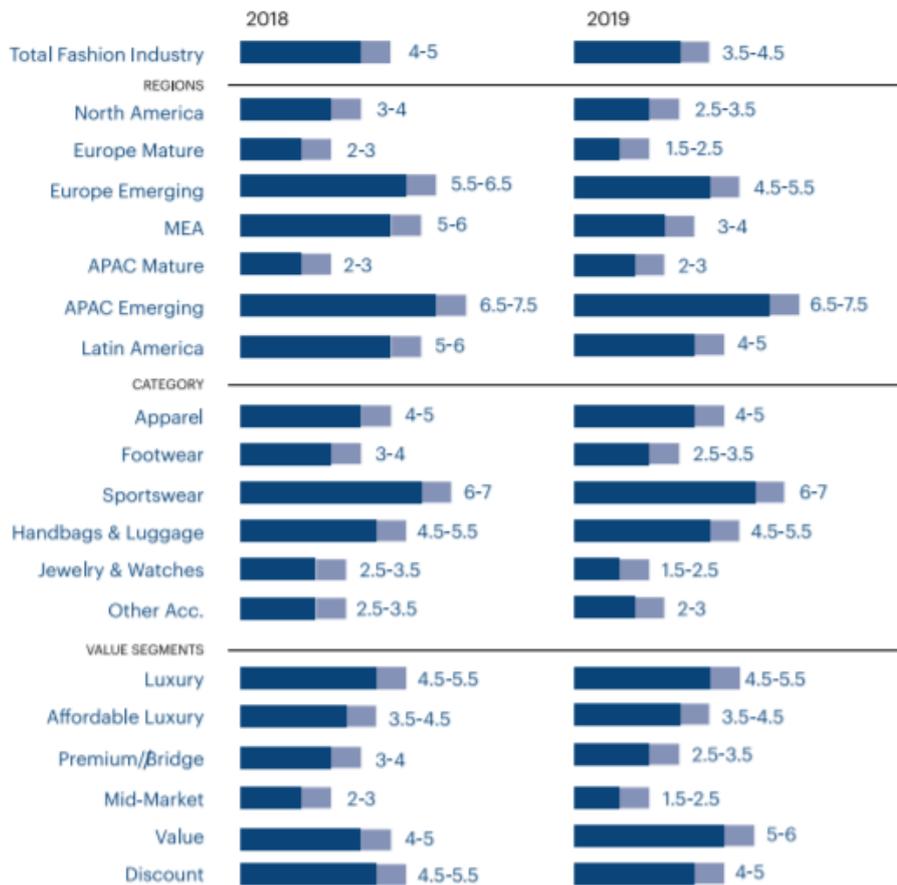
¹⁷ McKinsey Global Institute, McKinsey FashionScope

¹⁸ McKinsey&Company, The Business of Fashion Report 2017

¹⁹ <https://www.modernghana.com/news/119988/catwalk-the-world.html>

Mckinsey's annual report *The State of Fashion 2020*²⁰, in fact, already showed data that was not very encouraging.

Figure 3: Total fashion industry growth



Source: Mckinsey&Company

Covid 19 created such serious economic damage comparable to the Second World War, involving all sectors, from the financial sector to the hospital one, including the fashion market, which was particularly vulnerable.

"The average market capitalization of apparel, fashion, and luxury players dropped almost 40 percent between the start of January and March 24, 2020, a much steeper decline than that of the overall stock market."²¹

²⁰

<https://www.mckinsey.com/~media/McKinsey/Industries/Retail/Our%20Insights/The%20state%20of%20fashion%202020%20Navigating%20uncertainty/The-State-of-Fashion-2020-final.ashx>

²¹ <https://www.mckinsey.com/industries/retail/our-insights/its-time-to-rewire-the-fashion-system-state-of-fashion-coronavirus-update>

The state of fashion 2020 report estimates that revenues for the global fashion industry (clothing and footwear sectors) will fall by 27-30 percent in 2020 on an annual basis, although the sector could regain a positive trend of 2-4% in 2021.

Data analysed through the McKinsey Global Fashion Index (MGFI)²² show that "56 percent of global fashion companies were not earning their cost of capital in 2018" and, they continued "we expect a large number of global fashion companies to go bankrupt in the next 12 to 18 months."²³

The interconnectedness of the industry is making it more difficult for companies to their future. Just as China has entered recovery, epidemics have worsened in Europe and the United States. But it is in those developing countries, where the health system is not yet adequate and the popularity rate is very high, that the population will be most affected. For those employees in low-cost procurement and fashion production centres, such as Bangladesh, Cambodia, Ethiopia, Honduras and India, prolonged periods of unemployment will signify starvation and illness.

Although the duration, final severity and repercussions of the pandemic on our private lives remain still unknown, it is clear that the fashion industry is only at the beginning of its struggle for salvation.

At the moment, due to blows on both the supply and demand sides, the pandemic has unleashed a perfect tornado for the industry: in a highly integrated production environment on a planetary level, companies have suffered enormous tensions while trying to manage the crisis on several fronts, they have seen the forced closure of their production, first in China and then in the rest of the world.

The strong savings achieved by a highly integrated global supply chain have meant that companies have been subjected to enormous tensions while trying to manage the crisis on several fronts, while blockages have been imposed in rapid succession, first in China, then in Italy, followed by countries in other parts of the world.

However, the strong propensity of consumers to save money in this last period only exacerbates the supply crisis: the physical closure of shops and the increasing spread of e-commerce, combined with consumers' instinct to prefer basic necessities, are increasingly leading to a reduction in the profits and liquidity of big brands. However, despite an increased propensity to sell online, these have also fallen by 5-20% in Europe, 30-40% in the US and 15-25% in China.

Once the strong wave has passed, the fashion industry will face a recessionary market and a dramatically changing industrial landscape.

²² <https://www.mckinsey.com/industries/retail/our-insights/its-time-to-rewire-the-fashion-system-state-of-fashion-coronavirus-update>

²³ <https://www.mckinsey.com/industries/retail/our-insights/its-time-to-rewire-the-fashion-system-state-of-fashion-coronavirus-update>

In fact, it is expected to be a real transaction period characterised by stagnation in spending and a decrease in demand through channels. As already noted in the other Mckinsey reports, the themes "Getting Woke", "Radical Transparency" and "Sustainability first and foremost" are beginning to give the first signs in terms of a change of mentality on the part of consumers.

Here are some of the most prominent themes in the coming months in the field of fashion:

1. Instinct for survival

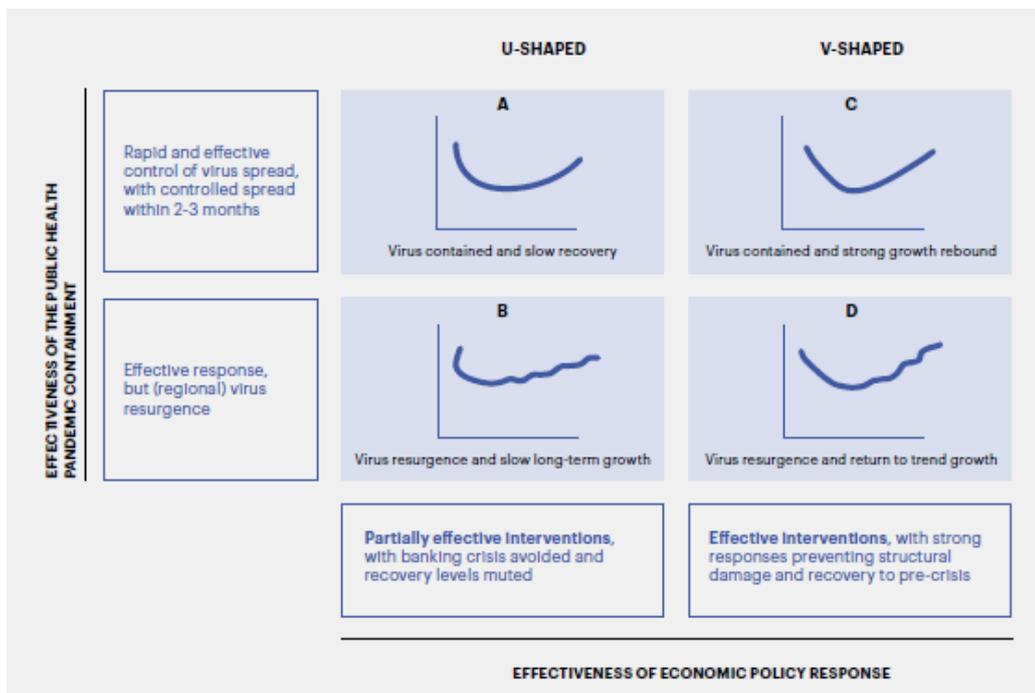
The recovery from the pandemic coincides with a market in recession, in the deep social decline, in which fashion actors have expanded the planning of resilience and the adaptation of their operating models to the new market.

The companies that will survive the crisis immediately perform bold, rapid and targeted interventions, delimiting their core business at best before seeking new markets or strategic opportunities and future growth niches in a global fashion sector in dramatic transformation.

Thus, speed and adaptability will be essential in these months.

When the first signs of normality emerge, companies will have to double their recovery and resilience measures: they will be faced with an unprecedented moment of transaction for the fashion industry.

Figure 4: GDP impact is heavily dependent on different plays around pandemic containment and economic response policy



2. Discount Mindset

The remaining part of 2020 will be characterised by an increase in anticonsumption, excess stocks and liquidity.

Consumers will in fact try to reduce costs, surface expenditures and always look for something obvious, perhaps even through other distribution channels.

Large brands will therefore have to find alternative ways to win back the number of customers, enhancing and rethinking new business models.

*“The virus, I think, can be seen as a representation of our conscience... it brings to light what is so terribly wrong with society and every day that becomes clearer; It teaches us to slow down and to change our ways.”*²⁴ said Trend Forecaster Li Edelkoort.

This means that fashion players will have to reinvent themselves and increase their long-term vision: brands will have to adapt future discount strategies by matching promotions to their various channels and implementing a revised product calendar to reflect the "new normality of fashion". They will also have to reinvesting value to make it convenient for consumers to buy at full price. The key to the solution is not only to reduce excess stock, but also to regain the confidence and enthusiasm of consumers in need - and this cannot be achieved with the discount alone.

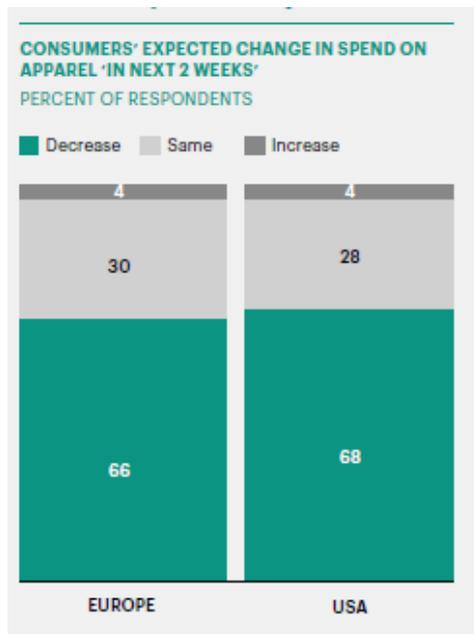
However, the various markets are expected to react differently. It is expected that mid-market brands and retailers will be the hardest hit.

The situation for luxury brands is expected to be different: buyers are expected to be able to pay full prices again in the short term, just as in the case of the 2008-2009 financial crisis.

²⁴ Mckinsey&Company, The State of Fashion Coronavirus Update

The real challenge for luxury brands will now be to preserve their reputation and image by trying to reduce discounts or better control distribution channels.

Figure 5: A significant drop in consumer spend on apparel will result in massive inventory build-ups



Source: *Safeguarding our lives and our livelihoods: the imperative of our time*, Mckinsey & company, march 2020

3. Digital escalation

The social estrangement has shown how essential it is to have a good digital channel nowadays. But unless companies implement and strengthen their capabilities during recovery from the crisis, they will die in the long run. Consumers, for example, will continue to demand more in this regard and brands must be able to act appropriately in the short term.

So, there is a need for a digital revolution, especially for those brands that have not yet fully adopted digital platforms.

However, as selling products on their digital channels can be a major challenge for brands that have not yet fully adopted digital platforms.

Digital channels create fewer revenue streams than the physical shop, which is why "operators must establish a balanced model that prioritises digital growth in an integrated way with a state-of-the-art customer experience."²⁵

This period will in fact be marked by an even greater attention to the sphere of sustainability, thus trying to eliminate the exaggerated consumerism that has characterised this sector for years. According to a survey

²⁵ Mckinsey&Company, The State of Fashion Coronavirus Update

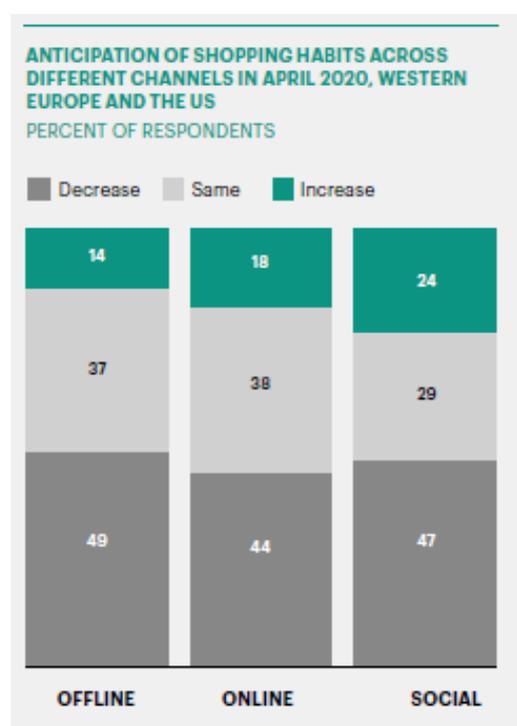
conducted by McKinsey, 15% of consumers in the US and Europe expect to buy more environmentally friendly and socially sustainable clothing²⁶.

Brands that are able to reinvent themselves and orient their business models in this direction will be able to conquer a good part of the market.

The different fashion players will therefore have to try to reduce their stock and give value to their products again, reorienting for example existing stocks and giving them the possibility to be replenished and then give them another use; or by focusing on the personalization of the products, increasing the customer experience.

It will be essential to regain the confidence of consumers who are also facing a deep crisis.

Figure: Consumers expect to spend more via online and social channels than through offline channels in light of the Covid-19 outbreak



Source: *Safeguarding our lives and our livelihoods: the imperative of our time*, McKinsey & company, march 2020

4. Darwinian shakeout

In these times of crisis, weak companies will die, strong companies will continue their success and many companies that, even before the pandemic, were fighting to survive, must fight even harder to stay afloat.

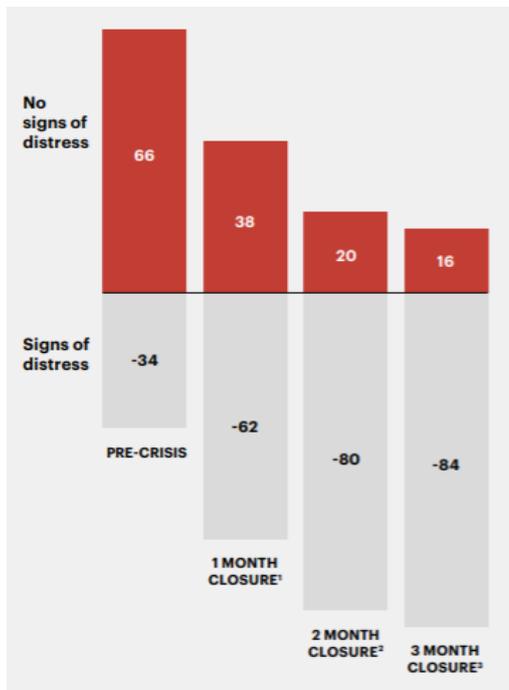
Indeed, 34% of listed fashion companies in North America and Europe showed worrying signs of decline well before the health crisis erupted, and according to studies conducted by McKinsey, with three months of closed stores around the world, this percentage could rise to as much as 80%.

²⁶ McKinsey & Company COVID-19 Apparel & Fashion survey

This period will in fact be remembered as a time of Darwinism for the global fashion market, in which one either adapts or "dies".

In fact, companies are thinking of new, extravagant partnerships, acquisitions, divestments, disinvestments so that they can survive. So, to survive, companies must adapt to this new scenario to strengthen their core and find new acquisition opportunities.

Figure 6: Potential impact of lockdown duration percent of apparel and luxury companies in the United States, Canada and Europe



Source: *Safeguarding our lives and our livelihoods: the imperative of our time*, McKinsey & company, march 2020

5. Innovation imperative

In order to cope with the new restrictions, companies must introduce new tools and strategies along the entire value chain that will prove future-proof business models.

This is why technology has to do its duty: artificial intelligence, 3D models, online fashion shows... these are all essential elements that fashion industries have to live with.

In order not to lose their customers, brands must implement strategies aimed at regaining, where lost, the trust of customers: sustainability will be one of the most common and appreciated trends in the near future, precisely because of the benefits and the message it creates both by the business and in the customer's mind.

1.4. Fashion – luxury segment

“Luxury is a necessity that begins where necessity ends.”²⁷

- Coco Chanel

The fashion market is a very rich market, full of many subcategories and borders sometimes not so defined.

In fact, when we talk about fashion, we cannot but talk about luxury.

In an article published by Interbrand entitled "what is luxury in the age of you?" it is stated that the term "luxury" represents one of the most emblematic terms in the business world, leading to numerous definitions over the years.

If in the past luxury was defined in a more generic way, characterised only by premium price and its perception, today luxury is defined with a simple word: **excellence**.

Jackson proposes the following as the core characteristics of the luxury product:

“...exclusivity, premium prices, image and status which combine to make them more desirable for reasons other than function.”²⁸

The concept of luxury in fact concerns something that is difficult to obtain, expensive in monetary terms (both for the consumer and the producer), but at the same time extravagant and excessive.

Luxury is about research, the possibility of exploring new paths, to find new and unforeseeable or already existing solutions. Experimentation is considered luxury²⁹.

“Luxury brands are therefore considered as images in the minds of consumers that include associations on a high level of price, quality, aesthetics, rarity, extraordinariness and a high degree of non-functional associations.”³⁰

When fashion design icon Coco Chanel said that "*luxury is a necessity that starts where necessity ends*", she knew exactly what she was talking about. *“The truth is that we don't need luxury goods to survive as human beings, but we need luxury goods to feed us the sensations that contribute to our general appreciation of ourselves and of our alive.”³¹*

²⁷ *Coco Chanel quotes* from <https://www.nytimes.com/1989/07/25/movies/review-television-the-chanel-who-created-the-fashions.html>

²⁸ Jackson, T.B. (2004) *International Retail Marketing*. Oxford: Elsevier Butterworth-Heinemann

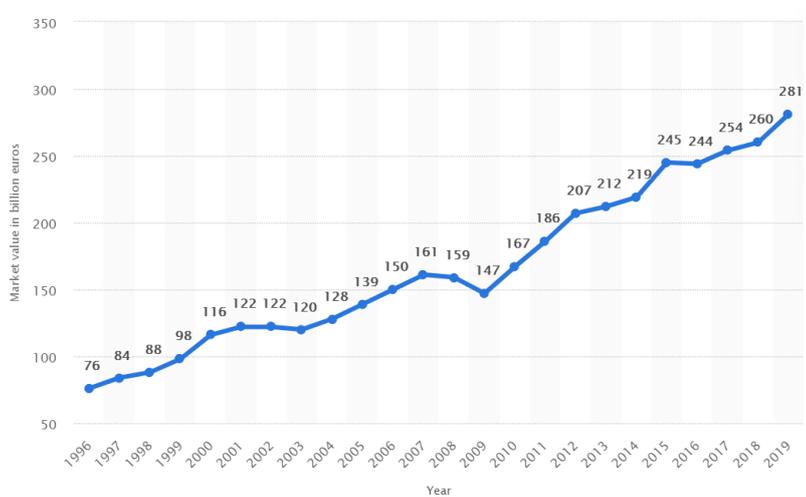
²⁹ <https://www.vogue.it/en/magazine/editor-s-blog/2011/03/march-5th>

³⁰ <https://upmarkit.com/concept-of-luxury-brands/definition-of-luxury-brands>

³¹ Okonkwo, U. (2007). *Luxury fashion branding: Trends, tactics, techniques*. Basingstoke: Palgrave Macmillan

The luxury goods market is a particularly significant market, not only in terms of market value but also in terms of growth rate, as can be seen in the chart below.

Figure 7: growth luxury goods market



Source: Statista

In my research, I analyse in particular the category of fashion luxury. The reason for this choice is mainly due to the fact that the luxury goods market in 2018 had a growth of 6%, reaching a record of 260 billion euro³²; secondly, because the brands belonging to the fashion luxury category have shown important management changes in order to use eco-sustainable strategies, as this category is one of the most polluting in the world.

The personal luxury goods market is considered the "core of the core"³³ of the luxury segments. This has reached important growth peaks, especially in the Asian market, while remaining more modest in Europe and America.

The most recurrent values associated with the world of luxury are scarcity or limited accessibility, heritage, aesthetics and refinement, high desirability, excellent quality, high price, uniqueness...

Hennings³⁴ identifies a number of basic drivers that influence consumer behaviour in the luxury industry. These are: the financial, functional, social and individual perception of consumers.

Among these, the social values perceived by luxury brands have had the strongest effects in terms of positive relationship with the total construct of individual luxury value perception.

³² <https://www.thediamondloupe.com/retail-and-consumer-confidence/2019-06-19/luxury-goods-market-grows-6-2018#:~:text=The%20global%20personal%20luxury%20goods,Market%20Study%2C%20Spring%202019%E2%80%9D.>

³³ https://www.bain.com/globalassets/noindex/2020/bain_digest_eight_themes_that_are_rewriting_the_future_of_luxury-goods.pdf

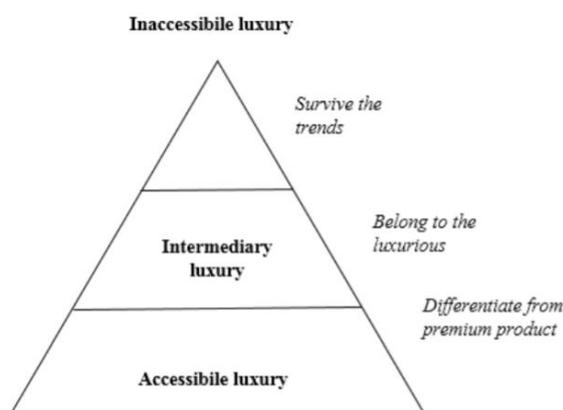
³⁴ Hennigs, N., Wiedmann, K. P., Klarmann, C., & Behrens, S. (2015). The complexity of value in the luxury industry. *International Journal of Retail & Distribution Management*, 43(10/11), 922.

Luxury brands sell products that are rare and unique in themselves, which at the same time are resource-dependent, and this only increases their need for sustainability and protection. In fact, the luxury industry has often been referred to as "sustainable silence" because only a few companies have tried in the past to have a purposeful attitude towards sustainable development.

This silence, however, seems to be just an old memory: large companies operating in this sector have understood the importance of CSR strategies and the benefits they can create, if done well, both for consumers and for the company itself.

Danielle Allèrés³⁵ has divided the luxury market into three different levels: inaccessible, intermediary and accessible.

Figure 8: Pyramid of luxury



Source: Allèrés (1990)Ward, Chiari, (2008).

The first step concerns **inaccessible luxury**, the super-exclusive, extremely elitist luxury, sold at extremely high prices to rich consumers. this type of luxury, however, does not produce particular satisfaction for companies because the production costs exceed the actual number of customers to whom the product is accessible, it is in fact often more about unique pieces and artistic creations than real business products;

The second type of luxury is represented by **intermediary luxury**. This includes the majority of consumers because the products in this category are intended for consumers who are particularly sensitive to the brand and who, while not having too many economic capacities, are nevertheless willing to spend a significant amount of money to have a trendy product belonging to that originally luxury brand inaccessible. The most classic examples of products that fall into this category are ready-to-wear, perfumes, leather accessories and, more generally, all products belonging to the fashion industry.

³⁵ Allèrés D. (1997). Luxe...: Strategies-Marketing. Economica, 4° edition (2005)

This category generally includes products that are also known to the general public and which, over the years, have become true icons of the sector.

The last category, the **accessible luxury**, on the other hand, refers to goods considered "out-of-standard" because, although qualitatively sought after, they are trendy and create a certain emotional involvement with clients, both in terms of "social" status and product quality, they can be obtained at affordable prices, with a simple economic effort. This segment therefore includes goods produced in series and distributed on a large scale, but which nevertheless have a fashionable stylistic content.

These products have a clear vocation for luxury but, at the same time, have a unit price that makes them accessible even to the average customer. With the advent of globalisation, thanks to the standardisation of production processes and maximisation of economies of scale, enterprises are able to handle high production volumes and reduce the sales price. This expansion of production has led, in many cases, to a widening of the product range of luxury houses, which have chosen to expand with "trading down" shares, proposing entire product lines that are aimed at a wider market, less attentive to quality levels, but very sensitive to the brand. This phenomenon has had an enormous diffusion in recent years, as much that there has been an increasing segmentation within the lower end category.

The luxury sector is a market that involves a type of organisation for the companies that operate within it. the most traceable differences concern the size of the companies, their financial characteristics and the time factor.

In the luxury market, in fact, size is not everything; in fact, the companies that operate in it are small and medium enterprises, despite their image and the worldwide fame that is often associated with some of them except, of course, for the holding companies of small individual companies, where instead we have large multinationals.

Many companies work in small design studios; others have one or more plants for a few product lines, but a much larger part of production activities is entrusted to third parties.

The most important aspect of the luxury sector is in fact sales which, together with the creative phase, makes it possible to create contact with the end customer at the various points of sale.

If you look at the data, you can see how many companies are at a loss: their executives prefer to be at a loss for longer rather than declaring bankruptcy, mainly for two reasons: because of the value of the brand it contains and attracts customers who are fascinated by the awareness of the brand; secondly, successful brands have a depth that allows them to compensate for years of losses.

The gap between unproductive and extremely profitable companies is due to the high breakeven point that characterises companies operating in the luxury sector: it is of extreme importance in this sector that all brands, even the smallest, pretend to be important, strong and rich.

In fact, if in the initial stages a brand can be present in one place only, but when it starts to become an international brand, consumers expect to find it everywhere. This implies that each of these shops, scattered around the world, has its own fixed costs to pay before making the first sale.

Moreover, it is precisely the notion of luxury itself that requires extreme attention to quality, at all stages of the production chain up to the sale.

In the luxury sector, the brand's positioning is the result of operating expenses that do not immediately generate an equivalent increase in gross margin, just think of the fashion shows of the big brands twice a year: very often, in fact, the same garments are not identical to those presented in the shops.

In the world of luxury, a launch on the market requires much more time and more investment.

For the most important launches, it is not uncommon in the first year to spend a sum equivalent to the sales forecasts for the same year on advertising and promotion. Generally, you must wait up to three or four years to start making money.

In general, the most important strategic decisions in the luxury sector do not have a short-term impact, which explains why private equity specialists rarely buy the majority package of a small luxury brand. This activity is traditionally the field of family businesses that manage to accept poor results for a few years and then grow and achieve satisfactory results.

1.5. The new luxe

The fashion industry is one of the most polluting and intense industries in terms of energy and raw materials consumption. According to Chow and Li³⁶, the fashion industry is the second-largest polluting industry.

In a McKinsey's study is, for instance, reported that "fashion accounts for 20 to 35 percent of microplastic flows into the oceans and outweighs the carbon footprint in international flights and shopping combined."

The luxury market has often been associated with consumerism, extremely high costs and superficial pleasures.

However, it is thanks to the new generations that new values are being triggered, leading luxury brands to change, in terms of the products and values they are intended to convey.

"Environment, sustainability, animal welfare, production and labour practices, positive impact on communities are all elements now taken into consideration when buying a product, and luxury goods are not an exception."³⁷

³⁶ Chow, P.S. and Li, C.K. (2018) Towards Closed-Loop Fashion Supply Chains, Reflections from Retailer-Facilitated Used Apparel Collection Programs. In: Chow, P.S., Chiu, C.H., Yip, A., Tang, A., Eds., Contemporary Case Studies on Fashion Production, Marketing and Operations, Springer, Singapore, 219-239

³⁷ Deloitte, Global Powers of Luxury Goods 2019 Bridging the gap between the old and the new

Sustainable fashion is in fact a good and valid trend against fast fashion, defined as this tendency to move quickly from the catwalk to stores to meet new trends, which major leaders are represented by Zara, H&M, Uniqlo³⁸...

The Kering group, which includes brands such as Gucci, Stella McCartney and Saint Laurent, is growing considerably in terms of recyclable materials in order to increase their sustainability. The group was also the first to introduce a code of ethics and a specific sustainability team. In 2018, the Kering Group published the Kering Standards, an official set of the company's advanced industrial and social standards for its labels and suppliers. "Our ambition is to redefine luxury to help influence and drive these positive changes"³⁹ says Marie-Claire Daveu, Kering's chief sustainability officer.

Prada was the first to integrate a code of ethics into working life.

"The company is also a promoter of many sustainability activities: it supports the *Manifesto of sustainability for Italian Fashion* and is a member of the 'Sustainability, Ecology and Environment Commission' that aims at creating shared environmental and ethical standards among the main players of the Italian fashion industry."⁴⁰

Characteristic of sustainable fashion are also some words like "organic, green, fair trade, sustainable, slow, ecological and so on, each trying to highlight or correct a variety of perceived wrongs in the fashion industry."⁴¹

The concept of sustainable fashion therefore refers to those activities aimed at correcting a series of behaviours considered unfair but which have characterised the fashion industry for years: for example, obscenity towards animals, enormous environmental damage, underpaid and exploited workers, etc.). "Sustainable fashion is hence part of a growing philosophy of design, production and use and a trend towards maintainability, the aim of which is to create a system that is bearable indefinitely, with respect to human impact on the environment and social responsibility. This definition includes three focal points: the attitudes, beliefs, plans, and behaviours of designers, manufacturers, and consumers regarding sustainable fashion issues."⁴²

The concept of luxury and therefore of fashion luxury has changed over the years.

³⁸ *Fast fashion* from <https://www.investopedia.com/terms/f/fast-fashion.asp>

³⁹ *Sustainable Luxury: Millennials Buy Into Socially Conscious Brands* from <https://luxedigital.com/business/digital-luxury-trends/millennials-buy-sustainable-luxury/>

⁴⁰ Deloitte, *Global Powers of Luxury Goods 2019 Bridging the gap between the old and the new*

⁴¹ Lundblad, L., & Davies, I. (2016). *The values and motivations behind sustainable fashion consumption. Journal of Consumer Behaviour, 15*, 149-162.

⁴² Pencarelli, T. & Ali T., Viktória & Skerhakova, Veronika & Valentiny, Tomáš & Fedorko, Richard. (2019). *Luxury Products and Sustainability Issues from the Perspective of Young Italian Consumers*. Sustainability.

Although fashion luxury has been a fundamental component of history and society, this concept has changed and adapted to a new socio-cultural landscape.

There are four main reasons for this transformation:

- The first refers to a general well-being. In fact, in the last few years there have been enormous developments in the technological, economic and social fields which have created "new rich people" and therefore a greater number of possible buyers for the brands operating in this sector.
- The second motivation is instead due to a lowering of the barriers to entry in this market: if in the past few brands operated due to high costs, now many management practices have been reduced in order to give space to globalization. This situation has in fact seen the emergence and affirmation of numerous luxury brands. In addition, many mass-market brands have begun to "imitate" the big names by producing similar products at undoubtedly lower prices.

This enormous amount of choice has therefore contributed to changing the mindset of consumers.

- The exponential development of the internet has made possible new ways of communicating and interacting with customers: they have the possibility to access a wide range of products, personalise them and experiment with new styles.
- The fourth point concerns the deconstruction process that began in the 1990s. In fact, the great potential of the luxury market was realised, giving rise to numerous acquisitions, capital investments etc... made by private individuals, but also by funds.

All these strategies have therefore only changed the perception of luxury. "luxury brands have divided into groups of 'true luxury' and 'common luxury' or '**fashionable luxury**.'"⁴³

If before, in fact, the lines and advertising campaigns of luxury brands were almost different from mass-market brands, today this distinction is not so marked, but on the contrary, the border is almost non-existent.

⁴³ Okonkwo, U. (2007). *Luxury fashion branding: Trends, tactics, techniques*. Basingstoke: Palgrave Macmillan

Figure 9



Source: <https://www.codogirl.com/blogs/news/the-impact-of-fast-fashion>

1.6. La dolce vita: the Italian fashion market

Italy, like France, is a country known throughout the world for its creativity and expertise in the field of fashion. It has always been a point of reference for creativity and competence in the field of fashion, from the time of the Roman Empire until today. Suffice it to say that Italian manufacturing know-how and competence are considered the best on a global level.

However, unlike France, which sees fashion more as an art form, Italy's vision of fashion is more like a traditional business, which has developed over a lifetime, through several generations, thus maintaining that sense of family and union.

Italy has held a leading position in the fashion world since the times of the Roman Empire and the Renaissance. Its supremacy began to collapse after the disappearance of the Venetian Empire in 1797, giving other nations such as France and then England the chance to grow and develop in this sector. This caused some Italian designers to leave their country of origin to try and establish themselves in the fashion scene.

In the nineteenth century, women began to adopt dresses from French *haute couture*, while men concentrated mainly on English-made clothes. This meant that Italian fashion lost its charm and attractiveness.

It took almost a whole century for Italy to return to the Olympus of fashion with brands known all over the world. This new "Italian revolution" has taken place thanks to brands like Prada, Ermenegildo Zegna, Gucci, Giorgio Armani, Gianni Versace and so on.

The fashion activities of these talented Italian designers have rapidly gained worldwide fame. Among the accessories, for example, Italian shoes became a real reference point for the whole world, as they were synonymous with class and elegance.

Although Italy was gradually recovering positions in the fashion world, France was still dominating, especially in the field of clothing. This has led to attention from Italian designers overseas, in America, a market that is still developing. Already in the 1920s Americans were beginning to approach the world of Italian fashion, seen as a symbol of European nobility.

For this very reason, Italy was at the centre of the thoughts and desires of Americans for a long time, thanks to its beautiful scenery and its attractive and seductive way of life. It was precisely this combination of elements that determined much of the success of Italian fashion in the world.

Before 1945, the Italian economy was based mainly on agriculture and this has been a real challenge for the nation's economy.

The negative effects of the Second World War only aggravated the country's general wellbeing, slowing down the fashion world even further.

While Paris continued to maintain its position as the world capital of fashion, other Italian cities such as Rome, Florence and Milan were considered unattractive by the fashion world.

Another factor that contributed to the slow growth of Italian fashion during those years was, paradoxically, having too many cities that were unique and independent in the production of garments belonging to the fashion world: while Paris represented French fashion, London represented the United Kingdom, Italy had many small important centres, a real decentralisation of fashion. Each region of Italy has always specialised in a specific type of fashion production: Florence was for a long time associated with woollen clothing; Sicily was the heart of weaving while Lucca and Venice were renowned for silk textiles and Venice was a real home for shoemakers and cobblers, leather workers, silk and cotton weavers, spinners and wool dyers.⁴⁴

One of the factors that helped Italy grow in the fashion world was the Nazi occupation of Paris during the Second World War. This situation greatly damaged France and consequently Paris.

An important role for Italian fashion was played by America, again: the strong immigration of Italians to America was an important tool to export even more "Made in Italy".

⁴⁴ Okonkwo, U. (2007). *Luxury fashion branding: Trends, tactics, techniques*. Basingstoke: Palgrave Macmillan

The peculiar family nature of the Italian fashion industry implying that every skill and technology acquired had been passed from generation to generation⁴⁵.

And this diffusion was particularly effective because, thanks to America's commercial orientation towards the fashion world, many brands such as Versace and Tod's have succeeded in establishing themselves on the American scene.

Italy traditionally was characterized by its typical fashion production, whereas France was well known for its fashion brand and Great Britain for its fashion retail sales. "However, in today's fashion environment, these stereotypes are no longer applicable as each of these countries, particularly Italy, has demonstrated the ability to adapt adequately to the needs of the fashion market."⁴⁶

1.6.1. Some numbers in Italy

According to a study conducted by Reuters, revenues from the Italian fashion sector in the first four months of 2019 were 0.2%, due to a climate of commercial tension between the United States and China.

This sector, whose annual revenues represented 4% of Italian GDP, has grown by an average of 3% over the last decade, according to Carlo Capasa, chairman of Italy's National Fashion Chamber (CNMI).⁴⁷

The Italian fashion sector continues to grow. In 2018, it recorded a total turnover of 71.7 billion (+22.5% on 2014 and +3.4% on 2017).

According to a study drawn up by the Mediobanca group, this is an important growth that has had a considerable surge in 2015 (+9.4%) and which, despite slowing down in subsequent years, has never been less than +3.4% per year. Together with the aggregate turnover, the weight of the sector on national GDP is also growing (1.2%, compared to 1.1% in 2014), compared to which fashion has traveled at almost double the speed of the last five years.

Among the sectors, clothing alone accounted for 42.6% of aggregate revenues, followed by leather goods (23.1%) and eyewear (15.6%). In terms of average annual sales growth in 2014-2018, on the other hand, jewellery (up 10.9%) stood out, followed by leather, leather and footwear (up 6.2%), textiles (up 5.7%), distribution (up 4.9%), clothing (up 4.5%) and eyewear (up 3.7%). The presence of foreign groups in Italian fashion remains important: 70 of the 173 companies have foreign ownership and in total control 34.7% of the aggregate turnover (14.2% is French, including LVMH and Kering, both with 5.4%). There was a significant increase compared to 2014 (when foreign groups controlled 23.9% of turnover), largely due to the almost 4 times greater speed at which these companies grew compared to those under Italian control.

Despite this, Italian-controlled companies performed better in terms of profitability (ebit margin at 9.3%) than those controlled by foreign groups (6.2%). In particular, it is the listed companies with the majority

⁴⁵ Idem

⁴⁶ Okonkwo, U. (2007). *Luxury fashion branding: Trends, tactics, techniques*. Basingstoke: Palgrave Macmillan

⁴⁷ *Trust principles* from <https://www.thomsonreuters.com/en/about-us/trust-principles.html>

stake in a family that have the best ebit margin (13.4%) and at the same time are more inclined to export (86.1% of their turnover comes from abroad). Overall, in 2018, the Italian Fashion Companies achieved an ebit margin of 8.2%, with eyewear and leather goods on the shields (12% and 10.2% respectively). Of the 173 companies analysed, only 15 are listed on the stock exchange. However, these companies account for 29% of the aggregate turnover and have a significantly higher ebit margin (11.7% compared to 6.8% of the others), demonstrating how opening up to the stock markets can give a great boost both in terms of profitability and international projection. The latter is one of the most representative characteristics of Italian fashion: 72.2% of the total turnover comes from abroad, much more than the total of the manufacturing sector (58.3%) and with eyewear once again in the lead (89.6%). Finally, the Italian fashion sector remains very solid, as demonstrated by the low incidence of financial debt on net equity (34% in 2018), and has a strong liquidity, with the ratio between availability and financial debt at 79.4%.

In 2018, the 46 major European groups had a turnover of 251.5 billion (+33.6% on 2014 and +6.3% on 2017). Italy with its big 14 is the most represented country in terms of numbers, but it is France, with a 34.6% share of aggregate turnover, that once again takes the lead in terms of turnover, followed by Germany (12.2%), Spain and the United Kingdom (both 11.3%). The weight of Italy fell (8.3%) mainly due to the merger between Luxottica and Essilor, which gave rise to the Paris-based holding EssilorLuxottica. These are some of the figures that emerge from the new edition of the Fashion System, presented by Mediobanca's Studies Area, in which the dynamics of the 173 Italian Fashion Companies with a turnover of over 100 million in 2018 and the main European groups in the sector are analysed. LVMH (€46.8 billion) is always in first place among the European giants in terms of size. Very distant is Inditex, which controls Zara (26.1 billion), the German company Adidas (21.9 billion), the Swedish company H&M (20.5 billion) and EssilorLuxottica (16.2 billion). First among the Italians Prada (3.1 billion), in fourteenth place in the ranking.

1.6.2. Italian fashion market and sustainability

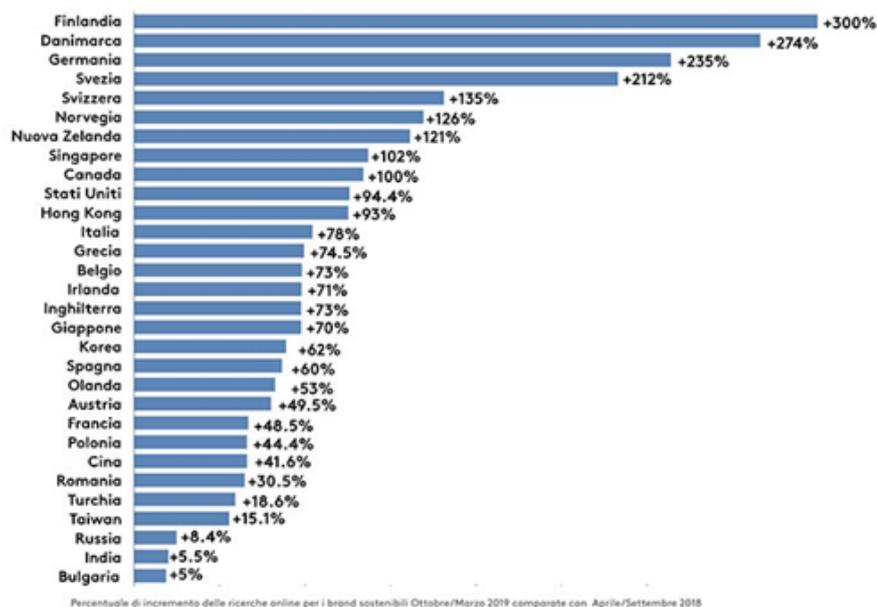
In the previous paragraphs, we have seen how the fashion luxury market has changed and what are the new trends mainly sought after by new consumers.

But in the Italian fashion market, are we talking about sustainability?

In Italy, the *Camera Nazionale della Moda Italiana* is helping to shape a green fashion industry from the inside.

According to a study carried out by Lyst, a global fashion research platform, there has been an increase in interest in sustainable fashion around the world.

Figure 10: 30 countries for sustainable brand research



Source: <https://www.lyst.it/>

The platform analysed the research and purchasing data of over two million users in over 12,000 e-commerce and single-brand online stores and then compared the data of the last six months (October 2018 - March 2019) with those of the previous six months (April - September 2018).

The result is a ranking of the 30 countries most attentive to sustainable fashion with a three-figure growth in interest for as many as eight countries and a clear Scandinavian drive with Denmark, Germany, Sweden, Switzerland and Norway in the top five positions.

And Italy? Italy is in twelfth place with an increase of 78% over the last six months in sustainable clothing research and purchasing.

Since 2016, two key documents have been released: “CNMI Principles for Retail Sustainability”, ready to offer practical guidelines for the management of sustainable shops and “Guidelines on eco-toxicological requirements for clothing, leather goods, shoes and accessories”, which instead focused on delivering the boundaries within which chemicals can be applied in the fashion supply chain of every sector..

The CNMI constantly updates its work and ensures the continuous alignment with the industry through maintaining a Sustainability Roundtable, reuniting personalities from major Italian fashion brands, as Giorgio Armani, Gucci, Prada, Versace among others.

In Italy for three years now the national chamber of Italian fashion promotes CNMI Green Carpet Fashion Awards.

The competition, in collaboration with Eco-Age, sees the challenge of emerging designers who are called to redefine the concept of sustainability in the fashion industry.

The ceremony showcases the innovation and craftsmanship of the production chain, while celebrating Made in Italy.

Among the Italian brands that are doing most is Gucci, from the Kering group, and Prada.

Chapter 2

The second chapter will be a more technical one.

It will provide guidelines on CSR, from the evolution of the concept over the centuries to the most accredited theories of Friedman and Carroll, and then we will analyse the Triple Bottom Line model and the advantages of implementing CSR strategies.

Among the many advantages, the impact of CSR on brands is particularly significant.

The chapter will in fact continue with the analysis of the concept of brand and brand equity through the words of Keller and Aaker in order to see what relationship is established between CSR strategies and brand equity, with particular attention to the fashion world.

This great attention to sustainability by companies also leads to a change in the communication used to promote their products. However, these marketing strategies are not always ethically correct, causing the so-called Greenwashing phenomenon.

The chapter ends with the presentation of the two eco-sustainable lines launched by Gucci and Prada, on which my research will then focus.

2.1. What is CSR

The world is growing and changing all the time: wars, technological development, economic crises, natural disasters...; these are all elements that create a deep instability when we think about our current condition. Precisely for this reason, the priority of our modern society, should be to catch all these alarm bells in advance and operate in time before it is too late: just think of the Greenland ice cap that has now reached a sort of "point of no return", and will continue to melt regardless of what we do to combat climate change; or even the current pandemic epidemic that we are currently experiencing: all over the world many companies have mobilized in order to provide aid to the community.

There are those who have made money donations to health facilities or to the Civil Protection, those who have bought products and machinery necessary to fight the virus, those who have even converted their production chain to produce tools useful to doctors and nurses, such as gowns, masks, hand disinfectant...;

This type of initiatives aimed at helping the world in which we live, highlight the delicate relationship that exists between business and society. This has been the subject of numerous debates over the years.

2.1.1. Evolution of CSR concept

The very first trace of CSR activity dates back to the mid-1800s, at the height of the industrial revolution. It was here that companies began to understand the impact that everyday activities could have on society and on the conditions of workers in general.

The historian management, Daniel A. Wren, argues that Great Britain had some peculiarities that contributed to the increased attention to some social problems such as poverty, slavery, child labour. Wren defines these movements and battles for the recognition of certain basic rights for man as “an uneven mixture of humanitarianism, philanthropy, and business acumen.”⁴⁸

The concept of CSR began to take shape in the 1950s.

William C. Frederick, one of the pioneers of CSR, stated that the 1950s were mainly characterized by three ideas: “the idea of corporate managers as public administrators, the idea of balancing competing claims on corporate resources and the acceptance of philanthropy as a manifestation of support for good causes.”⁴⁹

However, this period was mainly characterised by theoretical rather than practical concepts: only philanthropy, considered the most tangible CSR practice, became popular in those years.

During the 1960s, the first environmental movements emerged and marked an important period in the evolution of CSR. The environmentalist movement from the pages of "Silent Spring", written by the American biologist and zoologist, the cult book for a generation of "neo" ecologists, triggered the first of a series of battles for the defence of nature.

It began to be thought that companies had a role of primary importance in environmental and social issues. But it was with Keith Davis, in 1960, that started this long period of debates.

His analysis began by trying to answer two questions “*What does the businessperson owe society?*” and “*Can business afford to ignore its social responsibilities?*”⁵⁰.

He suggested that social responsibility refers to "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest."⁵¹

Despite the numerous definitions given over the years, the concept has remained very vague for a long time. However, two schools of thought have emerged in trying to define CSR.

⁴⁸ Carroll B., A. (2008). "A History of Corporate Social Responsibility: Concepts and Practices." In Andrew Crane, Abigail McWilliams, Dirk Matten, Jeremy Moon & Donald Siegel (eds.) The Oxford Handbook of Corporate Social Responsibility. Oxford University Press, 19-46.

⁴⁹ William C. Frederick. 2006. Corporation, Be Good! The Story of Corporate Social Responsibility

⁵⁰ Davis, K. (1967). "Understanding the Social Responsibility Puzzle: What Does the Businessman Owe to Society?", Business Horizons Vol. 10, No. 4, pp. 45-50

⁵¹ Davis, K. (1960). *Can business afford to ignore social responsibilities?*, California Management Review, 2, 70-76.

2.1.2. Friedman

The first school of thought began to spread in the 1970s, following the publication in the New York Times of the American economist Milton Friedman.

According to him, the only social responsibility attributable to the company is to spend work and resources in order to increase its profits, thus remaining as long as possible within the competitive arena in respect of legality.

According to Friedman, the discussions on corporate social responsibility are without foundation and poorly articulated. Only men have social responsibilities and not companies: "a corporation is an artificial person and in this sense may have artificial responsibilities."⁵²

*"What does it mean to say that the corporate executive has a "social responsibility" in his capacity as businessman?"*⁵³ Friedman asked.

As reported by the author, in fact, this is a meaningless question because a manager must act in the interest of the company, to create profits and to send ahead the activity. Certainly, as a person, a manager can have other responsibilities towards other entities such as his city, his family, his country ...; but in this case, he will have to "as a principal, not an agent; he is spending his own money or time or energy, not the money of his employers or the time or energy he has contracted to devote to their purposes. If these are social responsibilities, they are the social responsibilities of individuals, not business."⁵⁴

He continues saying that very often social responsibility actions actually serve to cover other purposes on the part of the entrepreneur in fact Friedman writes:

"It may well be in the long-run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects or it may be that, given the laws about the deductibility of corporate charitable contributions, the stockholders can contribute more to charities they favour by having the corporation make the gift than by doing it themselves, since they can in that way contribute an amount that would otherwise have been paid as corporate taxes."⁵⁵

Obviously, this approach is no longer current and has been integrated over time.

⁵² Friedman M.,(1970), *The Social Responsibility of Business is to Increase its Profits*, The New York Times Magazine

⁵³ [https://www.greenbiz.com/article/milton-friedman-and-social-responsibility-business#:~:text=%22What%20does%20it%20mean%20to,Its%20Profits%22%20\(PDF\).](https://www.greenbiz.com/article/milton-friedman-and-social-responsibility-business#:~:text=%22What%20does%20it%20mean%20to,Its%20Profits%22%20(PDF).)

⁵⁴ <https://www.nytimes.com/1970/09/13/archives/a-friedman-doctrine-the-social-responsibility-of-business-is-to.html>

⁵⁵ Friedman M.,(1970), *The Social Responsibility of Business is to Increase its Profits*, The New York Times Magazine

Profit remains the goal that drives the activities of each company, but it is only the basis on which they support other responsibilities aimed at different subjects: the legislator, customers, suppliers and, finally, the community as a whole.

2.1.3. Carroll

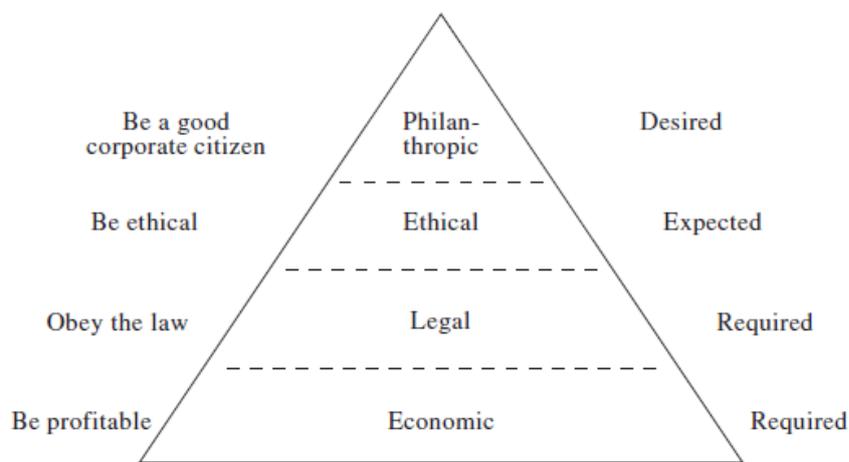
The second school of thought, you can identify it thanks to the contribution made by Archie Carroll.

He identifies four elements of CSR: economic, legal, ethical and philanthropic.

The value of Carroll's stratified model, which is not by chance still referred to in the CSR discussions, lies in its ability to render the multidimensional character of the concept, giving space to the growing significance assumed in recent decades of the ethical and voluntary dimensions unlike the so-called "traditional" (economic and legal) components that are socially required or imposed.

For this reason, as we will see in the figure below, the representation places at the base of the pyramid the economic responsibilities and at the top the discretionary/philanthropic ones which, thus, provide the sense of unequivocal hierarchical ordering.

Figure 11: The pyramid of Corporate Social Responsibility



Source: Carroll, Archie. (1991). *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*. Business Horizons.

- Economic responsibilities

At the base of Carroll's pyramid is economic responsibility. First, the business organization was considered the basic economic unit within our society. its original role was to produce goods and services required by consumers to generate a positive profit. similarly, the very idea of profit turned into the concept of profit

maximization, the line of action that maximizes the difference between the total revenue from the sale of the good or service produced by the company and the total cost of its production.⁵⁶

- **Legal responsibilities**

A company does not reason and operates only in terms of profit but must be subject to a series of rules that can be implemented by the state, the city and the local community as part of a social contract between the business and the company, for legal responsibility means “a view of *codified ethics* in the sense that they embody basic notions of fair operations as established by our lawmakers. They are depicted as the next layer on the pyramid to portray their historical development, but they are appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system.”⁵⁷

- **Ethical responsibilities**

While economic and legal responsibilities are somehow governed by rules and fairness, ethical responsibilities embody those standards, norms or expectations of consumers, shareholders or communities that they consider fair, just or in line with respect or protection of the moral rights of stakeholders.

As ethical expectations, it would be important to grasp the true soul of the law beyond its literal meaning. This is why ethical responsibility embraces those activities that have not been subject to regulation but represent practices expected or prohibited by society.

The difference between ethical and legal expectations is very subtle. Carroll argues that: “*legal expectations certainly are based on ethical premises but, ethical expectations carry these further. In essence, then, both contain a strong ethical dimension or character and the difference hinges upon the mandate society has given business through legal codification.*”⁵⁸

Carroll also points out that in addition to society's expectations in terms of ethical performance, there are a series of universal principles that should be as a reference and as examples of moral philosophy such as justice, rights, etc... This should also be taken into account when deciding and developing business practices.

- **Philanthropic responsibilities**

The philanthropic aspect consists of those actions that can be taken by society in response to society's expectations of how that company can be good for citizens. reference is therefore made to all those activities aimed at promoting the well-being of individuals. examples of philanthropy are donations to charities.

Carroll's main difference between philanthropic responsibility and ethics is that: “society expects such gifts, but it does not label companies as *unethical* based on their giving patterns or whether the companies are

⁵⁶ *Massimizzazione del profitto* from <https://www.sapere.it/sapere/strumenti/studifacile/economia-finanza/Microeconomia/L-impresa--III--i-ricavi-in-condizioni-di-concorrenza-perfetta/Massimizzazione-del-profitto.html#:~:text=Per%20massimizzazione%20del%20profitto%20si,sostenuti%20per%20la%20sua%20produzione.>

⁵⁷ Carroll, A. (1991). *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*. Business Horizons.

⁵⁸ Carroll, A.B. (2016), Carroll's pyramid of CSR: taking another look. *Int J Corporate Soc Responsibility*

giving at the desired level. As a consequence, the philanthropic responsibility is more discretionary or voluntary on business's part hence, this category is often thought of as good corporate citizenship."⁵⁹

The two figures below summarize the concepts just explained.

Figure 12

Economic Components (Responsibilities)	Legal Components (Responsibilities)
1. It is important to perform in a manner consistent with maximizing earnings per share.	1. It is important to perform in a manner consistent with expectations of government and law.
2. It is important to be committed to being as profitable as possible.	2. It is important to comply with various federal, state, and local regulations.
3. It is important to maintain a strong competitive position.	3. It is important to be a law-abiding corporate citizen.
4. It is important to maintain a high level of operating efficiency.	4. It is important that a successful firm be defined as one that fulfills its legal obligations.
5. It is important that a successful firm be defined as one that is consistently profitable.	5. It is important to provide goods and services that at least meet minimal legal requirements.
Ethical Components (Responsibilities)	Philanthropic Components (Responsibilities)
1. It is important to perform in a manner consistent with expectations of societal mores and ethical norms.	1. It is important to perform in a manner consistent with the philanthropic and charitable expectations of society.
2. It is important to recognize and respect new or evolving ethical/moral norms adopted by society.	2. It is important to assist the fine and performing arts.
3. It is important to prevent ethical norms from being compromised in order to achieve corporate goals.	3. It is important that managers and employees participate in voluntary and charitable activities within their local communities.
4. It is important that good corporate citizenship be defined as doing what is expected morally or ethically.	4. It is important to provide assistance to private and public educational institutions.
5. It is important to recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.	5. It is important to assist voluntarily those projects that enhance a community's "quality of life."

Source: Carroll, A. (1991). *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*. Business Horizons.

2.2. Problems with Carroll's pyramid

However, this model has found some critical points.

⁵⁹ <https://ecampusontario.pressbooks.pub/businessfuncdn/chapter/article-carrolls-corporate-social-responsibility-pyramid/>

- **Pyramid itself**

The model of Carroll's pyramid is divided into four parts and is the use of the pyramid itself to have caused some problems.

First, the figure of the pyramid suggests a hierarchical order and then you could infer that the philanthropic responsibility, as it is at the top, is the most important, while the economic, which is the basis, has less importance, even though this was not Carroll's intent in the first place. In fact, he states that "the economic and legal domains are the most fundamental while philanthropic responsibilities are considered less important than the other three domains while the pyramid framework could lead one to misunderstand the priorities of the four CSR domains."⁶⁰

The second issue is that the image of pyramid cannot embrace the overlapping nature of the CSR domains. "Carroll's use of dotted lines separating domains does not fully capture the non-exclusive nature of domains, nor does it do so indicate two of the critical tension points between them, the tension between the economic tension points and ethics and the economic and philanthropic sector."⁶¹

- **Use a separate philanthropic category**

The concept of philanthropy has ambiguities in the definition provided by Carroll. Some believe it is wrong to identify some activities as philanthropic only because of their voluntary or discretionary nature, while others argue that philanthropy cannot be considered a category belonging to the sphere of responsibility.

"In this respect, philanthropy is not considered a duty or social responsibility of business (i.e., an expected act based on what Kantians might refer to as a "perfect" duty), but something that is merely desirable or beyond what duty requires (e.g., a supererogatory act based on what Kantians might refer to as an "imperfect" duty)."⁶²

- **Incomplete Development of Economic, Legal, and Ethical Domains**

Another criticism of Carroll's model concerns the incomplete discussion to evaluate the activities or business reasons for classifying each of the domains, in particular legal and ethical ones.

As for the economic domain, Carroll is too generic in its definition.

He defines the economic domain of CSR as "perform in a manner consistent with maximizing earnings per share, being as profitable as possible, maintaining a strong competitive position and high level of operating efficiency."⁶³

⁶⁰ Schwartz, M.s & Carroll, Archie. (2003). *Corporate Social Responsibility: A Three-Domain Approach*. Business Ethics Quarterly.

⁶¹ Schwartz, M.s & Carroll, Archie. (2003). *Corporate Social Responsibility: A Three-Domain Approach*. Business Ethics Quarterly.

⁶² Tencati, A., Misani, N., & Castaldo, S. (2020). A Qualified Account of Supererogation: Toward a Better Conceptualization of Corporate Social Responsibility. *Business Ethics Quarterly*, 30(2), 250-272.

⁶³ Schwartz, M.S. and Carroll, A.B. (2003) *Corporate Social Responsibility: A Three-Domain Approach*. Business Ethics Quarterly, 13, 503-530.

This definition does not seem to cover all economic activities, but, on the contrary, some of them are excluded from this definition.

Legal responsibility is therefore depicted as the mirror image of a vision of ethics codified in the sense that the law embodies the foundations of fairness established by our legislators. It underlines the concept that it is the company's responsibility to respect these rules.

The ethical domain of CSR covers those actions that are built on their compliance with a set of ethical or moral standards or principles.

The definition put in place by Carroll highlights how some ethical expectations seem to overlap with some implicit degrees of ethical performance.

Although Carroll appropriately identifies the legal and ethical categories of CSR, it does not define them as exhaustively as follows.

2.3. Triple bottom line

Over the centuries, the tendency of companies to create more suitable models has grown more and more. In fact, if before talking about *bottom line* we referred mainly to profits and losses, here is now a new model that is more suitable for today's society: the triple bottom line.

The concept was introduced in 1994 by John Elkington.

The basic idea of Elkington's model is to promote sustainable practices as an objective for companies and not just look at profits. According to the author, in fact, if we focus only on the financial aspect, we are not able to look at the entire picture, so we cannot really appreciate and evaluate the activity in the round.⁶⁴

The triple line theory aims to expand the traditional accounting system by integrating two areas of performance: the social and environmental impact of their company. "These three bottom lines are often referred to as the three P's: people, planet and profit."⁶⁵

- People

For people the author means the "positive and negative impact an organization has on its most important stakeholders. These include employees, families, customers, suppliers, communities, and any other person influencing or being affected by the organization."⁶⁶

A TBL company designs a social structure such that the company's welfare, work and other stakeholder interests are all interconnected. A TBL company also seeks to "give back" to the community by contributing to its strength and growth with things like health care and education. However, it is interesting to give a

⁶⁴ <https://www.investopedia.com/terms/t/triple-bottom-line.asp>

⁶⁵ <https://sustain.wisconsin.edu/sustainability/triple-bottom-line/>

⁶⁶ <https://www.forbes.com/sites/jeroenkraaijenbrink/2019/12/10/what-the-3ps-of-the-triple-bottom-line-really-mean/#485960445143>

further point of view to the word people: “how much does a company benefit society? A triple bottom line company pays fair wages and takes steps to ensure humane working conditions at supplier factories.”⁶⁷

- **Planet**

The word “planet” refers to those initiatives that organizations take to try to reduce pollution as much as possible. These actions include: “reducing its carbon footprint, usage of natural resources, toxic materials and so on, but also the active removal of waste, reforestation and restoration of natural harm done.”⁶⁸

In fact, a TBL company is committed to favour the natural order as much as possible and to minimize the environmental impact.

The key thought is that "From cradle to grave" in which we try to identify the entire life of the products, from the collection of raw materials to disposal, so that we can make a complete assessment. Currently, the cost of waste disposal of non-degradable or toxic products arises financially from national governments and, from an environmental point of view, from residents near the disposal site and elsewhere. TBL companies avoid environmentally destructive practices such as overfishing or other risks of resource depletion. Environmental sustainability is often the most profitable way for a company in the long run⁶⁹.

- **Profit**

When we talk about profit, in the sphere of sustainability, the concept is slightly different from profit understood from the accounting point of view (which remains the essential point when we talk about calculation).

Profit is in fact the real economic impact that the organisation has on its economic environment. “This includes creating employment, generating innovation, paying taxes, wealth creation and any other economic impact an organization has.”⁷⁰

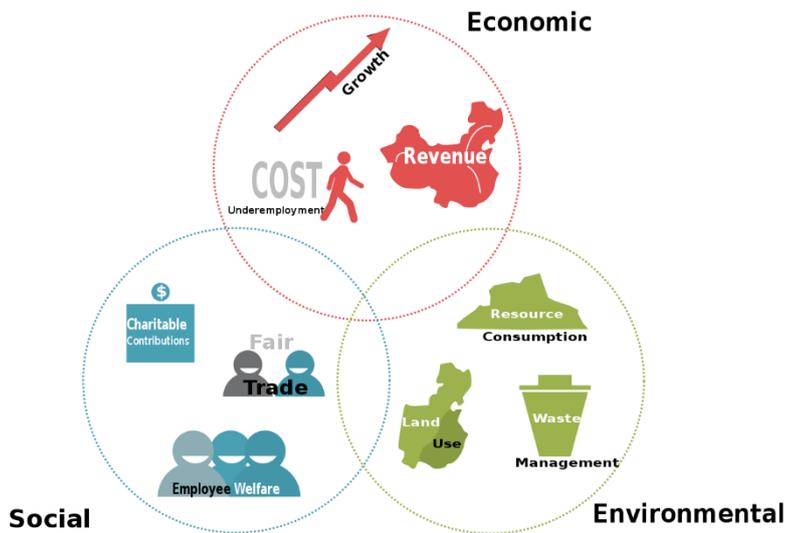
⁶⁷ <https://sustain.wisconsin.edu/sustainability/triple-bottom-line/>

⁶⁸ <https://www.forbes.com/sites/jeroenkraaijenbrink/2019/12/10/what-the-3ps-of-the-triple-bottom-line-really-mean/#485960445143>

⁶⁹ https://en.wikipedia.org/wiki/Triple_bottom_line

⁷⁰ <https://www.forbes.com/sites/jeroenkraaijenbrink/2019/12/10/what-the-3ps-of-the-triple-bottom-line-really-mean/#4ba982695143>

Figure 13: Triple bottom line



Source: https://en.wikipedia.org/wiki/Triple_bottom_line

2.4. Advantages of CSR activity

Implementing CSR practices is one of the standard strategies of our historical period. The definition of CSR strategy, often referred to as a sustainable strategy, is an essential component of companies' competitiveness.

Implementing CSR strategies means integrating social, environmental and ethical procedures and policies into the company's business, in close cooperation with stakeholders.

Since companies have as their primary objective to create profits, it has been seen that companies that actually implement these practices "outperform those that have not, with an average performance of activities 19 times higher"⁷¹.

According to Porter and Kramer⁷², implementing an eco-sustainable strategy not only generates benefits in terms of cost reduction and beneficial actions, but also creates enormous benefits for society: technological innovations, new emerging opportunities and what they consider to be their main benefit, namely competitive advantage.

The evaluation of the benefits deriving from socially responsible choices must go beyond the short-term economic calculation, considering that the investments necessary for the implementation and maintenance of CSR activities cannot have an immediate pay-off due to the different time span.

between incurring the related costs (generally short term or continuous flow) and benefits (often long term).

⁷¹ S Geethamani. (2017). *Advantages and disadvantages of corporate social responsibility*. International Journal of Applied Research.

⁷² Porter, M.E., Kramer, M.R. (2006), "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility", *Harvard Business Review*, December, pp. 78 – 93.

The voluntary choice to take the path of CSR, linked to the concept of the "duration (over time) of the company", i.e. its relationship with all the stakeholders that can determine its survival, makes it possible to optimise the impact of the company's operations on the territory and the surrounding community, thus obtaining conditions of acceptability and of consent to operate.

The benefits associated with the process and the spread of CSR and sustainability are divided into two dimensions, one internal and one external:

- The internal dimension encompasses human resources management, healthcare and security in the workplace, company structure and resource planning.
- The external dimension instead includes local communities, economic partners, suppliers, customers, consumers, respect for human rights throughout the world.

The company will gain consensus in civil society by demonstrating that it operates according to the rules of the good citizen, gaining trust with local communities, employees and business partners. The introduction of social responsibility practices in the company produces positive effects in terms of corporate image and relations with stakeholders, internal and external, increases the value of the company for shareholders in ethically rated markets, reduces business risk and protects it from boycott actions⁷³.

The significant advantages of CSR strategies can be summarised according to Gołaszewska- Kaczan⁷⁴ in:

- Creation of a positive image in the eyes of the public by the company;
- Creating appropriate relationships with all stakeholders - one company shows that the needs of stakeholders are also important for the company itself;
- Increasing employee morale: CSR drives employee loyalty and motivate to work more efficiently;
- Take into account the social responsibility of a company by Future consumers: Modern customers are more aware when shopping.

Because they have a choice to do, most shoppers tend to select well-known brands for their social responsibility, even if they must pay a higher price environmentally and socially friendly products.

Certainly, among the most reluctant advantages are those related to the brand of a business.

Before discovering these advantages in detail, it is more appropriate to take a step back and define some basic concepts.

⁷³ Arru, B. & Ruggieri, M. (2016). I benefici della Corporate Social Responsibility nella creazione di valore sostenibile: il ruolo delle risorse di competenza e del capitale reputazionale.

⁷⁴ Gołaszewska-Kaczan, U. (2009), *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok

2.5. The power of branding

Every day we are plagued by advertising of all kinds: television, social media, radio; the different companies are trying to attract more and more people to their brands in order to sell more products and increase their notoriety. When we talk about the “power of the brand”, we refer to its ability to influence consumer behaviour and at the same time allows a company to distinguish itself from its competitors.

However, when we talk about brand, we are not referring to the simple name placed on a product, but the brand is something more than that.

“Branding is not about getting your consumer to choose you over the competition. It’s about getting them to see you as the only solution.”⁷⁵

When we talk about brand and branding there is often confusion.

In fact, if you ask any consumer to concretely define a brand, he would most likely be immediately linked to “brand names” such as Versace or Dior. But if you go deeper you might find that consumers have different feelings and behaviours depending on the brand, precisely because each brand is unique, consumers perceive the different messages that the brand wants to communicate, leading us to say that consumers actually understand the concept of branding.

“A brand is an identifiable entity that makes specific and consistent promises of value. All this creates for the consumer or anyone who comes into contact with the brand an experience capable of influencing their future purchases.

The brand may include names, terms, signs, symbols, designs, shapes, colours or a combination of these elements to create differentiation from competitors' products, but at the same time it becomes easily identifiable in the consumer's mind.

In short, it can be defined as follows:

“A brand is the sum of all the feelings, perceptions and experiences a person has as a result of contact with a company and its products and services”⁷⁶

In fact, if before when thinking about value creation he was talking about tangible assets such as property, plant, equipment now an essential resource of the value creation are the intangible assets such as brands, stakeholder relations, corporate culture, all values that do not appear in the balance sheet.

This implies that the brand of a company resides in the consumer's mind and it is this position of the consumer that determines the success or failure of a brand.

⁷⁵ <https://www.thebalancesmb.com/why-is-branding-important-when-it-comes-to-your-marketing-2294845>

⁷⁶ Okonkwo, U. (2007). *Luxury fashion branding: Trends, tactics, techniques*. Basingstoke: Palgrave Macmillan

Branding according to Kotler and Keller is in fact the promise that the company makes to its customers. This promise is manifested through the values, design and tone used to represent your business in marketing, Website Layout, communication and, of course, graphics, such as your logo and identity design.⁷⁷

Brands are constantly present in everyday life. They are with us at the most important moments of the day and that is why they are also called "point of market entry".

In our life brands take on a role of primary importance because the brand name represents the first point of contact between the message that the company wants to communicate and the consumer's mind.

However, the name that is chosen to identify a brand is simply a name.

Shakespeare in his masterpiece Romeo and Juliet says:

*“What is a name? that which we call a rose
By any other name would smell as sweet”*⁷⁸

And in fact, a name in itself is not worth the product as a whole, but it is the perceptions that that name arises that attract us or not. precisely for this reason, often, when we talk about marketing, we do not refer to a battle of products but rather to a battle of perceptions.

Brands influence our purchasing decisions constantly.

The concept of "moment of truth" has become widespread in this regard. This was first introduced in the 1980s by Jan Carlzon and then applied in 2005 by Lafley, Chairman, President and CEO of Procter & Gamble.

When we talk about moment of truth we refer to “the moment when a customer/user interacts with a brand, product, or service to form or change an impression about that particular brand, product or service.”⁷⁹

In this scenario, of vital importance is the ability of the business to create captivating campaigns and better manage every type of interaction with the customer so that a single product can be better than another.

It is important to underline that not all “moments” are equals, but there are some of those in which it is necessary to be outstanding and succeed, otherwise the Brand will be removed from the alternatives contemplated by the consumer himself.

⁷⁷ <https://www.inkognitocontent.com/branding/>

⁷⁸ <https://www.nosweatshakespeare.com/quotes/soliloquies/whats-in-a-name/>

⁷⁹ [https://en.wikipedia.org/wiki/Moment_of_truth_\(marketing\)](https://en.wikipedia.org/wiki/Moment_of_truth_(marketing))

- **Zero moment of true**

We can consider this concept something very recent. It was introduced by Google: the *ratio* was to match the modern online customer journey and burden the moment when a person begins the research of information regarding a product or service that he or she is under interest. It is here that the customer will be in touch with so many information about products, brand, before moving forward into the journey. Because companies cannot control their online reviews, they try to influence in a positive way their web reputation through their interaction with the audience and the quality of products: in this way, with the good reviews, they encourage people to continue with their brand.

- **First moment of truth**

This step is regarded by Procter & Gamble as a central part: this is where the potential customer keeps in touch with your product or service for the first time. This part is usually not long, but only a few seconds, and may include the customer reading a description or some additional research to better understand how the product can be useful to meet their needs. FMOT is the moment when the "responsible buyer" (i.e. not always the end consumer), comes into contact with a particular product/service (online or physically), recognises the product, compares it and decides whether or not to buy it. It is a very short time when all marketing efforts should focus on the immediate impression of the benefits that the consumer could obtain from that product only in relation to the competition.

- **Second moment of truth**

After having seen the product, the audience will shift to the so called Second Moment of Truth. It is here that the customer can really realize what is the offer of the company. This part can manifest before the purchasing of the product but can also occur after a purchase, which happened for example in the modern age on e-commerce when customer don't know very well the product because they haven't seen it, if not just through the screen of their pc or smartphone.

- **Ultimate moment of truth**

The UMOF, also known as the Third moment of truth, is characterized by the feedback made by customers regarding the product or service used. During the UMOT, a customer can choose to share their options on service, for example on online web site, or just talking with the other member of family or friends. This part can influence the following purchasing made by other people and it is known as the ultimate moment because it can become the zero moment for other people, make it state the customer decision journey.

2.6. Theoretic framework

The value of a brand is measured by the brand equity that is, in fact, the positive knowledge of a brand on the part of consumers, which will thus influence the choice of their purchases thanks to its recognizability, and to finding the same brand in everything that can be associated with it.

It is fundamental in marketing because the more a brand becomes positively recognizable in the eyes of customers and users, the more it will influence, positively, their purchase response inherent to their products.

Brand equity is essential for any company/person who wants to position their products/services, attract new potential customers, new potential investors or even to improve the quality of their company's employees and make their place "safer".

The term "brand equity" refers to the extent to which the brand is able to achieve brand equity. preference and consumer loyalty. A brand has a positive value when consumers react to it more favourably than a generic or non-branded version of the same product. A concept close to it, but at the same time distinct, is that of "consumer equity".

It represents the value of the customer relationship generated by the brand and measures the company's ability to create a portfolio of high value customers. Brand equity, on the other hand, derives from differences in consumer responses as a result of different levels of knowledge and experience with that brand, driven by marketing activities.

Brand equity, in addition to the newly resurrected perspective, can also be defined from a financial point of view, focusing on the value of the brand, understood as an asset of the company's assets. From the marketing point of view, on the other hand, it can be defined as the of image that a brand has been able to build over time, the result of the aggregation of attitudes and behaviours of consumers, distribution channels and the various "influencers" involved in the purchasing process, which strengthen future profits and long-term cash flow.

The concept of Brand Equity was disseminated, in the 1990s, by a well-known American economist, David Aaker, and it is within his book "Managing Brand Equity" that we find the main definition of Brand Equity according to which:

"Brand Equity" means that set of intangible elements (assets), linked to the brand, that can increase or decrease the value of the product offered to its customers!"

The concept of brand equity, therefore, has acquired over time a dual significance, referring both to the incremental financial value of a product attributable to the brand, both the effect and the knowledge of the

brand determines the consumer's response to its marketing initiatives. To these different meanings correspond, of course, to different measuring modes. In the first case we use of the "Consumer-based brand equity" (CBBE), in the second of the so-called "Financial-based brand equity"(FBBE). The brand evaluation systems belonging to the CBBE are based on empirical research that allow you to observe the perception that consumers have of the brand and, in particular, their behaviour in relation to changes in the marketing mix of branded products are offered on the market. FBBE systems, on the other hand, aim to investigate cash flow incremental generated by branded products; in concrete terms, the FBBE expresses the monetary value of the brand and is usually used by listed companies for performance evaluations financial in the short term. For the purposes of this paper, as is intuitable, the following is more important the first method of evaluation and then when we will refer to the concept of "brand equity" should be understood from a consumer-base perspective.

Making a brand positively recognizable, and making it acquire value and trust, not only increases its notoriety and security of purchase by customers, but at the same time improves the customer experience or what the user/customer has perceived of the shopping experience.

As a result, consumers will be willing to pay more for a particular product and repeat the purchase over time, although there may be products of equal value and at a lower price than other competitors.

The Value of the Brand is thus found to be fundamental in the world of marketing to positively influence the purchase choices of the consumer.

Brand equity is essential for any company/person who wants to position their products/services, attract new potential customers, new potential investors or even to improve the quality of their company's employees and make their place "safer".

In particular, there are three strategic areas in which brand equity has an impact:

- **Increased sales**

The purpose of a brand (be it a company or a professional) is to offer its customers a product/service that is "credible". A certificate of quality, a promise of what is expected, a statement of values to which the customer can align their own.

These are important values for most consumers (at least in certain categories). There is, for example, a TIME⁸⁰ study that found that 74% of women would prefer to buy a branded product in the health and beauty

⁸⁰ <https://business.time.com/2012/11/01/brand-names-just-dont-mean-as-much-anymore/>

category than a non-branded product. Even in the case of detergents, 69% of consumers prefer a known brand⁸¹.

Nielsen⁸² also conducted a study in this sense; in this case, the result was that 69% of respondents prefer to buy again from a brand they already know rather than a stranger. This helps us understand how brand equity is not only important in the initial buying phase but also (and in some markets especially) in recurring purchases.

“Brand equity has a direct effect on sales volume because consumers gravitate toward products with great reputations.”⁸³

- **Increase in profits**

Consumers are willing to pay more if there are a set of favourable situations and they have confidence in a particular brand or product. Recently another study⁸⁴ points out how the big giants like Procter & Gamble, Unilever and Mondalez, have focused on building and strengthening their brands, staying away from promotions, with the aim of increasing their profits.

We even find research⁸⁵ that shows that brand equity plays such an important role in price structuring that some companies are able to position premium products even when superiority over competitors is not demonstrable.

It is in the B2C markets that brand equity finds greater implementation, in fact it is precisely here that it is taken as an indicator of the strength and performance of the company. The Financial Times⁸⁶ places in the top 5 places of the "Top 100 global brands": Amazon, Apple, Google, Microsoft and Visa.

- **Increased influence**

Brands need continuous updating and "decoration" of their positioning in the consumer's mind. All this not only refers to increasing sales, but the improvement of their influence is in fact fundamental within the company; in fact, it has been seen⁸⁷ that companies with a good brand equity are facilitated in the

⁸¹ <https://www.askattest.com/blog/brand/what-is-brand-equity-why-is-it-important>

⁸² from <https://www.nielsen.com/us/en/press-releases/2013/global-consumers-more-likely-to-buy-new-products-from-familiar-brands/>

⁸³ <https://www.investopedia.com/ask/answers/021715/what-impact-does-brand-equity-have-profit-margins.asp#:~:text=Positive%20brand%20equity%20increases%20profit,toward%20products%20with%20great%20reputations.>

⁸⁴ <https://www.marketingweek.com/fmcg-brands-pull-promotions/>

⁸⁵ Baltas, G., Saridakis, C. (2010). Measuring brand equity in the car market: a hedonic price analysis. *J Oper Res Soc* 61, 284–293

⁸⁶ <https://www.ft.com/content/3a3419f4-78b1-11e9-be7d-6d846537acab>

⁸⁷ Cable, Daniel & Turban, Daniel. (2003). The Value of Organizational Reputation in the Recruitment Context: A Brand-Equity Perspective. *Journal of Applied Social Psychology*.

recruitment of talent and the search for personnel. Often, in fact, when looking for new jobs, in addition to the task to be performed, one also looks at the reputation that the company has.

The brand equity is the daughter of two main combinations:

- **Consumer consciousness**
- **Its perception.**

This means that the consumer is not only aware of the product/brand and its characteristics, but above all manages to associate it with positive perspectives on what the brand represents. Brand knowledge is created through investments in marketing and communication and is amplified by word of mouth, strategic partnerships and economic growth.

2.6.1. Keller

Professor Kevin Keller is considered one of the greatest exponents of the marketing landscape. He defines brand equity in this way:

*“brand equity is fundamentally determined by the brand knowledge created in consumers’ minds by marketing programs and activities. Specifically, customer-based brand equity is defined as the differential effect that consumer knowledge about a brand has on their response to marketing for that brand.”*⁸⁸

From this point of view, the brand knowledge, is not about the brand itself, but all those thoughts, without any feelings and perceptions that the consumer has when he comes into contact with the brand in question.

*“The basic premise of the customer-based brand equity (CBBE) model is that the power of a brand lies in the minds of customers and the meaning that the brand has achieved in the broadest sense.”*⁸⁹

The concept of CBBE is defined as the differential effect that brand knowledge exerts on the consumer's response to the marketing actions of the brand itself.

The Author states that, from the customer's perspective, the basis through which brand value is created are basically two:

- **Brand awareness;**
- **Brand image.**

⁸⁸ Keller, K. (2009). Building strong brands in a modern marketing communications environment. Journal of Marketing Communications.

⁸⁹ Keller, K. (2009). Building strong brands in a modern marketing communications environment. Journal of Marketing Communications.

The concept of brand awareness to which Keller refers indicates the brand's capacity to be remembered and recognized, a capacity that derives from the mental process with which the consumer identifies it.

Brand awareness is about brand recognition and brand recall performance. Brand recognition refers to the capacity of consumers to validate prior branding exposure when it is given the brand as a reference. In short, brand recognition needs consumers to properly discriminate against the brand as if it had been seen or heard before. Brand recall refers to the ability of consumers to recover the brand when given a specific product class, the demands met by the category or some other type of sensor as a starting point. In practical terms, brand recall requires that consumers produce the brand from memory.

Brand awareness plays a major role in consumer decision making for three main reasons:

- 1- It is of extreme importance that the consumer when thinking back to a specific category of products.
- 2- Brand awareness can influence the decision on some brands in the consideration set, even if there are no other associations between brands.
- 3- Brand awareness influences the consumer decision making in the moment of creation of the brand image. an essential condition for the formation of the brand image is in fact that the brand is nested in the memory and can therefore influence the decision making in a simple way when there are several brands.

The **brand image**, on the other hand, is described by consumers' perception of the values associated with the brand. This perception is determined by the attribution of values and meanings peculiar to the company's offer system.

In the model, the elements on which to focus for the creation of the brand image are schematically defined. In particular, the types of associations to be developed and the characteristics that they must have (strength, uniqueness, ability to be advantageous and positive) are described.

Three types of brand associations are defined:

Based on the CBBE model, you can also determine the steps for building a strong brand. These are four and are representative of a series of questions that consumers regularly ask about a brand:

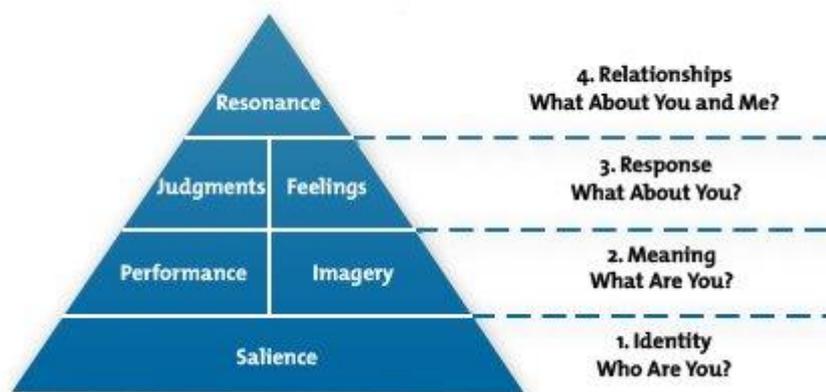
- **Attributes:** defined as those elements that characterize a particular product or service.
- **By benefits:** personal value that a consumer attributes to the attributes of the product or service.
- **Brand attitude:** it is referred to as the total consumer appreciation of a brand. Brand attitudes are significant because they frequently form the foundation of consumer behavior (e.g., the choice of the brand)

In order to better understand the brand equity model of Keller, a model called Keller's pyramid was presented, which divides the construction of brand equity in four steps, answering 4 questions:

1. Brand identity (Who are you?)
2. Meaning of the brand (What are you?)
3. Reactions to the brand (What do I think of you? What feelings do you arouse in me?)
4. Relationship with the brand (What relationship can there be between you and me?) (What kind of association and bond would I like to have with you?)

The operational tool used to frame the four phases above is that of a pyramid formed by six blocks, each of which represents a different level of construction (from the lowest to the highest) of the strong brand. In essence, creating the value of a brand means reaching the tip of the pyramid while being careful to correctly assemble the appropriate blocks.

Figure 14: Carrol's Pyramid



Source: KELLER, K., *STRATEGIC BRAND MANAGEMENT: GLOBAL EDITION*, 4th, 1901. Reprinted by permission of Pearson Education, Inc., New York, New York

1- First level: Relevance (who are you?)

In this first step, the goal is to understand the client's awareness of you. What words would you associate with your brand? How do customers classify your brand? Does their perception correspond to your desire?

2- Second level: Performance and image (what are you?)

In the second step, you need to identify and communicate how your brand meets customer needs. We find two main areas: "Performance" and "Image".

Performance serves to meet "practical" needs such as product functionality and reliability, style and design, price and customer service. Images, on the other hand, refer to how much your brand meets your customers' needs socially and psychologically. The question is: are your brand values in tune with those of your customers?

3- Third level: Judgment and feeling (and you?)

In the third step, the reactions of consumers are divided into two categories:

- "judgments";
- "feelings"

Here you have to understand how to influence them. For example, we have customer opinions on the quality of the brand, its credibility, relevance, superiority over competitors or relevance to their specific needs. In the case of feelings, however, we focus more on how the brand makes customers feel. In Keller's model we find six positive feelings for the brand: warmth, fun, excitement, security, social approval and self-respect.

4- Fourth level: Resonance (the relationship between you and me)

The fourth step, the highest point of the pyramid, is reserved for "brand resonance"; it is the apex of brand equity. In this case, customers feel a deep psychological bond with the brand and, as a result, will remain loyal to it.

Keller identifies 4 areas for resonance:

- Behavioural loyalty: customers who repeatedly buy from you;
- Attitudinal attachment: customers who have a very positive feeling (love) towards your brand;
- Sense of community: the sense of belonging to the community formed by customers and what the brand represents;
- Active involvement: customers who interact with your brand both during the purchase and "passive" phase, for example by interacting on social networks or events.

The goal in the final phase is to find ways to strengthen each category identified, recognizing and rewarding those customers who are loyal to the brand.

2.6.2. Aaker

The brand equity model presented by Keller, as seen in the previous chapter, focused primarily on the emotional sphere.

David Aaker, on the other hand, proposes a new, much more practical model: he argues that it is "*all about recognition*."⁹⁰

"The most successful brands are those that drive recognition in the emotional part of the brain that decides in a split second what to buy."⁹¹

Aaker believes that brand equity is a combination of "brand awareness, brand associations and brand loyalty". All these elements add up to the value given by the goods or services of a brand. The Aaker model helps to build a strategy of a brand composed of several elements that differentiate a company from its peers and push it forward.

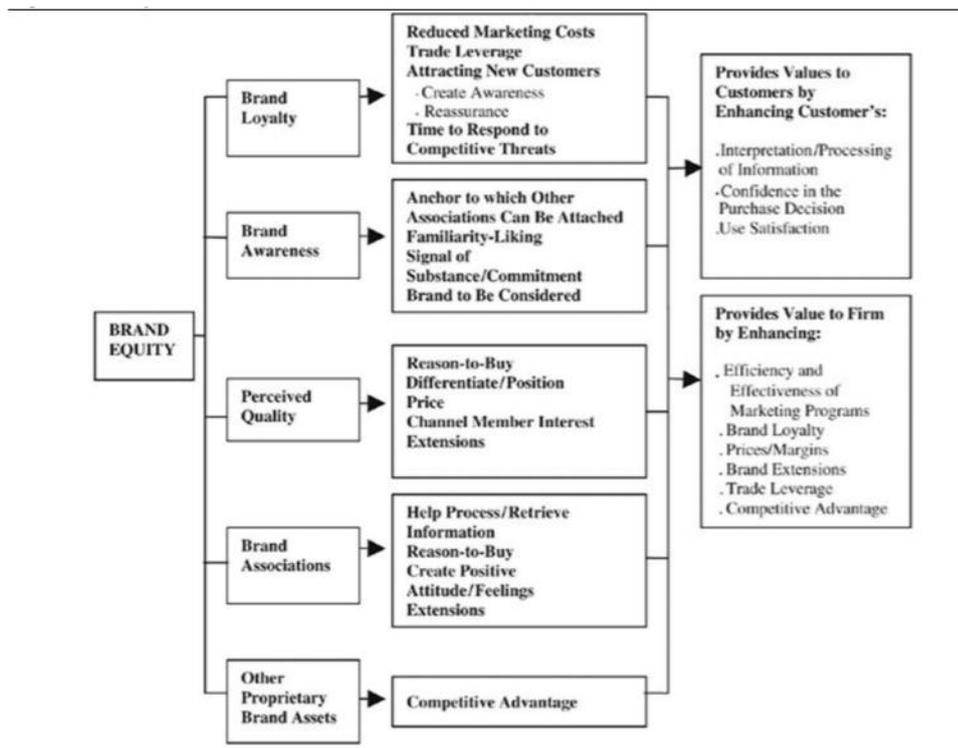
Aaker identifies 5 main components of the brand equity:

- Brand awareness: this refers to brand notoriety and its position in the consumer's mind;
- Brand associations: this refers to the individual connections linked to a single brand and perceived in the consumer's mind;
- Perceived quality: according to Aaker, this is one of the main elements of brand equity; in fact, this does not represent the quality of the product, but the perception that the client has of the product in relation to the use that will be made of it;
- Brand loyalty: being loyal to the brand is considered an essential dimension in the definition of brand equity and in the creation of a competitive advantage.
- **Patents, intellectual property and business partners:** Trademarks with more accumulated proprietary rights have a competitive advantage over other brands.

⁹⁰ <https://www.qualtrics.com/au/experience-management/brand/keller-vs-aaker/?geo=AU&geomatch=au&newsite=au&prevsite=en&rid=ip>

⁹¹ <https://www.qualtrics.com/au/experience-management/brand/keller-vs-aaker/?geo=AU&geomatch=au&newsite=au&prevsite=en&rid=ip>

Figure 15



Source: Brand Equity Asset (Aaker, 1996)

The objective that the company sets itself through the analysis of the above mentioned dimension of CBBE is to optimize the profitability of loyal customers, since they are willing to pay a premium price and constitute a barrier to entry to current and potential competitors. Then Aaker defines a model with a set of metrics to complete the model described above.

Loyalty	<ol style="list-style-type: none"> 1. Price Premium 2. Satisfaction/loyalty
Perceived quality/leadership	<ol style="list-style-type: none"> 3. Perceived quality 4. Leadership/popularity
Associations/Differentiations	<ol style="list-style-type: none"> 5. Perceived value 6. Brand personality 7. Organizational associations
Awareness	<ol style="list-style-type: none"> 8. Brand awareness
Market Behaviour	<ol style="list-style-type: none"> 9. Market share 10. Market price

Source: The brand equity ten, Aaker.

These are described now in more details

- **Brand loyalty**

Every business needed to maintain a good relationship with its consumers and establish one with new ones.

“The loyalty of the customer base reduces the vulnerability to competitive action. Competitors may be discouraged from spending resources to attract satisfied customers. Further, higher loyalty means greater trade leverage, since customers expect the brand to be always available.”⁹²

People tend to buy brands that are familiar to them because they tend to arouse feelings typical of the familiar environment. Loyalty is a key dimension of brand equity. this also represents an important barrier to entry, a basis for defining a premium price, an important time factor to respond to innovations made by competitors...; People tend to buy brands that are familiar to them because they tend to arouse feelings typical of the familiar environment.

“The awareness factor is particularly important in contexts in which the brand must first enter the consideration set—it must be one of the brands that are evaluated. An unknown brand usually has little chance.”⁹³

Aaker identifies two indicators of loyalty: premium price and customer satisfaction.

- *Price Premium*

The premium price is a key indicator to test the loyalty of consumers: this represents the amount of money that consumers would be willing to pay for the brand in question compared to another brand that offers almost similar benefits.

According to Aaker the premium price could represent the best measure of brand equity because "in most contexts, any driver of brand equity should affect the price premium. The price premium thus becomes a reasonable summary of the strength of the brand."⁹⁴

- *Customer satisfaction*

⁹² Aaker, David A. (1991). *Managing brand equity: capitalizing on the value of a brand name*. New York : Toronto : New York :Free Press ; Maxwell Macmillan Canada ; Maxwell Macmillan International

⁹³ Aaker, David A. (1991). *Managing brand equity: capitalizing on the value of a brand name*. New York : Toronto : New York :Free Press ; Maxwell Macmillan Canada ; Maxwell Macmillan International

⁹⁴ Aaker, David A. (1991). *Managing brand equity : capitalizing on the value of a brand name*. New York : Toronto : New York :Free Press ; Maxwell Macmillan Canada ; Maxwell Macmillan International

Customer satisfaction measured directly on the customer "can perhaps be defined as those who have used the product or service within a certain period of time as last year. The focal point may be the latest user experience or simply the user experience from the customer's point of view. Have you been - dissatisfied vs. satisfied vs. satisfied vs. delicate - with the product or service during your last experience?"⁹⁵

- **Perceived quality**

Perceived quality plays a central role in brand equity.

"Perceived quality will directly influence purchase decisions and brand loyalty, especially when a buyer is not motivated or able to conduct a detailed analysis. It can also support a premium price which, in turn, can create gross margin that can be reinvested in brand equity. Further, perceived quality can be the basis for a brand extension."⁹⁶

- **Leadership**

Another dimension is leadership. this is completed by three dimensions:

1. First, the key principle is that if enough customers buy into the brand strategy to make it the best sales leader, it must have some merit.
2. Second, leadership can also harness innovation inside a product class, i.e. if a brand is moving technologically forward.
3. Third, leadership leverages customer acceptance dynamics.

- **Associations**

The core element of association/differentiation of the brand equity's usually has unique image dimensions for a product class or brand. The real problem, therefore, is to create general sizes that work in all product categories.

The association/differentiation measurement can be organized according Aaker, to three views on the brand:

- **Value:** Value measurement offers an indicator synthesis of the success of brands in building this value proposition. Since the focus is on value rather than on specific functional benefits, a measure is created which can be applied to all classes of products.
- **Brand personality:** The personality of the brand can give a link to the emotional and self-expressive benefits of brands, as well as a core of relationships and differentiation between customer and brand.

⁹⁵ Idem

⁹⁶ Idem

- Organizational associations: Organisational associations refer to the organisation (people, values and programmes) behind the brand. This perspective can be particularly significant when there are similar brands in terms of attributes, when an organisation is visible, or when we have a corporate brand.

“Organisational associations are often important bases for differentiation and the choice includes customer interest, being innovative, commitment and commitment to high quality, to succeed, to have visibility, to be community oriented and to be a global player.”⁹⁷

- **Brand awareness**

Brand awareness is an important and sometimes underestimated component of brand equity. Awareness can influence the perceptions and attitudes of individual consumers and is capable of instilling confidence in a retailer. In some contexts, can be an important engine of brand choice and also of loyalty.

Aaker states that brand awareness reflects the salience of the brand in the minds of customers.

There are levels of awareness, of course, that include:

- Recognition (Have you heard of the Buick Roadmaster?)
- Remembering (What car brands can you remember?)
- Top-of-Mind (the first brand in a recall task)
- Trademark dominance (the only trademark referred to)
- Brand knowledge (I know what the brand means)
- Brand opinion (I have an opinion about the brand)

- **Market behaviour**

An added component that Aaker has added as an element to take into account when measuring brand equity is the market behaviour that is measured through:

- **The market share:** A brand's performance measured by market share (and/or sales) frequently gives a meaningful and sensitive redefinition of the brand's position with clients. When the brand has a comparative advantage in customers' minds, its market share should increase or at least not decrease.

⁹⁷ ⁹⁷ Aaker, David A. (1991). *Managing brand equity : capitalizing on the value of a brand name*. New York : Toronto : New York :Free Press ; Maxwell Macmillan Canada ; Maxwell Macmillan International

- **Market price:** Market share is not always an accurate measure for brand equity but, on the contrary, it can be particularly misleading when it increases as a result of reduced prices or price promotions. Therefore, it is relevant to assess the related market price at which the brand is traded.

Having a positive brand equity is therefore a key element both when it comes to marketing and business strategies. This is because brands are intangible assets capable of driving business performance over time. Their usefulness is not only in the short term, but also in the long term.

2.7. Green marketing

Brands are strong tools for change. They are closely aligned with consumers all around the world and deeply integrated into their daily lives and the decisions they have made.

When consumers support certain brands with strength and loyalty, it means that they approve of their values and market philosophy.

Companies that have successful brands, supported by a great number of loyal consumers, have the capacity to generate changes and indeed a complete change in consumer attitudes, behaviour and lifestyles. Consequently, nowadays, environmentally friendly brands are essential components of the sustainable marketing strategy and the notion of sustainability, as its enforcement needs modifications that spark masses rather than individuals. However, beyond the positive opinion on market practices, there is an important gap between sustainable attitude and sustainable behaviour making the "green" consumer segment still a niche market. Therefore, the most difficult challenge for marketing and brand managers is to find consumers' interest in a sustainable lifestyle and make it accessible and appealing to these consumers.

The sustainable strategy requires a fundamental holistic reshaping of the business model and a synergistic strategy. The marketing discipline has consumers at the centre of its philosophy and market as its major playground; however, due to the high resource consumption of the planet in recent years, marketing managers have played an increasingly important role: marketing has had to take a greener turn, so every aspect of the marketing mix has been improved. Green marketing includes all marketing initiatives with the aim of encouraging and supporting consumer attitudes and behaviours that respect the environment.

Through branding, companies can reach the maximum level of interaction with consumers and it has emerged that it is "the most influential part of the sustainable marketing strategy"⁹⁸. Because loyal consumers represent the driving force and true strength of brands, they can be an important factor in expanding consumer attention to the environment and sustainable issues. To quote Gordon, "once the majority embraces an idea, it becomes an unstoppable force,"⁹⁹ and this is the goal of the environmental

⁹⁸ Grubor, A., & Milovanov, O. (2017). Brand Strategies in the Era of Sustainability. *Interdisciplinary description of Complex Systems*, 15, 78-88.

⁹⁹ Gordon, W.: *Brand Green: Mainstream or forever niche?* Green Alliance, London 2002,

movement. It is this very idea that Schultz and Block call "sustainable brand growth" or increased brand value "created by existing loyal customers who encourage other customers to become users and possibly loyal to the brand."¹⁰⁰

The adoption of sustainable behaviours and approaches through the sustainable use of brands has the potential to trigger more profound changes in human life and to provide a bridge between the multiple interests of three usually opposing parties, consumers, businesses and society. Tackling sustainability as a real marketing theme requires some evaluation and clarification. In a first approach, this implies to think of sustainability as an entire process across all business processes, with the goal of successfully adopting the principles of sustainability in a holistic way. "In addition, *sustainability requires new guidelines*, which means working together and ensuring that stakeholders are able to develop a common language of trust and shared vision with all partners."¹⁰¹

Managing sustainability also requires a new kind of knowledge, able to provide transparent business processes and activities, with clear communication and no misstatements, which could only cause problems. Adopting sustainable projects should be the answer to some market and society needs, compared to actions forced by the working environment or because all competitors adopt these strategies.

"All these actions and investments should in fact be measured, testified, analysed, improved and justified through the change in consumer perception, the welfare of society, the reputation of the company."¹⁰²

In the last few years, consumers' interest in environmentally friendly solutions has increased significantly and, as a result, their expectations of the brands themselves have also increased.

The connection between brand performance and image as well as sustainability issues is becoming the main route to differentiation.

Thus, brand management emerges as a focused and even more dynamic business process with sustainability at the heart of its philosophy.

The relationship between traditional brands and their consumers has reached a point where people want much more for their money: they seek to gain full access to all the services generated by the company; and, from a company's point of view, this translates into doing "the right thing" helping to achieve a greater cause.

¹⁰⁰ Schultz, D. E., & Block, M. P. (2015). Beyond brand loyalty: Brand sustainability. *Journal of Marketing Communications*, 21(5), 340-355.

¹⁰¹ Grubor, A., & Milovanov, O. (2017). Brand Strategies in the Era of Sustainability. *Interdisciplinary description of Complex Systems*, 15, 78-88

¹⁰² Grubor, A., & Milovanov, O. (2017). Brand Strategies in the Era of Sustainability. *Interdisciplinary description of Complex Systems*, 15, 78-88

Sustainability, as a strategic approach, stands out inevitably at the front line of branding and general corporate policy, showing a responsible position towards the needs of humanity.

Consumer perceptions and preferences regarding the environment, sustainable business practices and brand equity are strongly interrelated.

Sustainability can give a deeper meaning to a brand image and consequently stronger emotional ties and differentiation.

Since *green corporate perception, eco-label and green product value* significantly affect the purchasing decision, and that certain consumers are inclined to pay a higher price for green brands, green branding is a key component for brand equity.

The pioneering definition of green brand equity, as the ultimate goal of green marketing and green branding strategy, was given by Chan who explains it as "a set of assets and liabilities of the brand with regard to ecological commitments and environmental concerns related to a brand, its name and its symbol that add or subtract the value provided by a product or service."¹⁰³ It is based on Aaker and Keller definition of brand equity.

In his study, Chen¹⁰⁴ identifies three main green brand equity items:

- 1- Green brand image
- 2- Green satisfaction
- 3- Green trust

The author identifies a positive correlation between the three drivers and brand equity with the particularity that note that "green satisfaction and green trust to some extent can mediate the relationship between green brand image and green brand equity"¹⁰⁵. He also listed main reasons for developing sustainable marketing: "compliance with environmental pressures; obtaining competitive advantage; improving corporate images; seeking new markets or opportunities; and enhancing product value"¹⁰⁶

Nastanski created a model that was then taken as a reference point by many companies. here it is presented below.

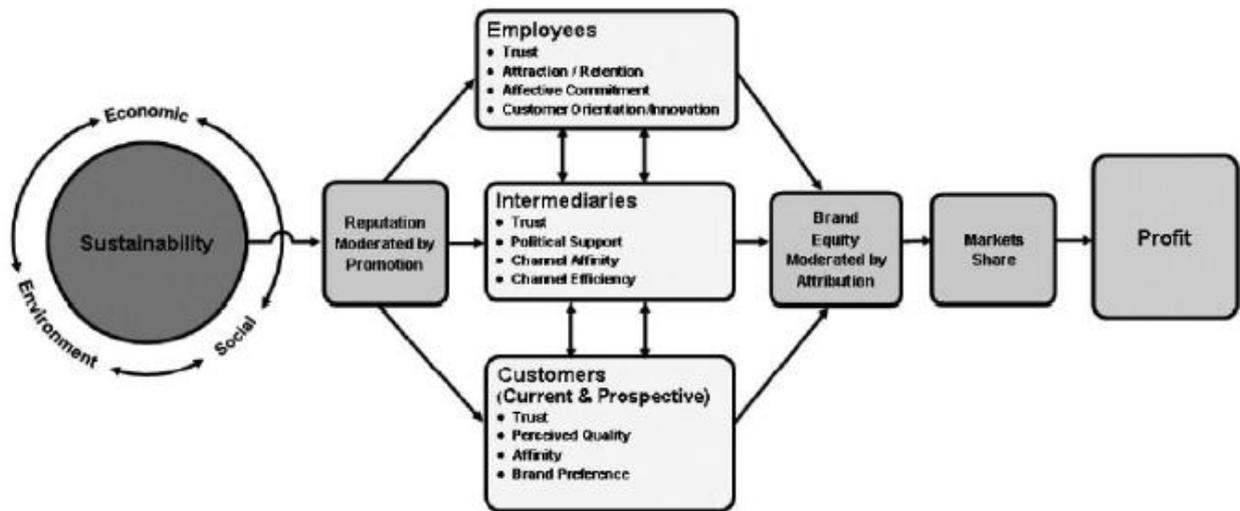
¹⁰³ Grubor, A., & Milovanov, O. (2017). Brand Strategies in the Era of Sustainability. *Interdisciplinary description of Complex Systems*, 15, 78-88

¹⁰⁴ Chen, Yu-Shan (2010). The Drivers of Green Brand Equity: Green Brand Image, Green Satisfaction, and Green Trust. *Journal of Business Ethics* 93

¹⁰⁵ Chen, Yu-Shan (2010). The Drivers of Green Brand Equity: Green Brand Image, Green Satisfaction, and Green Trust. *Journal of Business Ethics*

¹⁰⁶ Chen, Yu-Shan (2010). The Drivers of Green Brand Equity: Green Brand Image, Green Satisfaction, and Green Trust. *Journal of Business Ethics*

Figure 16



Source: Grubor, A. & Olja, M. (2017). *Brand Strategies in the Era of Sustainability. Interdisciplinary Description of Complex Systems*.

This green action, however, can have consequences that are not always pleasant: here we talk about greenwashing.

2.7.1. Greenwashing

When we speak of Greenwashing we mean a "communication strategy aimed at supporting and enhancing the company's environmental reputation through a nonchalant use of references to the environment in institutional and product communication, not supported by real and credible results in terms of improving the production processes adopted or the products made."¹⁰⁷

Through greenwashing, the company aims to achieve a positioning focused on environmental sustainability and, therefore, to obtain the benefits derived from it, in terms of image and therefore also in terms of turnover, without a way of operating substantially different from that of competitors.

This typically takes place through communication campaigns that tend to highlight the indicators that show the positive impact of the company's activities on the environment, with the ultimate aim of diverting the public's attention from the performance of the organization as a whole, given that the latter are not very significant from the point of view of sustainability. In other words, the company uses communication to attribute environmental values to its activities, despite the fact that in reality they are only partially, or not at all, guided by the logic of sustainable development.

¹⁰⁷ <https://www.glossariomarketing.it/significato/greenwashing/>

Greenwashing practices, even if they are effective in the short term, can over time seriously damage the reputation of the company and its competitiveness on the market.

The risk is that of losing credibility with the consumer and various other stakeholders as a result of a non-transparent environmental communication (i.e. not supported by certified and verifiable data), or following the adoption of behaviour not perceived as fully responsible. This has led many companies to review their marketing activities in an ecologically sustainable manner and, more generally, to invest increasingly in activities that fall within the field of corporate social responsibility.

Green Washing is a widespread phenomenon, especially at a time like the present when eco-sustainability has acquired a lot of appeal. In fact, many companies hide behind the terms of environmental sustainability and ethical process without doing anything concrete to protect the environment, using eco-sustainability as a misleading promotional message aimed at obtaining a corporate benefit. TerraChoice¹⁰⁸ has drawn up the Sins of Greenwashing, a list of seven sins committed by companies that claim to be eco-friendly, with the aim of protecting consumers. Here is the list:

- **Sin of the hidden trade-off:** declaring the eco-sustainability of a product based only on a few attributes and shifting attention away from what has the greatest environmental impact
- **Sin of no proof:** an environmental claim not supported by easily accessible supporting information or reliable third party certification.
- **Sin of vagueness:** when product claims are so generic that their meaning can be misunderstood by consumers.
- **Sin of worshipping false labels:** inserting false labels or presenting a product with false words or certifications
- **Sin of irrelevance:** include environmental claims that are also true but not important or useful for consumers.
- **Sin of lesser of two evils:** a claim that may be true for the specific product category but which risks distracting the consumer from the greater environmental effects of the category as a whole
- **Sin of fibbing:** i.e. environmental claims that are simply false.

The association that most of all tries to fight this phenomenon of greenwashing is greenpeace: in 2009 it launched a campaign entitled Stop Greenwashing in which are reported the "harmful" strategies of some companies also important.

The criteria identified by Greenpeace to find a greenwashing campaign are:

- Dirty business:
- Ad bluster
- Political Spin
- It's the law! Stupid

¹⁰⁸ <https://corporatefinanceinstitute.com/resources/knowledge/other/greenwashing/>

Greenwashing becomes a real strategy used by companies to cover the damage caused by the production of their products.

As a result, the greenwashing strategy becomes a central element, an integral part of corporate policy leading to real changes in the organization but in practice do not bring any benefit to the environmental cause.

For consumers, the only way not to fall into the trap of greenwashing is education, i.e. to recognize what is really unsustainable from what is only apparently "green". To do so, the tricks are few and simple, in fact, read the labels, know the company, deepen the knowledge of the products and their components, not necessarily giving for true everything that is said and written.

Just to avoid these drawbacks, in 2012 the U.S. Federal Trade Commission has released the "green Guide", just to avoid dropping consumers into the trap of greenwashing.

In the sights of environmentalists there is mainly the luxury sector and specifically that of fashion.

In the Italian market there are several haute couture brands that have been negatively evaluated: for example, by Greenpeace Dolce and Gabbana has refused the simple application

The question then arises as to what the motivation for fashion companies is to undertake greenwashing strategies instead of making changes to their *modus operandi*.

The answer is quite simple: "greenwashing is cheaper, faster and easier - and at the same time it benefits their business, rather than making it more difficult¹⁰⁹".

With an increasing number of consumers spending their money on earth-friendly brands, greenwashing has evolved into a means for companies to make a market claim. With efficient promotional campaigns and effective marketing strategies, any company or small business can develop a green image for its brand, no matter what its real business methods are.

In order to be able to talk about green fashion, in fact, it would be necessary to eliminate harmful substances in the phases of cultivation and production of fibres and fabrics.

The sustainability and ethicality of green fashion products are not immediately perceptible qualities. This is why certification and control systems are the main tools to guarantee the quality process and the observance of the rules established for the respect of the environment and workers. Sustainability for the most part concerns the processing of fibres, fabrics and hides, and knowledge about the recognisability of the material and the appearance of the garment by the public derives exclusively from the communication that is relatively made. Another way of recognising sustainable fashion is through craftsmanship, fair trade product markets, or practices that associate new design with the recovery and preservation of techniques that come from local traditions in disadvantaged and remote areas. Usually, the most characteristic aspects of

¹⁰⁹ *What is greenwashing in fashion* from <https://medium.com/tenderlymag/greenwashing-101-stop-applauding-every-green-initiative-you-see-in-fashion-4ace22468fd1>

sustainable fashion are dictated by the reduction of waste, the impact on the territory and the exploitation of labour. There are cases where the aim is to create cooperation with local people or special categories that are more disadvantaged, and the design of these products typically expresses the traditional dress, or enhances the natural quality of the materials and colours.

In order not to incur greenwashing, the sustainability of a product is assessed throughout its entire life cycle, from birth to death. The birth phase includes the first manufacturing transformations and also the origin of the raw materials, this is because the production conditions of the raw materials greatly influence the degree of sustainability.

Two campaigns that were praised for their sustainable commitment were Gucci's I was a Sari and Prada Re-Nylon lines.

In the next chapter we will explore the history of these two important fashion *maisons* and their CSR strategies.

2.8. Gucci: I was a Sari

Gucci is one of the most famous and influential fashion luxury brands in the world.

Founded in Florence in 1921 by Guccio Gucci, the house is known for its eclectic and contemporary creations that are an expression of Italian craftsmanship excellence in terms of quality, attention to detail and innovative design.

The founder, son of an Italian leathermaker originally from the north at the beginning he wanted to pursue the same career as his father. This led him to travel a lot in search of "his own place in the world". In fact, he worked as a waiter, dishwasher and also as a concierge in London or Paris. This experience allowed him to get in touch with many celebrities of the time such as Marilyn Monroe, Winston Churchill, Frank Sinatra or Claude Monet. This period was undoubtedly fundamental in the personal growth of the young Guccio Gucci who, surrounded by rich people, had the opportunity to observe and understand the way of life and style of the wealthiest people of the time.

In the end, he decided to return to Florence and work with his father. For two decades he worked for Pelletteria Frenzi and in 1921 he decided to found his first Gucci shop. This mix of his experience gained abroad, combined with the high tradition of Italian craftsmanship, was a perfect mix for the creation of high-quality products that revolutionized the fashion market forever.

Later, thanks also to the help of his three sons, Guccio expanded the company, building new shops in Italy and even overseas, in New York.

What has always characterised Guccio's production has been quality: he has never compromised on quality. In fact, his customers could buy bags, clothes, shoes all of first quality and always original in terms of style.

Although Gucci has organised its workshops for industrial production methods in order to optimise its production, he has kept the most traditional aspects of manufacturing. "Since the days of its founder, Gucci has continuously shown a commitment to high quality and ethical values in all aspects of the business, i.e. quality of the product, made in Italy, passion of the people."¹¹⁰

From the outset, the Gucci brand has been particularly sensitive to environmental and sustainability issues, even if not expressly mentioned in their corporate mission statement. Gucci has always been concerned about environmental issues, so much so that the group has decided to produce in a different way using eco-friendly materials.

Since 2004 it has been combining high quality and Made in Italy craftsmanship to follow a path of sustainability. This led to Gucci being chosen as "the first luxury goods brand to receive SA8000 certification which aimed to safeguard the well-being of all employees and workers"¹¹¹.

Even before seeking SA8000 certification, "Gucci promoted sustainable values throughout the company through the adoption of nine key principles, namely business ethics, professional skills, environment, health and safety, cooperation, stakeholders, human rights, diversity and equal opportunities."¹¹². Although these principles formed the core of corporate identity, SA8000 certification provided the initial framework to make Gucci's standards almost complete fully usable quality.

The approach to sustainable techniques was explicitly taken at the time of acquisition by the Kering Group. The group has given priority to these principles distilling them into quantifiable goals that fit their activity.

*"The world's leading brands are rightly judged today not just on the quality of their products and services, but also on the way they act in the community and towards the environment. In 2004, Gucci took a leadership position in the industry by voluntarily initiating the certification process for Corporate Social Responsibility (SA 8000) across its supply chains. In the same year Gucci established a partnership with UNICEF, which in the last six years has generated more than US\$ 8 million for its projects supporting disadvantaged children and women in sub-Saharan Africa Now. These are initiatives which are part of our values system just as we believe a concern for the environment needs to be."*¹¹³

- Patrizio di Marco

In 2010, this commitment was achieved with 14001 certification and the launch of a number of sustainable initiatives to reduce the impact of the firm on the environment.

¹¹⁰ Som A., Ricciolino L., (2019), *Gucci: Positive Luxury*, ESSEC Business School

¹¹¹ Som A., Ricciolino L., (2019), *Gucci: Positive Luxury*, ESSEC Business School

¹¹² Som A., Ricciolino L., (2019), *Gucci: Positive Luxury*, ESSEC Business School

¹¹³ *Gucci goes green with eco-friendly packaging* from <https://economictimes.indiatimes.com/datetime-india/gucci-goes-green-with-eco-friendly-packaging/articleshow/6016232.cms?from=mdr>

At the heart of the project were new eco-friendly materials related to packaging. These used only 100% recyclable FSC certified paper.

Here are some sustainable initiatives implemented by Gucci:

- The shopping bag line designed by creative director Frida Giannini can be considered a first important example of Gucci's environmental commitment. In fact, these bags have managed to combine Gucci's made in Italy and its environmental responsibility, so much so that all plastic surfaces have been removed because they are not recyclable.

- In February 2013, the company launched the "Chime for Change", a charity that supports the global campaign against violence against women.

- In July 2013, activist Lydia Emily was commissioned by Gucci to paint a mural on Skid Row in Los Angeles, an image depicting a woman named Jessica who survived human trafficking. Emily currently works for The Mary Magdalene Project, an organization active since 1980 that helps women leave the sex industry.

- Gucci has had a special partnership with UNICEF since 2005, to which it periodically donates a percentage of its revenue from the sale of products put on the market to support UNICEF and its campaigns. Gucci's annual campaign for UNICEF supports education and health, the fight against hunger and various disease prevention and clean water programs for orphans and children living with HIV and AIDS in Sub-Saharan Africa. In five years Gucci has donated approximately 5.5 million euros to UNICEF, and has also distinguished itself as the largest company to support several major projects, such as the 2004 Schools for Africa initiative, sponsored by UNICEF, the Nelson Mandela Foundation and the Hamburg Society.

In 2017, in line with Kering's commitment to responsible business practices, Gucci presented the ten-year "Culture of purpose" plan, designed to create a positive social and environmental impact, presented in the Gucci Equilibrium platform.

"We have been working on sustainability for so long and we realized at one point that our actions needed to be better understood within and outside the company."¹¹⁴

- *Marco Bizzarri*

Defined by two pillars, People and Planet, equilibrium.gucci.com brings together the commitments and actions taken by Gucci to reduce its environmental impact and protect the environment, while supporting

¹¹⁴ *How Gucci gang became the world's most sustainable fashion corporation* from <https://www.corporateknights.com/channels/leadership/gucci-gang-most-sustainable-fashion-corporation-15482401/>

people's rights and promoting inclusiveness and respect, so that everyone in the global Gucci community is free to express the authentic diversity of their being¹¹⁵.

The name of the platform "GUCCI EQUILIBRIUM" comes from the need of a compromise between aestheticism and ethics for the brand. It was a smart approach for the brand to remind not only its customers, but also its employees and suppliers that sustainability, transparency and integrity were now core values. The platform has therefore enabled its visitors to understand every Gucci initiative related to the 2017 sustainability plan.

Among the proposed initiatives, the "I was a Sari" line was considered for marketing research.

The sari is a traditional Indian dress, it "consists of a band of cloth about one meter wide, whose length can vary from four to nine meters, which is wrapped around the body of the wearer with methods that vary according to its function"¹¹⁶.

I was a Sari project was born in Mumbai, a real economic capital of India. In fact, it was there that the Italian entrepreneur, Stefano Funari, discovering the local culture and traditions, had this idea: to create clothes and accessories made with recycled saris, using women from disadvantaged backgrounds, with the support of NGO Community Outreach Programme (CORP) and Animedh Charitable Trust (ACT).¹¹⁷

The project was made possible thanks to the multidisciplinary research collective of the design department of the Politecnico di Milano. For the realization of the line, all industrial waste, second-hand saris and other materials that have been used before are used, but the real rise in quality came in 2018, thanks to an agreement and partnership with Gucci Equilibrium.

This project and this partnership with a brand as important as Gucci has put under the spotlight a very strong social problem in India: discrimination for women belonging to disadvantaged social classes. The basic idea of this project is in fact to help these women to find their own dimension, to be economically autonomous and to keep alive a tradition, such as the use of saris, avoiding waste and pollution.

This collaboration has also been possible thanks to a strong interest in the world of embroidery by Gucci. Mumbai is in fact an important centre for this form of craftsmanship: "With the help of Gucci and their local partners, we have formed an unprecedented group of artisan embroiderers who have acquired techniques and skills that they themselves did not believe possible"¹¹⁸ says Stefano Funari, founder and CEO of I was a Sari.

¹¹⁵ *Gucci Equilibrium: cambiamenti positivi per le persone del pianeta* from https://www.adnkronos.com/sostenibilita/csr/2020/06/09/gucci-equilibrium-cambiamenti-positivi-per-persone-pianeta_pxnLi707x8jB1h1XpzS2N.html?refresh_ce

¹¹⁶ [https://it.wikipedia.org/wiki/Sari_\(indumento\)](https://it.wikipedia.org/wiki/Sari_(indumento))

¹¹⁷ <https://www.corriere.it/economia/moda-business/cards/piu-dati-meno-spreco-moda-italiana-si-veste-sostenibilita/caso-was-sari-con-gucci-equilibrium.shtml>

¹¹⁸ <https://www.corriere.it/economia/moda-business/cards/piu-dati-meno-spreco-moda-italiana-si-veste-sostenibilita/caso-was-sari-con-gucci-equilibrium.shtml>

The successes of this new project have been truly remarkable, just think that in January 2019 I Was a Sari, won the Indian (promoted by the United Nations) Circular design challenge award 2019, while last September, in Milan, the prestigious Responsible Disruption of the Green Carpet Fashion Awards arrived. a success that has also increased the staff.

However, the pandemic has momentarily slowed them down as well.

Many offices in India were in fact closed so as not to put staff at risk, but the situation, as well as from a health point of view, is economically very delicate: *"Unfortunately the pandemic hit us at a time of strong development, turnover had grown by just under 100%, the number of craftswomen in a year had increased by 80%. But we export about 90% of our production (mainly to Europe and the United States): India is worth just over 10% of sales, especially for tourists"*. The impact, explains Funari, is not only economic, but also humanitarian: *"I hope, however, that this situation will encourage greater consumer awareness. I hope that sustainability testing will become an increasingly central issue for those who buy in the future"* he said.

2.9. Prada: Re-Nylon

The company was founded in the spring of 1913 when Mario Prada, together with his brother Martino, opened an elegant boutique in Galleria Vittorio Emanuele II in Milan with the sign "Fratelli Prada". Among the products sold are mainly suitcases, trunks with a large number of compartments, travel bags, walking sticks, and caskets.

Then there are also porcelain, watches, various silverware and other items including leather travel necessities with refined crystal inserts and strange steamship trunks.

Success was not long in coming: just six years after it opened in 1919, twelve months after the end of the First World War, the shop became the official supplier of the Savoyard Royal House which, for the time, was a seal of maximum prestige.

From that moment on, the customer portfolio was enriched: the big Milanese families, but also the European ones, started to buy regularly from the Prada Brothers' shop, making it a national and international reference point for leather accessories.

It was in 1977, however, that the company had a turning point: the company passed into the hands of Miuccia Prada, Mario's nephew. It was with her that a long journey began, which saw her transform the family business into a global luxury giant. With Patrizio Bertelli, who she met for the first time in 1977 and who was already the owner of a small leather goods company, she began a collaboration that saw the establishment of "I Pellettieri d'Italia", an industrial and distribution company that for the first few years sold Prada products worldwide.

As creative director of Prada, Miuccia designed in 1985 what would become the true icon of the maison, the classic and elegant backpack made of black nylon. In the 80s and 90s Prada's popularity grew and new products such as footwear, men's and women's clothing, the introduction of ready-to-wear collections designed by Miuccia, characterized by sobriety, elegance and innovative materials. Challenging the glitz and glamour of the '80s and declining a new fashion paradigm are the primary objectives of the new phase of the company's life. The first fashion show of the brand dates back to 1988, within the autumn/winter 1989 collection. A few years later, in 1992, Miuccia founded Miu Miu Miu, a brand with which it distributed more experimental and modern women's garments for a younger public.

From 1999 onwards, a strong process of acquisitions began that led to the temporary ownership of the following brands: Church's Group (100%), Helmut Lang (51%), Jil Sander (94.8%), Fendi (51% in tandem with LVMH, before Prada sold its share to LVMH at the end of 2001), Car Shoe (51%), Santacroce (70%).

It was in the early 2000s that Prada also launched its fragrance lines for men and women and Prada Eyewear, the first eyewear line of the Milanese fashion house.

The Prada Group is characterized in the worldwide panorama for the high quality content of its activities, with an organization structured to control all phases of the production cycle. The main activities are the production, distribution and retail sale through DOS (Directly Operated Stores) of products in the leather goods, ready-to-wear clothing, footwear and accessories sectors.

The Prada group's focus on sustainability led to a 5-year sustainability loan of 50 million euros with the Crédit Agricole group. The agreement aims to "adjust interest rates annually if certain sustainability objectives are achieved¹¹⁹". For example, Prada rates will be cut if a number of shops are awarded LEED Gold or Platinum certification; if employees comply with a certain number of hours or training; and if the objectives of using Re-Nylon, a sustainable substitute for nylon, for the production of goods, are achieved.

The three objectives were chosen by Crédit Agricole based on a list provided by the Italian company, which gave priority to targets that support craftsmanship, energy saving and circularity. "*What's new is finding ways to measure them in a tangible way,*" says Alberto Bezzi, senior banker at Crédit Agricole Corporate and Investment Bank. The parameters against which these objectives will be measured are not fixed, but will evolve as Prada takes more environmentally friendly actions".

The initiative is the first of its kind in the luxury sector, although loans of this type have been made in other areas, in fact, according to Environmental Finance data, the market for sustainability loans grew from \$5 billion in 2017 to \$40 billion in 2018.

"For some sectors, such as oil, gas and mining, the issue of sustainability was much more pressing, with greater risks for [associated] investors¹²⁰" says Mario Ortelli, managing partner of luxury consulting firm

¹¹⁹ <https://www.vogue.co.uk/fashion/article/pradas-sustainability-initiatives>

¹²⁰ <https://www.vogue.co.uk/fashion/article/pradas-sustainability-initiatives>

Ortelli&Co. *"Now that consumers' and companies' [luxury] awareness of sustainability has increased significantly, many other companies are expected to take out sustainability loans.*

*"This operation demonstrates that sustainability is a key element for the development of the Prada Group, which is increasingly integrated into our strategy."*¹²¹

said Prada's financial director, Alessandra Cozzani, in a statement.

The loan was one of a series of sustainable initiatives undertaken by Prada in recent years.

- In May 2019, Prada announced that it had given up the use of fur in its collections and joined major brands such as Chanel, Burberry and Gucci.
- One month later, the brand launched Re-Nylon, the line analysed for my marketing research

Re-Nylon, Prada's new eco-sustainable project in collaboration with Aquafil to produce a new material: ECONYL, a regenerated nylon yarn. The collection is presented as a line of six bags made with Econyl regenerated yarn created with recycled plastic waste from the oceans, fishing nets and textile fibre waste..

Prada has always stood out for its commitment to sustainability and respect for the environment. It had already previously announced the Prada Fur Free initiative with the abandonment of animal fur. Now the Prada Group's commitment is focused on its brand DNA, nylon, the hallmark that has defined the history of the Italian brand. ECONYL is a nylon yarn that is made by recycling plastic waste recovered from pollution in the oceans. The new concept of luxury now challenges environmental dynamics, while the revolutionary material will rewrite the brand's past.

*"I am proud to announce the launch of the Prada Re-Nylon collection. Our goal is to convert all Prada virgin nylon into Re-Nylon by the end of 2021. The project reflects our ongoing commitment to sustainability. This collection will allow us to make a significant contribution and create products without using new resources."*¹²²

Lorenzo Bertelli, Head of Marketing and Communication of the Prada Group.

The Prada Re-Nylon collection presents six classic models for men and women: a pouch, a shoulder bag, a shoulder strap, a duffel bag and two backpacks. The entire offer is produced with regenerated nylon and is distinguished by a logo designed specifically for the project.

To present the cutting-edge processes on which the initiative is based, National Geographic, Prada's "content partner", makes "What We Carry" a series of short films that will accompany viewers on an incredible journey along the ECONYL® supply chain. From Africa to America, from Asia to Oceania to Europe, the short films each explore the recycled materials that make up ECONYL® yarn, revealing behind the scenes of the factories and plants that produce it.

¹²¹ <https://www.pradagroup.com/en/sustainability/environment-csr/esg-loan.html>

¹²² <https://www.pradagroup.com/en/sustainability/environment-csr/prada-re-nylon.html>

Underlining the importance of environmental awareness and responsibility, a percentage of the proceeds from the sale of the Prada Re-Nylon capsule collection will be donated to environmental sustainability projects. Prada in collaboration with UNESCO will develop educational activities aimed at students in different parts of the world, an educational program capable of inspiring young people through crucial issues such as pollution caused by plastics and the circular economy. Based on two key concepts - learning and acting -, the outcome of the project will be an awareness campaign designed by the students themselves.

The company is also committed to converting all the virgin nylon used in its products into Re-Nylon by the end of 2021.

Chapter 3

3.1. Marketing research

In the previous chapters we were able to get an overview of the fashion luxury market and the CSR strategies that are increasingly being applied by large companies.

We were able to see what the advantages are in implementing CSR strategies and how they can increase brand equity.

Now in this third chapter we will get into the real marketing research of this work.

The aim of my marketing research is to see how CSR strategies impact and can influence “Brand Equity” with respect to brands like Gucci and Prada. Specifically, I will analyse how consumers' **intention to buy** changes when they face up explicit communication of the eco-sustainable activities used to create products.

For the research, two examples of eco-sustainable fashion campaigns were used: Prada's "Re-nylon" line and Gucci's "I was a Sari" line.

The choice to use these two eco-sustainable collections was mainly motivated by three factors:

- 1- Prada and Gucci represent two excellences in the sector of fashion luxury at a global level.
- 2- The products of the two eco-sustainable lines are different: while Prada's line concerns the sale of bags made with eco-sustainable materials, Gucci's line focuses on clothes, the Sari, typical of the Indian tradition.
- 3- Since Gucci and Prada present two different products, the goals they intend to achieve are also different: while Gucci's line, with its centre in Mumbai, aims to help Indian women to find a job, to integrate into the local community, trying to reduce the gap between men and women; Prada's line instead aims to create products through the use of materials such as used fishing nets, plastic waste found in the ocean and textile fibre waste.

For the questionnaire was used the Linkert scale with values from 1 (minimum) to 7 (maximum).

The questionnaire, structured and presented to users on Qualtrics, is divided into 3 parts:

- 1) **Demographic information.** The aim of this part is to describe the demographic characteristic of the sample population.
- 2) **Introduction.** General questions with the intent of introducing the research topic and capture the respondent attention. The aim is to understand if people who are doing the questionnaire are confident with the area of research: the fashion industry.
- 3) **Technical section.** Here I analysed the relation between brand equity and the sustainable campaign made by the two Italian fashion firms: Gucci and Prada.

The entire questionnaire has been constructed taking the following as its point of reference the Aaker's model, the Ten Brand Equity. The brand equity was divided into 5 macro areas, Loyalty, Perceived quality/leadership, Associations, Brand awareness, Market behaviour, according to Aaker's work called *"Measuring Brand Equity Across Products and Markets"*.

I have used for the brand awareness part the paper written by Seongho Kang and Won-Moo Hur called *"Investigating the Antecedents of Green Brand Equity: A Sustainable Development Perspective"*. For the design of the survey, I have applied the *"Marketing scales handbook"* by Gordon Bruner.

The questionnaire consists of 25 questions. For logistical reasons, this questionnaire can be considered as a "convenience sample" since it was submitted to the people it was possible to reach, without considering particular criteria in order to make it representative of the Italian population. The same people interviewed, the reference target that I mainly wanted to obtain concerns the so-called millennium band, which corresponds in terms of characteristics, to the reference target for fashion luxury brands that intend to impose themselves on the market by implementing eco-sustainable strategies.

For reasons of simplicity, since I was considering two Italian brands, the questionnaire was presented in Italian, so that it could reach as many people as possible, avoiding any communication problems. Out of a total of 200 respondents, 98 responded to the questionnaire on Prada and 102 to the questionnaire on Gucci. Participants were randomly assigned one of the two brands, but they answered the same questions.

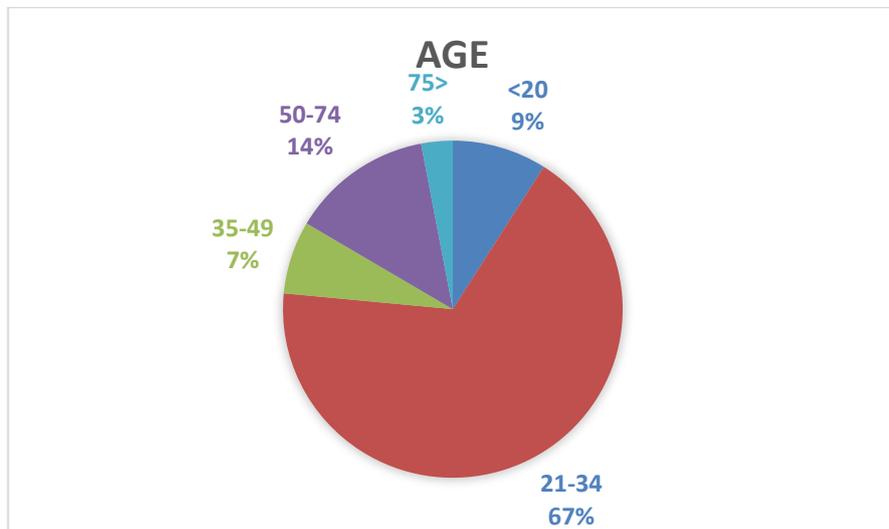
To reach the largest number of respondents, the survey was published on social platforms such as Facebook and LinkedIn.

3.1.1. Demographic information

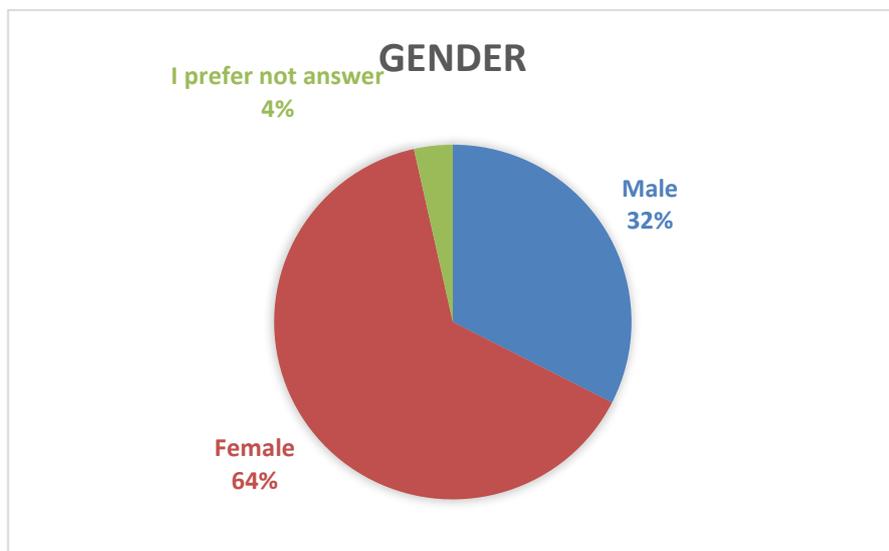
The respondents were subjected in the first part of the questionnaire to a series of socio-demographic questions, mainly aimed at understanding which sample I was going to analyse.

In the first part of the questionnaire regarding the socio-demographic analysis, it was found that 64% of the respondents were female, aged 21-34 years (67%), students (53%) with a **bachelor's degree** (47%).

As can be seen, respondents have a medium to high level of education and higher education than the average Italian population¹²³. This aspect constitutes a "bias" that makes the sample little representative of the Italian population, but which makes it particularly suitable to represent the typical clientele of a luxury brand.

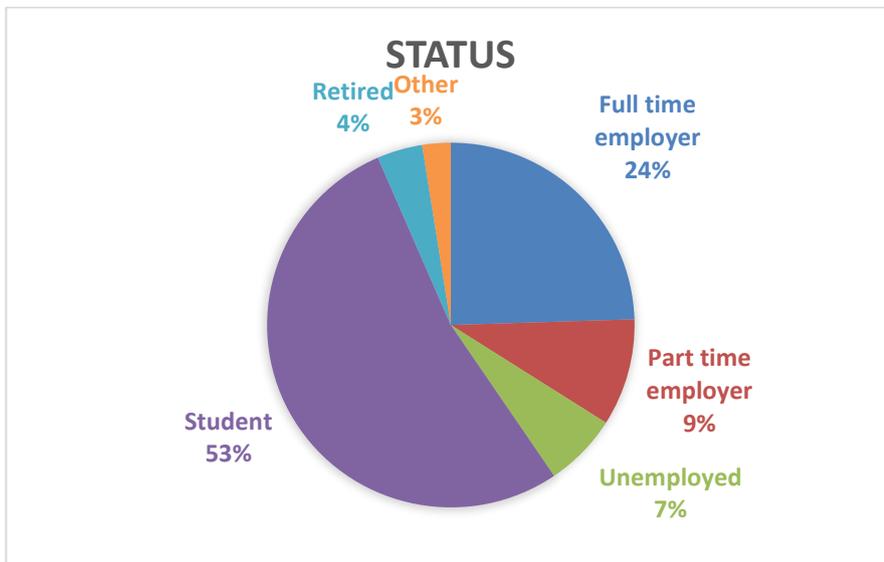


Source: Chart based on data processed with IBM SPSS

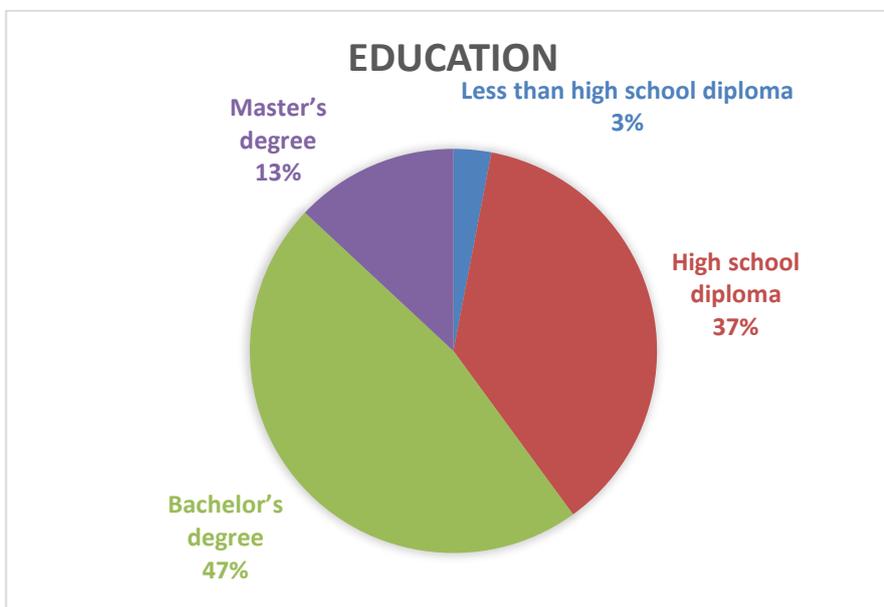


Source: Chart based on data processed with IBM SPSS

¹²³ http://dati-censimentopopolazione.istat.it/Index.aspx?DataSetCode=DICA_GRADOISTR



Source: Chart based on data processed with IBM SPSS



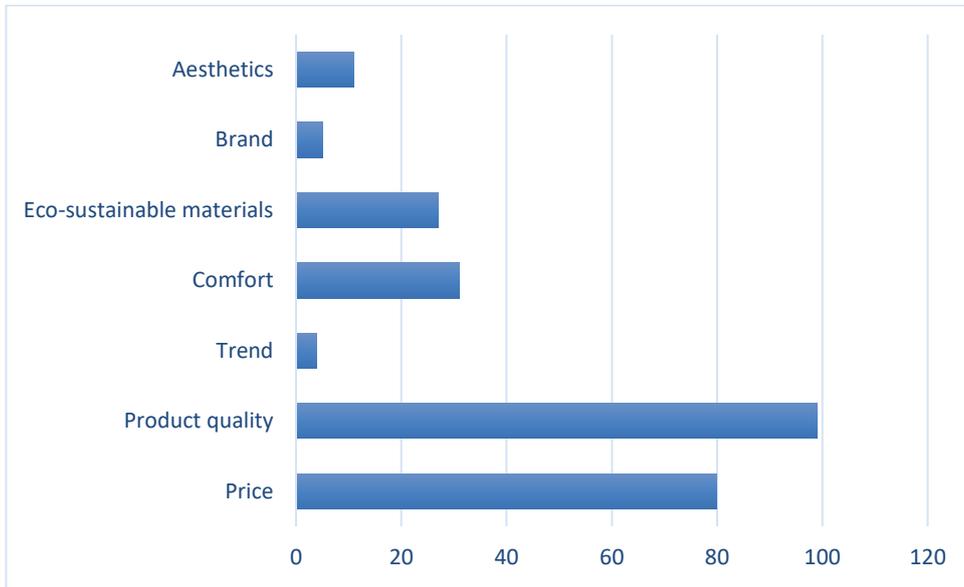
Source: Chart based on data processed with IBM SPSS

3.1.2. Introduction

The introduction part consisted of a series of questions aimed at understanding whether the pool of respondents was aware of the topics covered in the questionnaire, such as sustainable fashion. 167 respondents out of a total of 200 said they had already heard about sustainable fashion. 122 people said that it is important for them to buy a sustainable brand.

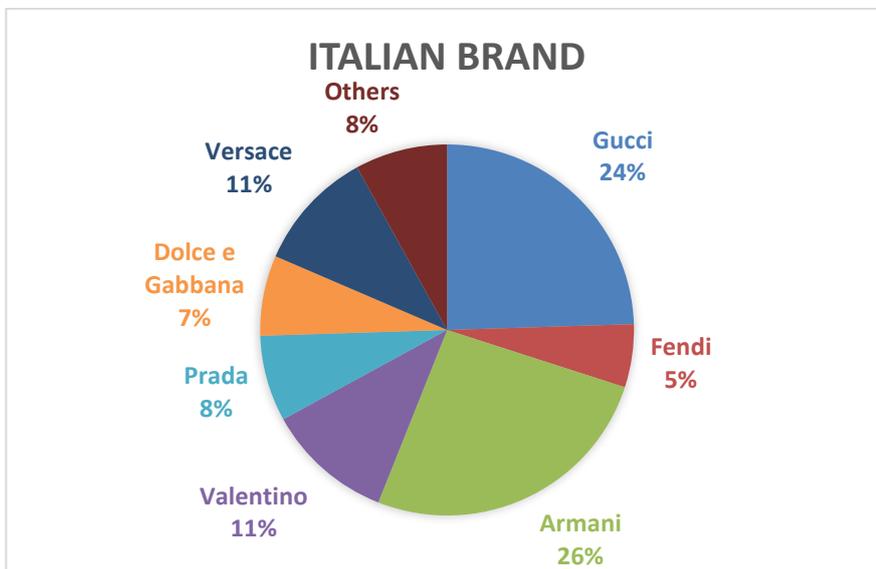
As regard the part of the criteria used in the choice of a clothing item, most of them have proven to be attentive to the **quality of the product** and the **price**.

Among the various criteria selected and classified by semantic fields, a good part considers it relevant that the garment respects eco-sustainable criteria.



Source: Chart based on data processed with IBM SPSS

In order to better understand the Italian market and the perception of it by the interviewees, it emerged that the first brand that immediately comes to mind when talking about Italian fashion is **Armani**, with 26%, followed by **Gucci** (24%), **Valentino** (11%) and **Versace** (11%).



Source: Chart based on data processed with IBM SPSS

3.1.3. Reliability analysis

After a part of descriptive analysis, to analyse the **intention to buy (ITB)**, I first had to test the reliability of the scale. The Cronbach Alphas of the individual scales were then evaluated.

In order to propose an overview of the evaluation carried out, the values will be considered in this way:

- Values greater than 0.90 = very good values;
- Values between 0.80 and 0.90 = good values;
- Values between 0.70 and 0.80 = discrete values;
- Values between 0.60 and .70 = sufficient values;
- Values less than 0.60 = insufficient values.

The first scale that has been analysed through the reliability analysis is **Intention to buy before video**. The items included in this scale are the so-called "ITB1, ITB2, ITB3, ITB4 and ITB5". In the questionnaire these items measure with a Likert scale from 1 (extremely disagree) to 7 (extremely agree).

As can be seen from the table above, Cronbach's Alpha has a value of **,950**, so it can be considered **very good value**.

The ITB1 shows an alpha of ,934; the ITB2 has an alpha of ,933; the third has an alpha of ,932; the fourth of ,952 while the last one, ITB5, has an alpha of ,936. For this reason, we can deduce that **all items were reliable**.

The same analysis process was done for the intention to buy after that the interviews have seen the video. In this case the Cronbach's Alpha was **,917**, a very good value.

The different items were ,887 the first; ITB2 was ,878, the third was ,879, the fourth was ,919 while the last item, ITB5, has an alpha of ,922.

The items used for the pre-video analysis were the same as in the post video phase and correspond to the following questions:

1. *I will buy this product.*
2. *I would consider purchasing the product shown.*
3. *The probability that I would consider buying the product shown is high.*
4. *What is the impression do you have of this product?*
5. *Are you unfavourable or favourable to purchasing this product?*

Respondents had to answer the following questions by stating how much they agreed with the following statements, expressing it on a scale from 1 (extremely disagree) to 7 (extremely agree).

	Alpha di Cronbach	ITB1	ITB2	ITB3	ITB4	ITB5
Intention to buy before video	,950	,934	,933	,932	,952	,936
Intention to buy after video	,917	,887	,878	,879	,919	,922

Source: personal processing based on data processed by IBM SPSS

The purchase intention can be described as the impulse or motivation deriving from consumers' minds to purchase a particular brand after having evaluated it, before deciding to make any purchase according to their needs, attitudes and perceptions towards brands¹²⁴.

In the marketing of a brand, the purchase intention is recognised as a key factor in knowing and predicting the consumer behaviour"¹²⁵.

That's why it was interesting to analyse how it could change in relation to CSR strategies of well-known brands such as Prada and Gucci.

Below are the complete data necessary for my research phase:

1- Intention to buy before video:

Statistiche di affidabilità

Alpha di Cronbach	Alpha di Cronbach basata su elementi standardizzati	N. di elementi
,950	,950	5

¹²⁴ Santoso, C.R., & Cahyadi, T. (2014). *Analyzing the Impact of Brand Equity Towards Purchase Intention in Automotive Industry: a Case Study of ABC in Surabaya*.

¹²⁵ Ivi

Statistiche degli elementi

	Media	Deviazione std.	N
ITB1 A	2,39	1,674	200
ITB2 A	2,71	1,701	200
ITB3 A	2,42	1,720	200
ITB4 A	3,25	1,679	200
ITB5 A	2,98	1,594	200

Statistiche degli elementi di riepilogo

	Media	Minimo	Massimo	Intervallo	Massimo/minimo	Varianza
Medie elementi	2,747	2,390	3,245	,855	1,358	,135
Varianze elementi	2,803	2,542	2,958	,415	1,163	,025
Covarianze tra gli elementi	2,214	1,964	2,521	,556	1,283	,038

Statistiche elemento-totale

	Media scala se viene eliminato l'elemento	Varianza scala se viene eliminato l'elemento	Correlazione elemento-totale corretta	Correlazione multipla quadratica	Alpha di Cronbach se viene eliminato l'elemento
ITB1 A	11,35	37,463	,880	,807	,934
ITB2 A	11,03	37,034	,887	,800	,933
ITB3 A	11,32	36,731	,893	,828	,932
ITB4 A	10,49	39,156	,777	,632	,952
ITB5 A	10,76	38,518	,871	,762	,936

Statistiche scala

Media	Varianza	Deviazione std.	N. di elementi
13,74	58,296	7,635	5

2- Intention to buy after Video

Statistiche di affidabilità

Alpha di Cronbach	Alpha di Cronbach basata su elementi standardizzati	N. di elementi
,917	,915	5

Statistiche degli elementi

	Media	Deviazione std.	N
ITB1 B	3,08	1,557	200
ITB2 B	3,59	1,528	200
ITB3 B	3,36	1,585	200
ITB4 B	4,19	1,387	200
ITB5 B	4,72	1,495	200

Statistiche elemento-totale

	Media scala se viene eliminato l'elemento	Varianza scala se viene eliminato l'elemento	Correlazione elemento-totale corretta	Correlazione multipla quadratica	Alpha di Cronbach se viene eliminato l'elemento
ITB1 B	15,85	26,882	,840	,755	,887
ITB2 B	15,35	26,629	,882	,820	,878
ITB3 B	15,57	26,146	,877	,835	,879
ITB4 B	14,74	30,605	,674	,474	,919
ITB5 B	14,22	29,778	,665	,457	,922

Statistiche scala

Media	Varianza	Deviazione std.	N. di elementi
18,93	42,869	6,547	5

Respondents were subjected to a double stimulus. In a first phase, I asked to answer the 5 questions previously submitted based on a photo of the Gucci and Prada product line.

Later on I asked to answer the same questions, but after watching an explicit video showing the techniques used for the production of the final product with reference to CSR activities that better explained the fashion campaign, the advantages of this one, the purpose of the promotion, etc..

I wanted to see if there was a different purchase intention after somehow explaining the CSR activity.

The average values were then calculated based on reliability.

3.1.4. Mixed Anova

The analysis continued by analysing the Mixed Anova model.

The **within subject** analysis took the average intention to buy, before and after the video, as repercussion parameters. While for the **between subject**, were taken Prada and Gucci.

Fattori entro soggetti

Misura: MEASURE_1

Rappr_prodotto	Variabile dipendente
1	ITBMEDIA_be foreVideo
2	ITBMEDIA_aft erVideo

Fattori tra soggetti

		Etichetta valore	N
BRAND	0	Prada	98
	1	Gucci	102

These are the following descriptive statistics:

Statistiche descrittive

	BRAND	Medio	Deviazione std.	N
ITBMEDIA_beforeVideo	Prada	2,9816	1,53719	98
	Gucci	2,5216	1,49007	102
	Totale	2,7470	1,52704	200
ITBMEDIA_afterVideo	Prada	3,9980	1,28480	98
	Gucci	3,5824	1,30683	102
	Totale	3,7860	1,30950	200

From the Box Equality text of the covariance matrices it results that the **significance is greater than 0.5** therefore it is not significant, therefore it is correct.

Test di eguaglianza di Box delle matrici di covarianza^a

M di Box	,241
F	,079
gl1	3
gl2	7437411,777
Sig.	,971

Verifica l'ipotesi nulla che le matrici di covarianza osservate delle variabili dipendenti siano uguali tra i gruppi.

a. Disegno: Intercetta + BRAND
Disegno entro soggetti: Rappr_prodotto

3.1.5. Effect test within subjects

At this point there is a main effect that is given by the category of how the product is presented, therefore by my pre and post video condition, with an insignificance that is equal to .000 that is:

main effect of Rappr_product (pre-video/post-video) on ITB

$F(1,198)=177.870$, with $P<.001$ so it's significant

with ITB media post video = 3.79 and therefore higher than ITB before video = 2.75

		Somma dei quadrati di tipo III	df	Media quadratica	F	Sig.
Rapp_Prodotto	Sfericità presunta	107,817	1	107,817	177,870	,000
Rapp_Prodotto * BRAND	Sfericità presunta	,049	1	,049	,081	,776
Errore (Rapp_prodotto)	Sfericità presunta	120,019	198	,606		

Let's go now to analyse the effect test between subjects.

3.1.6. Effect test between subjects

Test di Levene di eguaglianza delle varianze dell'errore^a

Sig.

ITBMEDIA_beforeVideo	Basato sulla media	,694
ITBMEDIA_afterVideo	Basato sulla media	,977

Let's see how the values before and after the video are not significant so it's fine for Levene's test.

Test di effetti tra soggetti

Misura: MEASURE_1

Variabile trasformata: Media

Origine	Somma dei quadrati di tipo III	df	Media quadratica	F	Sig.
Intercetta	4277,746	1	4277,746	1271,889	,000
BRAND	19,162	1	19,162	5,696	,018
Errore	666,049	198	3,364		

There is a main effect of the brand on the intention to buy that dictates the type of brand you have:

$F(1.198)=5,696$ with $P=.018$

So, it is significant to me that ITB also varies in relation to the type of brand I have.

3.2. Considerations and managerial implications

Through this research, it was possible to see how effectively communicating the two CSR strategies through explanatory videos was fundamental to increasing the reputation of the two brands.

As a result of the analyses carried out, I can say that the consumer's intention to buy changes after being subject to explicit communication of a CSR strategy, in relation to both fashion luxury brands.

However, an analysis of the answers to the questionnaire showed that 175 people were uninformed of the *Re-Nylon* and *I was a Sari* lines.

This figure is certainly significant, considering that 167 respondents claimed to have already heard about sustainable fashion and that for 122 of them buying sustainable clothing is important.

This result is extremely important, especially in relation with an effective increase in the perception when purchasing eco-sustainable products.

For each brand, in the section dedicated to them, images depicting the products of the new eco-friendly lines, *Re-Nylon* for Prada and *I was a Sari* for Gucci, are presented.

The questions presented on these products are all targeted questions to identify how the intention to buy varies. If, in fact, before the explanatory view the average of the elements was 2.747, after the viewing of the video this one reaches 3.786.

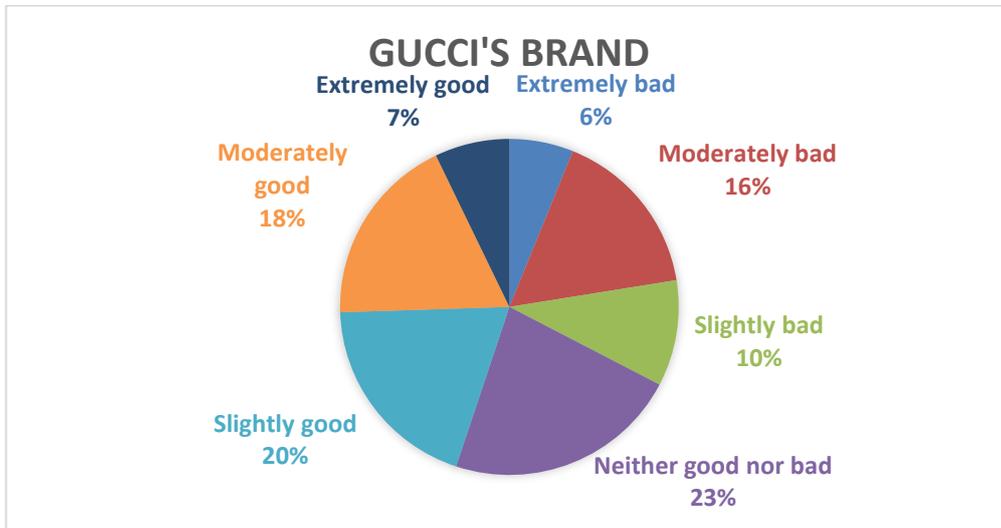
With a perception that varies according to the brand of reference: Prada goes from 2.9816 to 3.9980 while Gucci goes from 2.5216 to 3.5824 thus highlighting how Gucci's campaign has been more effective in terms of variation in the perception of the product.

It was also interesting to see how the perception of price was interpreted by the interviewees with respect to the two brands.

In both cases there was a search for homogeneity in the responses, but with the Gucci respondents more in agreement with the minimum price used, \$35.

The latter is certainly a lower price than the one generally used for the house's products.

Curious is therefore the case of Prada, whose minimum price for these handbags is 1500\$ and we see how the 42% answers considering the average price as positive, the other 42% as negative while the 16% considers the price used exactly in the average.



Source: Chart based on data processed with IBM SPSS



Source: Chart based on data processed with IBM SPSS

Based on the following research, companies could make even more use of the available potential in order to increase sales and popularity of these two lines, considering that the Intention to buy has significantly improved in the post video phase.

In my opinion, the main problem lies in the lack of public knowledge of these two sustainable lines.

Too few people have stated that they are familiar with these two lines.

Prada, and therefore the Re-Nylon line, was slightly better known (18 people said they knew it against 80 people didn't) than Gucci (only 5 people said they heard about the I was a Sari line) despite its partnership with National Geographic for this project.

In fact, it could be interesting for the two *maisons* to try to implement a more targeted communication, such as through social media, events with a large following or to hire famous testimonials in order to make known, especially between the millennials and Gen Z their lines, the eco-sustainable intentions behind the project, thus increasing even more the role of the brands on the global scene.

3.3. Limitations and further studies

The research I have conducted certainly has limits.

In my opinion, the most significant one concerns the number of interviewees: the survey was completed by 200 people, mainly in the 21-35 age group.

In fact, it could be interesting to expand the number of interviewees to cover other age groups and see if this attention to the sustainable sphere, and specifically fashion, is dear to the millennials or not.

Moreover, the questionnaire was presented in Italian, as its objective was to analyse the Italian fashion luxury market.

However, it might be interesting to take this research to other countries and see how the perception and interest in eco-sustainable issues varies.

The brands used are also two of the most famous in the Italian fashion scene, Gucci and Prada, but it might be useful to see if for brands not so well known the intention to buy changes significantly or not.

Conclusion

It is now clear how talking about sustainability nowadays is essential as it is part of people's daily lives. Consumers expect more and more sustainable strategies from leading brands, they look for an important social contribution and they expect big brands to be able to help them move forward in the world, they expect products that can reflect their values and lifestyles. As the questionnaire showed, people welcome the eco-sustainable strategies of fashion luxury brands.

However, even though more and more people are showing an interest in sustainable products and CSR activities, good communication is essential, both in terms of marketing strategies and from an ethical point of view: interaction with clients must be transparent and not misleading, in order to avoid greenwashing.

It is therefore essential for luxury companies to be able to follow these new trends in order not to fall behind and be perceived as the remnant of a past that is too much of a burden. far away.

The first step for this to happen is a deep knowledge of new consumers: you need to know what their expectations are, what they like and what they hope to receive from the brands to which they are linked. In this sense, we have seen how digital technologies, "social media" and the world of the Internet can prove to be an extremely powerful tool, providing the possibility to collect a quantity of information on consumers that until recently was unimaginable. In a world that evolves quickly and in which change is a constant and continuous phenomenon no one can no longer afford to stand still in the contemplation of a glorious past, undergoing passively the succession of events, since the risk is to end up literally forgotten.

Luxury companies are no different: they can count on a solid image and a strong brand built up over the years, which has allowed them to maintain their position while not committing themselves actively to follow the change, but this does not eliminate the need to adapt in order to respond to the change we are witnessing.

However, the biggest theme of reflection that is introduced here is the fact that innovation has become a common need for everyone and that, today more than ever, only those who will be able to follow the change and become an active part of it can guarantee a successful future.

But 2020 is starting with a very particular way: all the world is now suffering for the effect of corona virus. The predictions seems say that revenues for the global fashion industry (apparel and footwear sectors) will contract by up to 30 percent in 2020 year-on-year, while the personal luxury goods industry (luxury fashion, luxury accessories, luxury watches, luxury jewellery, and high-end beauty), will contract up to 40 percent. According to a McKinsey survey, 15 percent of consumers in the US and Europe expect to buy more ecologically and socially sustainable clothing. Brands should reorient their missions and business models in more sustainable ways will be able to cater to a more captive audience than ever before.

The pandemic will bring values around sustainability into sharp focus, intensifying discussions and further polarising views around materialism, over-consumption and irresponsible business practices.

Sustainability now will have a very important role for fashion industry: CSR strategies could be a means for regaining consumers' trust (and wallets).

Appendix

Questionnaire

INTRO

Ciao,

sono Sara Illiano, studentessa magistrale in International Management presso la LUISS Guido Carli di Roma. Per la mia tesi di laurea sto conducendo una ricerca di marketing il cui obiettivo è quello di vedere come alcune strategie commerciali ecosostenibili possono influenzare il consumatore nella fase di acquisto di prodotti.

Ti ricordo che non esistono risposte giuste o sbagliate e che ogni risposta sarà trattata in forma anonima e utilizzata solo ed esclusivamente per finalità di ricerca.

Ti ringrazio in anticipo se vorrai dedicarmi un po' del tuo tempo!

End of Block: introduzione

Start of Block: demographic part

Q9 Qual è la tua età?

- <20 (1)
 - 21-34 (2)
 - 35-49 (3)
 - 50-74 (4)
 - 75> (5)
-

Q8 Come ti identifichi?

- Maschio (1)
 - Femmina (2)
 - Preferisco non rispondere (3)
-

Q10 Qual è la tua occupazione?

- Lavoratore a tempo pieno (1)
 - Lavoratore part time (2)
 - Disoccupato (3)
 - Studente (4)
 - Pensionato (5)
 - Altro (6)
-

Q11 Qual è il tuo grado di istruzione?

- Meno di diploma di scuola superiore (1)
- Diploma di scuola superiore (2)
- Laurea (3)
- Master (4)
- Dottorato (5)
- Altro (6)

End of Block: demographic part

Start of Block: Block 2

Q13 Hai mai sentito parlare di "Moda sostenibile"?

- Sì (1)
 - No (2)
-

Q14 Quanto è importante per te acquistare un marchio sostenibile? 1 (poco importante) 7 (estremamente importante)

1 (1)

2 (2)

3 (3)

4 (4)

5 (5)

6 (6)

7 (7)

Q15 Quali criteri sono importanti per la scelta di un capo di abbigliamento?

End of Block: Block 2

Start of Block: Prada

Q52

PRADA

Originariamente conosciuta come Fratelli Prada, l'azienda è stata fondata nel 1913 dai fratelli Mario e Martino Prada i quali hanno aperto un negozio di pelletteria, borse, viaggi e accessori di lusso nella Galleria Vittorio Emanuele II a Milano. Ben presto, grazie all'elevata qualità dei prodotti, la boutique divenne un punto di riferimento per gli acquisti dell'alta borghesia e dell'aristocrazia europea. Oggi il marchio Prada è uno dei più importanti marchi di moda italiani, conosciuti in tutto il mondo.

Q16 Qual è la tua conoscenza del brand Prada? 1 (poco informato) 7 (estremamente informato)

- 1 (1)
 - 2 (2)
 - 3 (3)
 - 4 (4)
 - 5 (5)
 - 6 (6)
 - 7 (7)
-

Q17 Qual è la tua conoscenza del brand Prada in riferimento alle sue attività di CSR?

Per CSR intendiamo un modello di business che aiuta un'azienda ad essere socialmente responsabile nei confronti di se stessa, dei suoi stakeholder e del pubblico attraverso strategie sostenibili, sociali ed economiche.

1 (poco informato) 7 (estremamente informato)

- 1 (1)
- 2 (2)
- 3 (3)
- 4 (4)
- 5 (5)
- 6 (6)
- 7 (7)

	Assolutamente in disaccordo (1)	In disaccordo (2)	Abbastanza in disaccordo (3)	Nè d'accordo né in disaccordo (4)	Abbastanza d'accordo (5)	D'accordo (6)	Assolutamente d'accordo (7)
Comprerò questo prodotto (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Considererei l'acquisto del prodotto mostrato (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
La probabilità che prenderei in considerazione l'acquisto del prodotto mostrato è alta (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
L'impressione che ho di questo prodotto è buona (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sono favorevole all'acquisto di questo prodotto (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q39 Adesso guarda il seguente video

Q40 Quanto sei d'accordo con le seguenti dichiarazioni?

	Assolutamente In disaccordo (1)	In disaccordo (2)	Abbastanza in disaccordo (3)	Nè d'accordo né in disaccordo (4)	Abbastanza d'accordo (5)	D'accordo (6)	Assolutamente d'accordo (7)
Dopo aver visto il video la mia percezione del prodotto è cambiata (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ora acquisterò questo prodotto (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Adesso considererei l'acquisto del prodotto mostrato (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
La probabilità che prenderei in considerazione l'acquisto del prodotto adesso è elevata (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
L'impressione che ho adesso di questo prodotto è buona (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q57 Quanto ti senti attratto dal brand Gucci dopo aver visto questo video? 1 (poco attratto) 7 (estremamente attratto)

1 (1)

2 (2)

3 (3)

4 (4)

5 (5)

6 (6)

7 (7)

Q41 Cosa pensi della qualità degli abiti della collezione I was a Sari in una scala da 1 (scarsa qualità) a 7 (ottima qualità)?

1 (1)

2 (2)

3 (3)

4 (4)

5 (5)

6 (6)

7 (7)

Q42 Quanto è attraente la pubblicità della campagna I was a Sari in una scala da 1 (poco attraente) a 7 (molto attraente)?

1 (1)

2 (2)

3 (3)

4 (4)

5 (5)

6 (6)

7 (7)

Q43 Conosci altri marchi di moda che utilizzano prodotti sostenibili? Se sì, quali sono?

Q46 Con riferimento al brand Gucci, in una scala da 1 a 7, qual è il tuo atteggiamento nei confronti del marchio in relazione alle sue attività di CSR?

	Assolutamente in disaccordo (1)	In disaccordo (2)	Abbastanza in disaccordo (3)	Nè d'accordo né in disaccordo (4)	Abbastanza d'accordo (5)	D'accordo (6)	Assolutamente d'accordo (7)
Anche se un altro marchio ha le stesse caratteristiche CSR di Gucci, preferirei acquistare Gucci (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Se c'è un altro marchio con prestazioni CSR buone come quelle di Gucci, preferirei comunque acquistare Gucci. (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Se le strategie CSR di un altro brand non sono diverse da quelle di Gucci in alcun modo, sembra più intelligente acquistare il brand Gucci (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q47 Hai mai sentito parlare della campagna Gucci I was a Sari?

- SI (1)
- No (2)

Q48 Quali sono, secondo te, i tre più importanti brand di moda italiani?

Q49 Qual è il primo brand che ti viene in mente quando si parla dell'industria della moda italiana?

Q50 Qual è la prima cosa a cui pensi quando si parla del brand Gucci? (borse, vestiti, sfilate, profumi, scarpe ...)

Q51 Un abito della linea "I was a Sari" ha un prezzo di partenza di 35\$. Quanto è appropriato come prezzo per te in una scala da 1 (estremamente inappropriato) a 7 (estremamente appropriato)?

- 1 (1)
- 2 (2)
- 3 (3)
- 4 (4)
- 5 (5)
- 6 (6)
- 7 (7)

End of Block: Gucci

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Summary

Thesis in Advanced Marketing Manager

Sara Illiano

How CSR affects brand equity: the case of the Italian fashion industry

My main objective of my thesis is to see how the consumer's perception changes when they face an explicit CSR strategy and thus how this one impacts on brand equity. The reference market to conduct my marketing research was represented by Italian fashion industry.

- **Overview**

The topic of sustainability and the responsible environment has become increasingly important in recent year.

Climate change, pollution, gender inequalities, child exploitation and other problems has profoundly changed the perception of people about what concretely do in order to solve all those problems. Many companies are, for instance, looking for a way to improve their businesses in the respect of community and following the Sustainable Development Goals, a collection of 17 global goals instituted in 2015 by UN, designed to be a “*blueprint to achieve a better and more sustainable future for all*”¹²⁶.

When we talk about CSR, we refer to the general belief held by growing numbers of citizens that modern businesses have responsibilities to society that extend beyond their obligations to the stakeholders or investors in the firm.

The tendency of companies to create more suitable models has grown a lot in the recent years. In fact, if before talking about *bottom line* we referred mainly to profits and losses, there is now a new model that is more suitable for today's society: the triple bottom line.

The basic idea of model introduced by John Elkington is to promote sustainable practices as an objective for companies and not just look at profits. In fact, the triple line theory amplifies the traditional accounting framework in order to capture two more areas of performance: the social and environmental impact of their company. These three bottom lines are often referred to as the three P's: **people, planet and profit**.

There are numerous advantages that can be obtained from the implementation of CSR strategies, both from an external and therefore social point of view, but also inside the company. According to Gołaszewska-Kaczan¹²⁷ these can be summarized in:

- Creation of a positive image in the eyes of the public by the company;
- Creating appropriate relationships with all stakeholders - one company shows that the needs of stakeholders are also important for the company itself;
- Increasing employee morale: CSR drives employee loyalty and motivate to work more efficiently;

¹²⁶ <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

¹²⁷ Gołaszewska-Kaczan, U. (2009), *Zaangażowanie społeczne przedsiębiorstwa*, Wydawnictwo Uniwersytetu w Białymstoku, Białystok

An interesting point concerns the attention of a specific segment of the population to environmental problems: The Millennials and Gen Zers.

The newer generation are facing the sustainability issue through digital media, actively researching on socials and blogs for information on the provenience of apparel or, when the latter is missing, directly asking to brand about the footprint of their products.

The Millennials and Gen Zers are the most committed to sustainability and they are showing even greater interest in the brand's ethical standards. They expect big brands to be able to reflect their values and to act not only in the interests of the company, but of the whole community.

Investors have understood that ecological and social responsibility can provide for better returns, thus generating a further push towards sustainability implementation.

In this scenario, the behaviour of the firms is very important: in a world where everything people and firms do is underlighting, having a CSR strategy is an essential part to improve the brand equity of the firm.

But acting green does not mean being sustainable. The greenwashing, for instance, is a marketing technique that want to emphasise minor crowd-pleasing investments in green initiatives, without any effective environmental protection goal. A lack of specific guidelines has prevented to move beyond greenwashing and to build an efficient strategy acting on the concerns of both consumers and investors.

Those wrong technique can create a big problem for the firm in terms of credibility and value of the brand, more specifically, we now introduce the concept of brand equity: it represents the value of the customer relationship generated by the brand and measures the company's ability to create a portfolio of high value customers. Brand equity, on the other hand, can be defined as the of image that a brand has been able to build over time, the result of the aggregation of attitudes and behaviours of consumers, distribution channels and the various "influencers" involved in the purchasing process, which strengthen future profits and long-term cash flow.

Brand equity has acquired a double value over time, referring both to the incremental financial value of a product due to the brand, and to the effect that knowledge of the brand determined on the consumer response to brand marketing initiatives. These different meanings correspond to different measurement methods. In the first case, Customer-based brand equity (CBBE) is used, in the second, Financial-based brand equity (FBBE).

There are many definitions of brand equity. The most well-known and accredited analysis models in the literature are those proposed by Aaker and Keller.

According to **Aaker**, brand equity, in the perspective of the consumer, is based on five interrelated components: **brand loyalty**, which is a measure of customer's propensity to buy back a brand; **brand awareness**, which identifies the degree of awareness of the brand by the target audience; the **perceived quality**, which is defined by the author as *"the perception by the consumer of the overall quality or superiority of the product or service with respect to the intended use, also taking into account possible*

alternatives"; **brand associations**, on the other hand, are defined as "everything that is connected to the brand in the mind of the consumer"; finally, intellectual property is intended as a set of intangible assets of which the company owns: **patents, registered trademarks, channel relations**, etc.

According to **Keller**, the fundamental strategic factor to be taken into consideration for the development of brand equity is represented by the knowledge that consumers have of the brand (brand knowledge). The latter, which can be conceived as the presence in the memory of the consumer of a node (the brand) and a multiplicity of associations connected to it, is based on two dimensions: **brand awareness**, which expresses the ability of the brand to be recognized and recalled by the consumer, and the **brand image**, which summarizes the perceptions of the brand present in the memory of consumers and which are reflected in associations of various kinds to the brand itself.

The importance of brand equity is especially due to the idea that, with positive brand equity, you can charge more for your products and services than a generic products or competitors; inversely, with a negative brand equity, consumers now will be more inclined to pay more for generic products or products from competitors. With a positive brand equity, the company will have more revenues, will increase its market share and firm can create competitive advantage but maintaining its brand equity is not easy: for this reason it is essential create also an internal culture that reflects the brand positioning and can grow the equity of the brand in order to maintain the consumers.

The relationship between traditional brands and their consumers has reached a point where people want much more for their money: they seek to gain full access to all the services generated by the company; and, from a company's point of view, this translates into doing "the right thing" helping to achieve a greater cause.

Sustainability, as a strategic approach, stands out inevitably at the front line of branding and general corporate policy, showing a responsible position towards the needs of humanity Sustainability can give a deeper meaning to a brand image and consequently, stronger emotional ties and differentiation.

Since "green corporate perception, eco-label and green product value" significantly affect the purchasing decision, and that certain consumers are inclined to pay a higher price for green brands, green branding is a key component for brand equity.

The pioneering definition of green brand equity, as the ultimate goal of green marketing and green branding strategy, was given by Chan who explains it as "a set of assets and liabilities of the brand with regard to ecological commitments and environmental concerns related to a brand, its name and its symbol that add or subtract the value provided by a product or service."¹²⁸ It is based on Aaker and Keller definition of brand equity.

In his study, Chen¹²⁹ identifies three main green brand equity items:

¹²⁸ Grubor, A., & Milovanov, O. (2017). Brand Strategies in the Era of Sustainability. *Interdisciplinary description of Complex Systems*, 15, 78-88

¹²⁹ Chen, Yu-Shan (2010). The Drivers of Green Brand Equity: Green Brand Image, Green Satisfaction, and Green Trust. *Journal of Business Ethics* 93

- 4- Green brand image
- 5- Green satisfaction
- 6- Green trust

The author identifies a positive correlation between the three drivers and brand equity with the particularity that note that “green satisfaction and green trust to some extent can mediate the relationship between green brand image and green brand equity”¹³⁰. He also listed main reasons for developing sustainable marketing: “compliance with environmental pressures; obtaining competitive advantage; improving corporate images; seeking new markets or opportunities; and enhancing product value.”¹³¹

- **Why fashion industry**

The world of fashion has often been subject to a lot of criticism as it is considered superficial and frivolous. What is often ignored, however, is the strong role that this sector has played in the evolution of society.

Fashion has in fact always represented a key social element, since the most remote epochs of Egyptian, Greek and Roman civilization where accessories, clothing and cosmetics became a real medium of transmission of values and customs.

Fashion is like a “mirror of society, a way of measuring a mood that can be useful in many ways, culturally, socially and psychologically.”¹³²

The global luxury fashion sector is considered one of the world’s most important industries, driving a significant part of the global economy. “In 2018, the industry is projected to reach a staggering 2.6 trillion in total value. If it were ranked alongside individual countries’ GDP, the global fashion industry would represent the world’s seventh largest economy...”¹³³

This sector has also been fundamental for the development of some national economies, just think of France, where the luxury fashion sector is the fourth largest producer of income; or Italy, Spain, USA where this sector is one of the most important.

In my research, I analysed in particular the category of fashion luxury. The reason for this choice is mainly due to the fact that the luxury goods market in 2018 had a growth of 6%, reaching a record of 260 billion euro¹³⁴; secondly, because the brands belonging to the fashion luxury category have shown important management changes in order to use eco-sustainable strategies, as this category is one of the most polluting in the world.

It is reported that fashion accounts for 20 to 35 percent of microplastic flows into the oceans and outweighs the carbon footprint in international flights and shopping combined¹³⁵. For this reason, despite the progress

¹³⁰ Chen, Yu-Shan (2010). The Drivers of Green Brand Equity: Green Brand Image, Green Satisfaction, and Green Trust. *Journal of Business Ethics* 93

¹³¹ Idem

¹³² *What is fashion* from <https://www.pbs.org/newshour/extra/1999/10/what-is-fashion/>

¹³³ Mckinsey&Company, The Business of Fashion Report 2017

¹³⁴ *Luxury Goods Market Grows 6% in 2018, Fueled by China & its Gen Z Consumers* from <https://www.thediamondloupe.com/retail-and-consumer-confidence/2019-06-19/luxury-goods-market-grows-6-2018#:~:text=The%20global%20personal%20luxury%20goods,Market%20Study%2C%20Spring%202019%E2%80%9D.>

¹³⁵ *The fashion industry in 2020, ten top themes from the state of fashion* from <https://www.mckinsey.com/industries/retail/our-insights/the-fashion-industry-in-2020-ten-top-themes-from-the-state-of-fashion>

already introduced, 2020 will be the year in which companies will have to put aside exuberant advertising initiatives and replace them with significant actions that can overcome current consumer demands. In this way, the definitive transformation of the sector towards a new sustainable model will be promoted.

The concept of sustainable fashion therefore relates to those activities aimed at correcting a "variety of perceived wrongs in the fashion industry" (e.g. cruelty to animals, environmental damage, and exploitation of workers). Sustainable fashion is hence part of a growing philosophy of design, production and use and a trend towards maintainability, the aim of which is to create a system that is bearable indefinitely, with respect to human impact on the environment and social responsibility. This definition includes three focal points: the attitudes, beliefs, plans, and behaviours of designers, manufacturers, and consumers regarding sustainable fashion issues¹³⁶.

Among the many fashion luxury brands that are implementing more and more CSR strategies, I decided to focus my marketing research on the Gucci line, **I was a Sari** and the Prada line, **Re-Nylon**.

- Marketing research

The aim of my marketing research is to see how CSR strategies impact and can influence "Brand Equity" with respect to brands like Gucci and Prada. Specifically, I will analyse how consumers' **intention to buy** changes when they face up explicit communication of the eco-sustainable activities used to create products.

For the research, two examples of eco-sustainable fashion campaigns were used: Prada's "Re-nylon" line and Gucci's "I was a Sari" line.

The purchase intention can be described as the impulse or motivation deriving from consumers' minds to purchase a particular brand after having evaluated it, before deciding to make any purchase according to their needs, attitudes and perceptions towards brands¹³⁷.

In the marketing of a brand, the purchase intention is recognised as a key factor in knowing and predicting the consumer behaviour."¹³⁸

The choice to use these two eco-sustainable collections was mainly motivated by three factors:

- 4- Prada and Gucci represent two excellences in the sector of fashion luxury at a global level.
- 5- The products of the two eco-sustainable lines are different: while Prada's line concerns the sale of bags made with eco-sustainable materials, Gucci's line focuses on clothes, the Sari, typical of the Indian tradition.
- 6- Since Gucci and Prada present two different products, the goals they intend to achieve are also different: while Gucci's line, with its centre in Mumbai, aims to help Indian women to find a job, to integrate into the local community, trying to reduce the gap between men and women; Prada's line

¹³⁶ Pencarelli, T. & Ali T., Viktória & Skerhakova, Veronika & Valentiny, Tomáš & Fedorko, Richard. (2019). *Luxury Products and Sustainability Issues from the Perspective of Young Italian Consumers*. Sustainability.

¹³⁷ Santoso, C.R., & Cahyadi, T. (2014). *Analyzing the Impact of Brand Equity Towards Purchase Intention in Automotive Industry: a Case Study of ABC in Surabaya*.

¹³⁸ |vi

instead aims to create products through the use of materials such as used fishing nets, plastic waste found in the ocean and textile fibre waste.

For the questionnaire was used the Linkert scale with values from 1 (minimum) to 7 (maximum).

The questionnaire, structured and presented to users on Qualtrics, is divided into 3 parts:

1) **Demographic information.** The aim of this part is to describe the demographic characteristic of the sample population.

2) **Introduction.** General questions with the intent of introducing the research topic and capture the respondent attention. The aim is to understand if people who are doing the questionnaire are confident with the area of research: the fashion industry.

3) **Technical section.** Here I analysed the relation between brand equity and the sustainable campaign made by the two Italian fashion firms: Gucci and Prada.

Through this research, it was possible to see how effectively communicating the two CSR strategies through explanatory videos was fundamental to increasing the reputation of the two brands.

Respondents were subjected to a double stimulus. In a first phase, I asked to answer the 5 questions previously submitted based on a photo of the Gucci and Prada product line.

Later on I asked to answer the same questions, but after watching an explicit video showing the techniques used for the production of the final product with reference to CSR activities that better explained the fashion campaign, the advantages of this one, the purpose of the promotion, etc..

I wanted to see if there was a different purchase intention after somehow explaining the CSR activity.

The items used for the pre-video analysis were the same as in the post video phase and correspond to the following questions:

6. *I will buy this product.*
7. *I would consider purchasing the product shown.*
8. *The probability that I would consider buying the product shown is high.*
9. *What is the impression do you have of this product?*
10. *Are you unfavourable or favourable to purchasing this product?*

Respondents had to answer the following questions by stating how much they agreed with the following statements, expressing it on a scale from 1 (extremely disagree) to 7 (extremely agree).

After testing the reliability of the scale and then analysing the data with IBM SPSS software, I can say that consumers' perception has changed from 2,747 (before the video) to 3,786 (after watching the video).

It was also interesting to see there was a difference in perceptions between the two campaigns of the two brands: Prada goes from 2.9816 to 3.9980 while Gucci goes from 2.5216 to 3.5824 thus highlighting how Gucci's campaign has been more effective in terms of variation in the perception of the product.

Based on the following research, companies could make even more use of the available potential in order to increase sales and popularity of these two lines, considering that the Intention to buy has significantly improved in the post video phase.

A significant fact that emerged from my research was that, although a good part of the interviewees claimed to have already heard about sustainable fashion (167 people) and that for 122 out of 200 people buying sustainable clothing is important, few were aware of these two sustainable lines. Prada, and therefore the Re-Nylon line, was slightly better known (18 people said they knew it against 80 people didn't) than Gucci (only 5 people said they heard about the I was a Sari line) despite its partnership with National Geographic for this project.

In my opinion, the main problem lies in the lack of public knowledge of these two sustainable lines.

In fact, it could be interesting for the two *maisons* to try to implement a more targeted communication, such as through social media, events with a large following or to hire famous testimonials in order to make known, especially between the millennials and Gen Z their lines, the eco-sustainable intentions behind the project, thus increasing even more the role of the brands on the global scene.

It is now clear how talking about sustainability nowadays is essential as it is part of people's daily lives.

Consumers expect more and more sustainable strategies from leading brands, they look for an important social contribution and they expect big brands to be able to help them move forward in the world, they expect products that can reflect their values and lifestyles. As the questionnaire showed, people welcome the eco-sustainable strategies of fashion luxury brands.

However, even though more and more people are showing an interest in sustainable products and CSR activities, good communication is essential, both in terms of marketing strategies and from an ethical point of view: interaction with clients must be transparent and not misleading, in order to avoid greenwashing.

It is therefore essential for luxury companies to be able to follow these new trends in order not to fall behind and be perceived as the remnant of a past that is too much of a burden. far away.

The first step for this to happen is a deep knowledge of new consumers: you need to know what their expectations are, what they like and what they hope to receive from the brands to which they are linked. In this sense, we have seen how digital technologies, "social media" and the world of the Internet can prove to be an extremely powerful tool, providing the possibility to collect a quantity of information on consumers that until recently was unimaginable. In a world that evolves quickly and in which change is a constant and continuous phenomenon no one can no longer afford to stand still in the contemplation of a glorious past, undergoing passively the succession of events, since the risk is to end up literally forgotten.

Luxury companies are no different: they can count on a solid image and a strong brand built up over the years, which has allowed them to maintain their position while not committing themselves actively to follow the change, but this does not eliminate the need to adapt in order to respond to the change we are witnessing. However, the biggest theme of reflection that is introduced here is the fact that innovation has become a common need for everyone and that, today more than ever, only those who will be able to follow the change and become an active part of it can guarantee a successful future.

2020 is starting with a very particular way: all the world is now suffering for the effect of corona virus. The predictions seems say that revenues for the global fashion industry (apparel and footwear sectors) will contract by up to 30 percent in 2020 year-on-year, while the personal luxury goods industry (luxury fashion, luxury accessories, luxury watches, luxury jewellery, and high-end beauty), will contract up to 40 percent. According to a McKinsey survey, 15 percent of consumers in the US and Europe expect to buy more ecologically and socially sustainable clothing. Brands should reorient their missions and business models in more sustainable ways will be able to cater to a more captive audience than ever before.

The pandemic will bring values around sustainability into sharp focus, intensifying discussions and further polarising views around materialism, over-consumption and irresponsible business practices.

Sustainability now will have a very important role for fashion industry: CSR strategies could be a means for regaining consumers' trust (and wallets).