



Libera Università Internazionale degli Studi Sociali
Master's Degree in Management

"Dolce & Gabbana x Sustainable Luxury: The Circular Couture Model"

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Glossary of terms

Alta Moda – Italian term for haute couture; exclusive, handcrafted fashion made for individual clients.

Blockchain – A decentralized digital ledger used in fashion for traceability, authenticity, and secure resale tracking.

Circular Couture – A luxury fashion model based on circular economy principles, emphasizing durability, reuse, and cultural value.

Circular Economy – An economic system aimed at eliminating waste and keeping products and materials in continuous use.

Carbon Footprint – The total amount of greenhouse gases generated by a product, activity, or organization, typically measured in CO₂ equivalents.

Circular Value Loop – A system where garments are continuously reused, resold, rented, or upcycled, maintaining their value over time.

Deadstock – Unsold, unused fabric or inventory that can be repurposed in sustainable fashion.

Disassembly Design – Design approach allowing garments to be easily deconstructed for recycling or reuse.

Emotional Durability – A product's capacity to form long-term emotional connections with the owner, reducing disposability.

ESG (Environmental, Social, Governance) – A framework used to assess a company's impact on the environment, its social responsibilities, and governance standards.

Greenwashing – Misleading consumers by falsely claiming environmentally friendly practices.

Materiality Assessment – A process that identifies which ESG issues are most relevant to an organization and its stakeholders.

Modular Fashion – Garments designed with interchangeable parts for easier repairs and customization.

Net-Zero – A state in which a company's greenhouse gas emissions are balanced by carbon removal or offsetting practices.

Regenerative Materials – Resources sourced through processes that restore environmental systems and reduce ecological impact.

Resale Market – A fashion industry segment involving the buying and selling of second-hand luxury items.

Scope 1, 2, and 3 Emissions – Classifications of carbon emissions: direct (Scope 1), indirect from purchased energy (Scope 2), and all other indirect emissions in the value chain (Scope 3).

Social Impact – The effect a company's operations have on people and communities, such as labor conditions or community investment.

Stakeholder Engagement – The process of interacting with individuals or groups affected by a company's activities to align decisions with broader societal expectations.

Sustainable Luxury – Luxury fashion that incorporates environmental responsibility and ethical practices without compromising on exclusivity or quality.

Sustainability Reporting – The disclosure of ESG performance, impacts, and goals through formal reporting channels such as GRI or CDP.

Traceability – The ability to track and verify the origin and journey of a product throughout the supply chain.

Transparency – The practice of openly sharing company information regarding sourcing, production, labor, and sustainability efforts.

Triple Bottom Line – A business approach that considers three performance dimensions: people (social), planet (environmental), and profit (economic).

Upcycling – The creative reuse of waste materials or old garments into new, high-value fashion items.

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Abstract

This thesis describes the connection of luxury fashion and sustainability with a new business model based on circular economy principles that disrupt traditional notions of value creation. To establish a grounded theoretical framework for decision-making, this thesis explores how the tensions between traditional notions of luxury (characterized by exclusivity, craftsmanship, and heritage) and sustainable development principles are being reimagined and disrupted, particularly by the changing values of Millennial and Gen Z consumers, which require brands to be transparent and ethical, resulting in sustainable consumption practices.

The thesis demonstrates the fashion industry's progress toward circular economy models and highlights the key pillars of recycling, upcycling, resale, regenerative model, and traceability. The thesis details the bottom-up case study of the brand Dolce & Gabbana as an example of how luxury houses can adopt sustainable practices into their business model without losing their luxury status. The findings outline and develop seven sustainability principles that aspire to be examples of sustainability in the luxury sector.

With this new sustainable business model related to the luxury fashion industry, this thesis adds to the growing body of academic literature on Business Model Innovation (BMI) and implications for fashion brands to remain competitive while creating social and environmental value. This research outlines how circularity will bring transformation to the luxury fashion industry for a more responsible and resilient future.

Introduction

At present, the luxury fashion industry is undergoing a major transformation. Historically defined by ideas of exclusivity, luxury, and beauty, luxury is shifting towards a new set of values: responsibility, authenticity, and sustainability. With climate change in overdrive, resource depletion in full effect, and social inequality rampant, luxury brands are facing increasing pressures to connect with a much larger ecological and ethical context. Simultaneously, younger generations of consumers—specifically Millennials and Gen Z—are demanding that brands do more than create beautiful objects; they are tasked with automating and investing in values that better express their social and environmental responsibility.

It is in this context that the thesis tries to investigate the following pertinent thesis question:

“Can a sustainably-focused business model, grounded in circular economy principles, preserve the core values of luxury fashion—such as exclusivity, craftsmanship, and heritage—while enabling measurable social and environmental progress?”

The answer is that they may have to rethink not only the products luxury brands sell, but the very making of luxury.

The past 10 years have seen sustainability evolve from a peripheral activity to a central business strategy. In parallel, the circular economy has emerged as a practically useful framework that seeks to design waste out of activity, extend product life cycles, and regenerate natural systems. Cumulatively, these principles of sustainability challenge the linear, take-make-dispose model that has dominated the fashion industry for the last 50 years, and offers a new foundation to innovate from, while still adhering to luxury’s main characteristics.

This thesis aims to add to this ongoing discussion by placing forth an innovative business model for the luxury fashion industry based exclusively on sustainable principles. Proposed are circular economy business model strategies including upcycling, rental, repairs, and certified resales,

while still ensuring that luxury's principle characteristics remain intact: emotional value, craftsmanship and culture.

To bring this theoretical proposition into a more realistic practice, this thesis provides a substantial case study on Dolce & Gabbana. With brand connections to heritage, craftsmanship and Italian culture, it provides a strong template to study a legacy luxury house's transition to sustainability while remaining at the core of its DNA. Further, the thesis includes related consumer behavior literature, case studies within the luxury space and business model innovation (BMI) literature to assess the viability and value of the model.

In short, this work proposes that a sustainability-oriented business model based on circular economy principles can maintain the key luxury fashion characteristics—exclusivity, craftsmanship, and history, while enabling measurable social and environmental impacts.

Methodology

This research employs qualitative, exploratory social research design to explain a new business model for the luxury fashion market that is based on sustainability. Since sustainable innovation in luxury is relatively emergent, and circular economy systems add layers of complexity, a qualitative approach is fitting in providing deep understandings, weaving theoretical framings, and developing an innovative solution that is both practice-based and literature-based. Research Design The study is based on a case study methodology with a robust literature review. This mixed method approach allows for sustainability practices in the luxury fashion industry to be understood while developing a theoretical and practice-based model. The case study methodology allows for a deep level of contextual analysis of brand specific enactments of sustainability and traditions with sustainability.

Data Collection

The research studied secondary data, including: Sustainability Sustainability reports and brand published communications (i.e., Dolce & Gabbana's ESG, and strategy documents) Business Model Innovation (BMI), Circular Economy, and luxury brand studies published in academic

journals and peer-reviewed articles White papers and reports focused on the luxury sector published by McKinsey, Bain & Company, Business of Fashion, and Statista Articles from magazines and newspapers, published interviews, and sustainable fashion rankings Stakeholders were selected based on relevance, currency (mostly 2017-2024), and authority, with preference for peer-reviewed articles and official corporate documentation.

Case Study: Dolce & Gabbana

The selection of a case study of Dolce & Gabbana is due to the strong heritage of the brand, the commitment to Italian craftsmanship (Made in Italy), and sustainability's linear model through seven principles where the brand is looking into sustainability practice. The brand is a solid probe to explore a sustainable circular model in a heritage luxury context. Dolce & Gabbana can balance the 'tradition' of the established brand with 'transformation' towards sustainability, and provide insight into how legacy luxury brands could adopt and incorporate circular economy principles.

Analytical Framework

This research synthesizes historical evidence and uses a model that consists of:

Business Model Canvas. (Osterwalder & Pigneur, 2010), which lays the groundwork for mapping and re-designing traditional value chains into circular business value chains. These frameworks include recent adaptations Circular Business Model Value Dimension Canvas (CBMVDC) (Sustainability, 2023) and Circular Business Ecosystem Model Canvas (CBEMC) (Proceedings of the Design Society, 2024), which enhance the previous frameworks to incorporate sustainability and collaboration into every block of the traditional model. These frameworks are useful in capturing visualization of not just an individual firm, but a complex web of interconnected circular value networks.

The Circular Economy Approaches and Principles (Ellen MacArthur Foundation, 2017), which identifies operational strategies such as recycling, repair, resale, and traceability, which are of utmost importance for luxury fashion's sustainable transformation. The framework Circular Canvas by Circulab (2023) furthers this systems-thinking in embedding regenerative practices at the core of the business, such as designing products that are made to last, repairable, reusable, and recyclable.

Business Model Innovation (BMI) Theory (Foss and Saebi, 2017), where transformations of how value is created, delivered, and captured are all required to create sustained competitive advantage. This is important in the luxury sector where emotional branding and exclusivity meet incremental sustainability expectations.

This analytical framework brings together not just established but emergent theories and empirical realities; thus allowing this research to present an actionable, scalable, and forward-looking model for luxury fashion brands re-imagining their relationships with consumers through circular couture.

Limitations

While the study supplies a richly grounded conceptualization of a sustainable luxury business model, there are limitations to the research including:

- A case study of one brand limits the study's generalizability, although the study does lend depth to the findings
 - The model is yet to be tested empirically in the real world (i.e, suggestions for future studies)
- Despite the limitations, the methodology provides a significant level of rigor to the conceptual development in this study, and will shape practice-based testing in future work.

CHAPTER 2:THEORETICAL FRAMEWORK

2.1 Luxury Fashion and Sustainability

Defining luxury: Traditional vs. modern perspectives.

The idea of "luxury competencies" offers an additional dimension to the “wealth-based” image of luxury. In the past, luxury was synonymous with being expensive and exclusive and, therefore, a signal of wealth and social status (Dubois, 2020). Wang (2021) suggests that modern-day luxury consumption is now being supplemented by competencies such as the knowledge of, appreciation for aesthetic taste, and sensitivity to luxury symbolism that are all created through experience and developing a distinctive luxury skill set. Wang argues that the transition reflects a dilution of exclusivity and status signaling power (Kapferer, 2012), which is partly accelerated by the democratization and globalization of luxury. More recently, consumers have shown increased desire for authentic lived experiences and personal values as factors of significance in the old way of describing consumers' luxury competencies, as used by Dubois (2020).

The perception of luxury has considerably changed over time. The initial role of luxury consumption was conspicuously consumed as a marker of wealth defined by budget, to reinforce system social hierarchies (Veblen, 1899/1973). As luxury became accessible to more consumers, then the consumer started to seek intrinsic value and personal meaning through luxury, by changing the perception of the luxury. Thus, the distinctions are primarily found in goals based on consumption, wealth-based luxury is pursuing extrinsic benefits, such as social stratification status or public label that was made visible through luxury consumption, while competencies based luxury was intrinsically motivated to learn about and enjoy a distinctive luxury experience (Wang 2021). This evolution toward competence-based luxury is most affected when consumers are explicitly aware of their desire to not only signal their wealth, but their sophistication of knowledge about a luxury in addition to their dislike of wasteful luxury (Lee, Baumgartner, & Winterich, 2018).

Wang's (2021) findings note that today's luxury consumption entails a mix of wealth-based reasons and competencies-based reasons for consumers. Consumers are intrinsically motivated to learn more about, and enjoy the distinctive features of the luxury and merit based on the luxury

with their skills and knowledge of aesthetic taste. The most significant contribution of the study appears to advise luxury managers to develop competencies-based strategies to target contemporary luxury realities due to their changing semantics. By acutely aware of the consumers' desire to possess a competence-based knowledge of authentic luxury, luxury brands can develop and support consumer relationships and brand loyalty and remain relevant to TSW phenomenon (Wang 2021). In using Wang's frame, an individual's luxury consumption reflects a more holistic view beyond just signalling status markers to the social, personal, and economic influence luxury has on one's lived experience.

The role of craftsmanship, heritage, and exclusivity in luxury brands

Luxury – alluring and evasive both – illuminates issues in contemporary consumerism. As a contemporary consumer phenomenon, luxury is not simply an indicator of the high-end (high price), nor rare material, it is an intermingling of psychological, historic and symbolic value. Luxury is frequently framed in conjunction with scarcity (i.e. 'exclusivity' and the notion of 'emptiness,' such as limited editions or even empty packaging), but its depth relies on emotion and aspiration. The strange paradox of luxury that creates tension is that in order to demand premium prices - the luxury brands must manifest scarcity and unattainability, while also behaving as a profit-seeking organization whose core activity is to grow. The dilemma between scarcity and mass appeal underpin many current consumer luxury strategies (Radón, 2012). In this essay, I will explore the characteristics that constitute luxury: exclusivity, heritage, and craftsmanship, and highlight how they both interrelate with and effect each other within the modern luxury market.

The Luxury Paradox: Exclusivity vs. Accessibility

One of the most basic, yet complicated components of luxury is its inherent conflict. Luxury must be distant, scarce, and desirable, a symbol of status, success, and privilege. Luxury brands typically exist in capitalistic dispersion, where they pursue maximum growth and visibility while simultaneously attracting and retaining as many customers as possible. This creates tension at

best. Rather than relying solely on real scarcity, many luxury brands learnt how to engineer the illusion of scarcity through cues such as limited editions, waiting lists, and controlled sales (Radón, 2012). The use of scarcity exemplifies how perception replaces reality and is a fundamental tactic to generate brand desire and exclusivity (Catry, 2003). Remarkably, luxury objects do not just imply high value through price or materials, but their value is generated through the experience of being desired by many while remaining available to only a few (Berry, 1994; Kapferer, 1997). For many luxury consumers, luxury is a cultural marker for belonging to the aspirational elite, as actual ownership is limited.

Heritage and Temporal Continuity in Luxury

Heritage also matters a lot to consumers' perception of luxury. Heritage luxury brands (HLBs) typically base themselves on narratives that emphasize history and cultural legacy, and an HLB often amplifies values of timelessness, exceptional quality and craftsmanship, and prestige (Yeccaluri, 2020). Consumers of all ages value this because they represent not only quality and consistency but also because they represent emotional and symbolic significance. HLBs represent an area of permanence while the world is moving so fast with disposable fashion. HLBs reinforce their brand identity through their symbolism as well as the continuity in their designs and stories from where it originates in a country (Yeccaluri, 2020). Yeccaluri (2020) has shown that heritage gives the consumer a psychological relationship to their past, current, or future—luxury items are not only bought, but inherited, handed down, and saved as narratives connected to a person's legacy. In addition to this, the emotional involvement with some heritage brands often generically represents national or cultural pride, which can take the product from functional object to stories and identity beyond that item (Yeccaluri, 2020). With this multi-generational relevancy, across varying consumer groups, even if the most relevancy is with older luxury consumers, making heritage a tactical weapon in aiding the long-term lifecycles of customers (Consumer Perceptions Across Different Age Groups, 2021).

Craftsmanship: The Tangible and Emotional Core of Luxury

Craftsmanship is perhaps the most concrete and widely known aspect that makes something truly luxurious. It gives luxury its substance and authenticity. Craftsmanship signals skill, commitment, and an extreme level of detail and care that cannot be matched by mass production. It is different from mainstream fashion because there are no rushes or large orders; luxury brands invest time into handcrafted processes, high quality materials, deliberate care, and complex techniques to make their products unique works of art (The Experience of Luxury Craftsmanship, 2016). Craftsmanship provides a sense of uniqueness and permanence that helps people who are looking for an authentic product in a world filled with disposable items. It invites a relationship between the product and the owner which increases an emotional connection to the product; a true luxury experience. Craftsmanship is a way to demonstrate emotional storytelling, as Yeccaluri (2020) writes: emotional storytelling is the hands of the makers, creating intangible value and tying the customer not only to the brand, but the human touch behind it too. And indeed in a world where consumers are becoming more aware of where things originate, craftsmanship provides them with a sense of integrity, ethics and transparency; it invests time and care in something, which delivers the luxury promise long-lasting quality.

Emotional Resonance and Cultural Codes

Exclusivity, considered a cornerstone of luxury, is shifting strategically as traditional ideas of exclusivity focused primarily on scarcity and price. Exclusivity strategies today also include symbolic, experiential, and cultural exclusivity (Radón, 2012). Brands are now managing exclusivity by controlling premium brand experiences and access - VIP events, bespoke personal services, and limited collaborations access - and scaling access affordably to a premium experience and perceived elite access. Any access enables brands to find new pathways to scale while allowing consumers access to a premium experience, cosmically. Research on exclusivity strategies (Luxury Brand Exclusivity Strategies, 2012) suggested that the notion of exclusivity can revolve around experiences on a scale - as long as the consumers believe they are receiving exclusive access to an elegant curated experience that is not accessible to all. The personalization of luxury, which is about more than the tenure of luxury products, and also the idea of

personalization of experiences and relationships into a consumer's personalized experience, have become a key element of luxury brand strategies as well.

In the end, luxury is not fixed or singular. It is continued negotiation and collaboration between perception and reality, tradition and contemporization, demand and access. Key underlying characteristics of luxury are - exclusivity, heritage, and craftsmanship - and these are behind conventional luxury's cultural legacies of identity, and are essential to contextual marketplaces. Each contributes explicitly and differently to the experience and understanding of luxury, but the whole produces a vast economic and cultural phenomenon. Luxury brands that are ultimately successful are often the brands that can find an equilibrium between - projecting scarcity and scaling production; preserving heritage while innovating with changing consumer needs and desires; and supporting craftsmanship in an era when speed often supplants quality. By having the ability to facilitate and strengthen these characteristics, luxury brands have been successful in preserving the luxury industry's not only integrated presence in the marketplace, but integrated cultural presence and prolonged relevance to consumers' lives.

Sustainability Definition

Sustainability, as a concept in business, means developing business practices that do not harm the environment, society or the community. Business sustainability often involves two concerns:

- the impact on the environment of your business operations, and
- the impact on society of your business practices and operations.

A sustainable business strategy will seek to have a positive impact, at least to some degree, in either one of these two areas. Without a sustainable business model, businesses could be contributing to societal issues such as environmental destruction, and social injustice or inequality.

Sustainable businesses consider value or considerations from social, economic and ecological factors in the decision-making process and strive to understand and evaluate the impacts of

everything their organisation is doing, during the execution of the work, so that short-term gains do not create problems in the long run.

Sustainability addresses business performance too, and includes business success. Stakeholders are examining a company's performance by looking at, for example, the company's carbon footprint, water usage, community involvement, and the diversity of the board. Many investors currently assess companies based on environmental, social and governance (ESG) criteria to identify a company's level of ethics and sustainable practices. However, research has revealed that companies perceived as demonstrating good ESG performance will have a lower cost of debt and a lower cost of equity can be realised. While it might not be the case that pursuing sustainability leads to a better financial outcome, there is evidence that sustainability actions or initiatives could lead to better financial results, and possibly better trust in the community. In 2017, while writing about ESG in a corporate context, McKinsey included the drivers for moving toward sustainability included their organisation values and missions, enhancing their reputation, meeting customer expectations, and new developments and growth opportunities.

The idea that progress on both the social and environment fronts can mean success in financial terms is the shared value opportunity. Put simply, by doing good in the world, you can be good at business, or at least help with your overall performance on a specific matter. This golden thread helps explain why many businesses have adopted sustainable practices of some kind or another. In conclusion, to incorporate sustainability into your own business, here are four steps that easily align your strategy and mission with your desire to create shared value.

Sustainability- Profit, Planet, People

Sustainability in business is a broad concept that encompasses economic vitality as well as environmental stewardship and social equity. A sustainable business practices is not one that makes profit at all costs, but rather one that makes a profit while balancing the profit, the environment, and society. Economic sustainability, also referred to as the governance pillar in certain situations, seeks to make a profit for the company while implementing ethical and sustainable methods. Economic sustainability is defined as “practices that promote business

activity that allows for long-term economic development without compromising the social, environmental and cultural aspects of a community” (Umv, 2022). This means that businesses have to make money in such a manner that it does not deplete resources and not take advantage of communities. In other words, a business must avoid "consuming" in ways that may potentially prevent future usage (Basiago, 1999). Good governance means being transparent, accountable and in line with the interests of stakeholders (Investopedia, 2022) such as investors, employees and customers. Consequently, environmental responsibility, as articulated by the UN; the World Commission on Environment and Development, emphasizes the need to recognize the responsibility of each generation to ensure that future generations can access the natural resources needed to retain or improve on the quality of life that they have access to. Businesses must therefore operate in order to promote ecological stability, which means recognizing and minimizing the effects that a business has on the critical environmental systems that affect everything; atmosphere (air), biosphere (living organisms), hydrosphere (water), cryosphere (ice), pedosphere (soil), lithosphere (rock) (Oxford Reference, 2022). Sustainable resource consumption entails following circular economy practices articulated as re-use, refurbishing, and recycling—breaking the waste cycle of production and consumption (European Parliament, 2022). To promote sustainability while upholding environmental integrity, businesses must reduce the consumption of vital resources, land, water, and raw materials, and they must ensure that resource extraction and output pose no irreversible damage to ecosystems. Sustainable development is not only about the environment and monetary performance, of equal importance is social sustainability. This aspect of sustainability is often ignored compared to the environment, however, social sustainability includes the impact of a business' activities on human rights, labor rights and conditions, and the welfare of the community. According to the United Nations, social sustainability is "to lessen the negative impact of businesses, and increase the positive impact, for people." (UN Global Compact, 2020). Businesses must perform at the ethical labor standards that assure fair pay, safe working conditions, and equal standing. The United Nations Global Compact states there are six principles relating to human rights and labor, which is that a business should: support fundamental human rights as proclaimed by the international community; refrain from complicity in human rights abuse; respect the freedom of association and the right to collective bargaining; eliminate forced labor; eliminate child labor; and eliminate discrimination in respect of employment and occupation. (UN Global Compact,

2022). Social sustainability also encompasses those whom the business does not directly employ including those in the supply chain, the consumers, local communities, and future generations.

In the end true sustainability can only be achieved by combining all three parts—economic, environmental, and social—into one equation. A business that can find a balance between economic stability, environmental protection, and ethical labor will help ensure the long-term existence of a vibrant, just and healthy planet. Sustainable businesses do not see these parts as three separate aspects, but embrace them as one and treat them as integrated parts of their business model by not only meeting the need for profit, but adopting a role of environmental protector and social purpose as central and critical. Sustainable businesses will be able to secure their financial viability while building resilience and progress for generations to come.

The evolution of sustainability in high fashion

The changing landscape of sustainability in luxury, and specifically fashion, is perhaps one of the most significant transformations in the contemporary luxury narrative. The industry is valued at approximately US\$1.2 trillion (D'Arpizio & Levato, 2018) and has made an incremental shift from tourism targets and "GHG neutrality" to recognizing sustainability as a core part of its future. This incredibly comprehensive change involves numerous dimensions that have fundamentally changed the way luxury brands do business and are perceived by consumers.

Sustainable luxury began to take off in 2007, propelled by two developments: the WWF Deeper Luxury report and Tom Ford's influential New Luxury speech (Bendell & Kleanthaus, 2007). Ford's vision highlighted how luxury could influence our social attitudes and understanding of the environment, in suggesting that products that showed environmental awareness would eventually become the ultimate status symbols (Jackson, 2007). Also, aided by the 2008 Global Financial Crisis, awareness had raised the specter of consumerism and malevolent self-indulgence was on its way out (completely different to a Missoni runway show or a bourgeois socialism gathering), as Suzy Menkes identified (Jackson, 2009).

The fashion sector presents certain complexities in terms of sustainability challenges. This includes water use in cotton creation, water pollution in dying processes, chromium tanning pollution in leather goods and animal welfare. The fashion sector has developed its own

developments in progress to innovate in developmentally and sustainably, in ways that can help. This is evident in the realm of sustainability focus on innovation by Alexander McQueen when it came to leather. Emmanuel Gintzburger, the CEO of the brand, notes that “to make progress on sustainability, it requires experimentation and pilot projects: especially with raw materials.” (Jackson, 2019a)

There are now new business models that have responded to these problems, particularly in the fashion sector. With the emergence of the sharing economy through renting portals and resale businesses, there are now other ways to access luxury and have a lower environmental impact while doing so (Jackson, 2019b). Companies like Vestiaire Collective have proven that luxury products are long-lasting due to their quality, and that they can have multiple lives through resale (vestiairecollective.com)

This resonates with consumers who enjoy luxury, particularly with younger demographic segments. Research suggests that 90% of Gen Z believe apparel brands cannot just take a leadership position to address social issues, but that they also have to take responsibility for their environmental impacts (Rambourg, 2020).

This also reflects on how luxury fashion brands are beginning to engage with sustainability in an intentional way while holding onto their core beliefs and where they came from. For example, Raeburn's pioneering 3-pillar model (Remade, Reduced, and Recycled) is suggesting that sustainability can be applied to every part of a luxury fashion brand. This is important because it demonstrates how new luxury brands can build their identity primarily on sustainability, while at the same time, offer a high quality experience, and where creative innovation is alive and well. However, there is still valuable change on this front and that is the dilemma of over production and supporting waste. In the 2018 Burberry situation where the brand made a concerted decision to destroy stock to preserve brand value (Kapferer 2013) , this was a reflection of the internal tension between their established luxury approach and the modern idea of sustainability. An important takeaway from a prominent luxury leader like Jochen Zeitz - "90% of our environmental impact is occurring in the supply chain with over 70% of that produced in raw material production and processing (Jackson, 2019a). It suggests that if we want to change things, we have to change things".

Moving forward, the luxury fashion industry will move toward a "buy better, buy less" philosophy which aligns with previous luxury values of quality and craftsmanship, and today, a modern perspective on the environment. The industry will need to approach the twin pursuits of commercial success and environmental sustainability in a way that creates standardized measures of sustainability, whilst being clear and open with consumers about environmental impact.

This evolution is more than specifically changing business practices, it is changing how luxury is perceived and valued within our society. The future of luxury fashion will exist around how successfully it intersects with sustainable innovation, whilst maintaining the craftsmanship and excellence on which it was founded. As British Designer Katharine Hamnett notes - the industry is "in need of a rethink, we need to rethink the destruction of the environment, whilst simultaneously maintaining style, creativity, and aesthetic..." However, the luxury fashion sector has the unique opportunity to set the standard in social responsibility, inclusion, while meeting the challenges of sustainability; not only because of its power, but rather its inherent ability to advance quality over quantity.

2.2 The Circular Economy in Fashion

Definition and principles of circular fashion

Circular fashion is a disruptive model for the fashion industry. Circular fashion is defined as a regenerative system that utilizes unwanted or unused products or waste products to develop new products and valuable resources for the fashion supply chain (Bocken et al., 2016), using discarded textiles to reclaim, recycle, and re-manufacture products into new products. The need to shift to circular fashion is becoming ever more urgent, as the fashion industry increasingly recognizes the circular economy (CE) as the predominant entrepreneurial model that will address sustainability-related supply chain challenges. The key principles of circular fashion are: design out waste and pollution; keep products and materials in use; and regenerate natural systems (EMF, 2017). The fashion industry is shifting from market-driven to purpose-driven innovations, where companies will make decisions that are aligned with their fundamental sustainability values (Voola et al., 2022). This demonstrates how fashion is being affected by new strategies

associated with circular fashion (Bocken et al., 2016), with new practices including sustainable product development, sustainable materials sourcing, implementing recycling technologies, and the adoption of upcycling (Osterman et al., 2021). Two broad circular fashion practices are adopted by parties that are sourcing sustainable materials that will be used to produce new clothing and exploring manufacturing design that promotes reuse and transformation of resources. The industry is steadily shifting to a new cohort of purpose-driven businesses that are dual-focused (profit and environmental consequences), for example, Patagonia, Stella McCartney, Ecoalf (Gartenberg 2022). This shift is important because the linear model of fashion production is severely wasteful and harmful to the natural environment (Stahel 2016). The momentum towards circularity is becoming ever-more important as consumers, especially in Europe, demand more responsible practices from fashion brands. Circular fashion provides an avenue through design-led practices which creates a holistic approach to sustainability and actionable frameworks across businesses, stakeholders, and communities (Rainville, 2021). This movement is important because the fashion industry's urgent need to confront environmental issues competes with the economic imperative to remain lucrative.

Pillars: Recycling, upcycling, resale, and regenerative production.

The mechanics of circularity in luxury fashion have their foundations in a radical alteration of traditional business models and the embrace of an interconnected suite of sustainability strategies. First and foremost is sustainable sourcing where luxury brands today are starting to actively prioritize recycled, renewable, and ethically created materials. Examples include lab-grown diamonds, and recycled precious metals that satisfy ethical and environmental sourcing conditions. Secondly, product lifespan and durability are equally important. Luxury brands are designing goods with the intention of being timeless and long-lasting, resulting in a natural approach toward products with a longer lifespan over frequent replacements. Thirdly, in-house repair and refurbishment service has become a notable pillar, as luxury brands are establishing repair stations or collaborating with masters to repair product while reducing waste. Additionally, the resale and pre-owned space has become prevalent as luxury brands have begun to play an active role in authenticating pre-owned items so they are now reselling as certified, tracking a growing consumer segment while recapturing some value from their sold product. Access to luxury goods has been transformed by rental and subscription models which have

provided an alternative to ownership and increased shared consumption of products, especially occasion-wear. The concept of recycling/upcycling has become a core tenet of luxury, with brands providing take-back programs and repurposing waste materials into a higher value end product, indicating not only creativity but resourcefulness. Circular economy practices can be enabled by sophisticated technologies such as blockchain to allow traceability of materials and data analytics to enable managers of reverse logistics to optimize reuse, recycling, and repurposing, all while providing accurate estimates for product life spans (De Man & Frishammar, 2024). The success of these core tenets predominantly depends upon education and engagement of consumers, subsequently being crucial for brands to communicate the sustainability benefits with transparency. Brands are indeed facing challenges in implementing these core tenets, for instance: navigating exclusivity while promoting reuse; however, they contribute to a more sustainable, resilient luxury ecosystem aligned with consumer values and sustainable ambitions.

Translating these core tenets into practice requires extensive investment in infrastructure and expertise, however the potential pay-offs associated with environmental sustainability and brand resilience make this transition to evolve and innovate in luxury fashion necessary.

Business Model Innovation (BMI)

Business model innovation (BMI) is increasingly becoming a crucial strategy for organizations wishing to maintain competitive advantage within a complex market environment and changeable business context. Dramatic technological progress and strong economic integration since the beginning of the 21st Century has created new complexities for firms, such that traditional strategies for innovating products/services are no longer sufficient. According to the thorough review conducted by Huang and Ichikohji, BMI stands to complement and/or replace traditional product, service and process innovation, providing firms with clear and cognitive logic based around organizational processes while at the same time dealing with the trade-off between innovating costs and benefits.

The development of BMI research reveal some of the critical dimensions that affect BMI implementation and success. The authors' analysis consists of 272 peer-reviewed papers published between 2010-2022, which pin point five particular categories of BMI drivers. They

characterize these drivers as technology-driven, strategic-driven, demand-driven, system-driven, and top management-driven perspectives. As an example, the authors suggested that the technology-driven perspective outlines how emerging technologies will affect BMI; they referenced studies of German SMEs, as well as, industrial companies focused on digital service realization.

The BMI implementation process captures the constructs and process of BMI from various perspectives, including component, system, learning and experimental, and steps approaches. The most common pathway, learning and experimental approach, emphasizes the essential nature of trial-and-error learning and adaptation (Chesbrough, 2010) through replicable organizational processes. The authors posit that BMI implementation will require firms to regard various barriers such as cognitive barriers, resource barriers, and capability barriers. For example, research has found that business models already in place limit management's way of thinking of their opportunities for innovation, while conflicts of decision-making on where managerial resources will be allocated could also impede their ability to implement new models that they have labelled, and eventually implemented (Pieroni et al., 2023).

Research is beginning to indicate that BMI will result in outputs and outcomes and effects beyond profit and loss archaeology. Evidence is beginning to emerge that points towards the success BMI leveraged in a variety of ways includes improved economic performance, enhanced sustainability, and collective products of economic and social value; examples of BMI exist from Uber to Google from Walmart to Amazon which demonstrates a BMI which creates competitive advantage has substantial productive capacity; however, the authors mention that the BMI/firm performance relationship is complex, and that it is more common that BMI is mediated by firm efficiency, organizational capacity, and revenue growth.

An important contribution of this review is that it outlines several existing research gaps and offers some future focus direction. The authors emphasize the need for more inclusive studies which distinguish and define the mechanisms through which BMI is linked to performance outcomes, what role organizational structure and human capital may play in mediating the success of BMI, and what types of obstacles different types of organizations face as part of their BMI transition challenges. For instance, the presence of BMI in startups and mature firms is

mostly well known, but there is an absence of understanding around how family businesses (with families and enterprises) may engage in and leverage BMI.

The authors theoretically proposed framework highlights - antecedents, processes, barriers, types, outcomes, and moderating/mediating factors - together form a complete model of BMI. This framework suggests that organizations must address many of the BMI dimensions in the same time and simultaneously, all while adapting their prioritization of BMI dimensions guided by organization specific context, goals and characteristics.

Overall, BMI is a complex and multifaceted problem and requires careful thought about many attributes and consequences for successful implementation. As organizations continue to deal with modern unprecedented challenges and increasing business dynamism, understanding and implementing BMI is paramount for a firm to be successful - so long term success is their objective. Ultimately, Huang and Ichikohji provide an extensive review with excellent reflections in contributing to the knowledge for academics and practitioners alike and for identifying key avenues for research in this fast evolving research area.

Case studies of where circular economy is successfully manifesting in luxury

FARFETCH

FARFETCH Limited is a global luxury fashion platform connecting customers in 190+ countries and counting, with products from nearly 1,400 leading brands, boutiques, and department stores. FARFETCH began as a marketplace for luxury boutiques, and has advanced to a leader for pre-owned and sustainable luxury. FARFETCH encompasses a smooth shopping experience incorporating new and pre-owned items, while also actively endorsing the practice of circular fashion. A notable example exemplifying FARFETCH's dedication to the circular economy is the FARFETCH Second Life program, that permits users to trade in their designer handbags for FARFETCH credit, where the handbags go through (with the assistance from Upteam) an authenticating and appraising system, and are then sold, which helps prolong life-cycles of the products while avoiding waste.

In addition, the company implemented FARFETCH Donate, with Thrift+, to allow users to seamlessly donate clothing to a charity, while receiving store credit. Garments are collected, listed, sold, and the profits are split between the charity, donor, and Thrift+. Furthermore, FARFETCH provide FARFETCH Fix that permits users to access professional repairs to shoes and handbags, using The Restory, as a way to promote extending the life of luxury products by preserving and maintaining them.

To educate and empower customers, FARFETCH has designed the Fashion Footprint Tool alongside IOF.earth, to help users understand the environmental impact of their purchases. FARFETCH also launched their annual Conscious Luxury Trends report, where they summarized trends in sustainable shopping, and as an example, a fourfold increase of traffic to their POSITIVELY FARFETCH section as well as noting consumers filtering for responsible brands quickly picked up after the pandemic. FARFETCH's circular model is good for the environment and good for the consumer, as 52% percent of customer respondents reported they had either bought or resold a pre-owned item in 2020, that for each pre-owned purchase made, this saved approximately 1 kg in waste, 3,040 liters of water, and 22 kg of CO₂ emissions. FARFETCH's user-centred business model provides access to singular luxury goods to their customers, and a source of income from resale, as well as contributing to fashion overproduction reduction and waste lessening. FARFETCH's suite of tools and service offerings has allowed the organisation to illustrate how digital innovation and luxury retail can enable and support circular economy principles for the fashion business.

Stella McCartney

Sustainable luxury fashion trailblazer, Stella McCartney, has based her brand upon ethics and responsibility. Importantly, unlike those in the luxury fashion ecosystem, McCartney has never viewed sustainability as a trend, because sustainability is one of her values. Ever since branding her label in 2001, she has not used leather, fur and glues made from animals. She has advocated the notion that luxury should not be at the expense of animal welfare, or the environment. In addition, aside from consciously opposing the use of unsustainable materials, McCartney has also engaged, and, actually challenged the innovative capabilities of the industry, by working with start-ups to develop sustainable replacements for luxury fashion goods. For instance, her

collaboration with Bolt Threads to produce Mylo™, a leather substitute made from mycelium, was used to develop the world's first handbag from that material. She has also partnered with Bananatex® to fabricate bags using biodegradable banana fibers and found a way to take wine production waste to make grape-based leather with assistance from Veuve Clicquot.

But it is more than just about materials. She has committed to circular fashion by making items that are recyclable or reused, such as her ECONYL parka, which is made from recycled nylon from ocean and landfill waste. She has also incorporated biotech into her materials with a jacket made from biologically recycled polyester, which was broken down and redone by AI-generated enzymes in conjunction with Protein Evolution. To add a further level of supply chain transparency, she is using blockchain technology to trace regenerative cotton and wool so customers can know where products were sourced from and how they were made.

McCartney's impact is plenty big beyond her collections. She co-founded the \$200 million Collab SOS fund to support climate-focused startups developing next-gen materials and sustainable technologies, with the aim to push the industry toward greener practices. Although the brand has struggled financially - like many brands carving out a sustainable fashion space - Stella is committed to success. Her work shows that luxury fashion can - and should - operate within the bounds of a circular, ethical economy. She has not only set up a brand, but set an outline for how the future of fashion might look.

Ralph Lauren

The Lauren Look from Ralph Lauren is an excellent case study for a luxury fashion brand applying circular economy principles. The Lauren Look was launched in March 2021, and is a subscription rental model offering Ralph Lauren apparel beginning at \$125/month. Rather than owning items, subscribers can rent pieces from the newest collections, wear them, and return them, or purchase the item at a reduced price - encouraging users to access the product rather than own it.

The model delivers on the objectives of a circular economy strategy by increasing the life cycle of garments, minimizing waste, and reducing overconsumption. Any item once it has been rented

out the maximum number of times is donated to Delivering Good, a non-profit that supports communities in need which adds additional benefit in relation to social sustainability.

The Lauren Look has benefits for the business as well: Ralph Lauren gains direct insights from consumers to improve forecasting for demand, limit overproduction and overstock and lessen the chance of having unsold products. The rental model also creates a recurring revenue stream, increases customer engagement, and captures younger customers that are interested in sustainability.

In the future, Ralph Lauren will expand the model to additional verticals and products, as well as pursue fiber-to-fiber recycling and reselling options. The Lauren Look takes a holistic approach to circularity incorporating circular use of a product, a fiber-to-fiber recycling initiative and a sustainable fashion consumer experience, all representing a unique initiative for turn key circular fashion for the luxury brand.

TOMMY HILFIGER

The Tommy for Life program encourages sustainability through re-commerce, remanufacturing, and responsible waste management. It is a unique circular business model for Tommy Hilfiger that allows consumers to trade in their previously owned Tommy Hilfiger & Tommy Jeans products as well as broken products sourced through retail and e-commerce operations to be repaired, restored, or converted into new, one-of-a-kind designs. The Renewal Workshop oversees the sorting, cleaning, and repairing, and all items will be repaired and brought back to life for resale, or remixed into fresh styles. Any item that cannot be repaired will be recycled or donated through Tommy's philanthropic arm, Tommy Cares.

Tommy for Life applies Tommy Hilfiger's sustainability vision of making fashion that wastes nothing in an industry that welcomes all. Tommy for Life is one initiative in a more expansive sustainability initiative to reduce environmental impacts, increase positive environmental impacts, and continue to improve lives by 2030 throughout the value chain of the company. The combination of customer take-back schemes, remanufacturing, and resale means the company is

able to grow the target numbers of users per item, prolong the life of the product and promote less overconsumption.

Customer benefits include re-purchasing high-quality, authentic Tommy Hilfiger products at more accessible price points. Many customers love the "one-of-a-kind" Remixed collection pieces, while others benefit from the environmental consciousness of purchasing renewed items. Tommy Hilfiger benefits from Tommy for Life with new revenue streams, increased customer loyalty, recapture value in damaged versus discarded products.

Tommy for Life is separate from Tommy Hilfiger because they want to be agile, learning fast, and adapting quickly. The Renewal Workshop is a partner to handle all reverse logistics and item management for a consistent quality product and deliver useful information to product design in the future. Tommy for Life has two lines of products; Refreshed products are renewed pre-owned or damaged products while Remixed products are one-of-a-kind pieces made locally from irreparable products.

Tommy Hilfiger plans to apply circularity more generally on the main business so customers can more seamlessly earn store credit on more than one platform. The brand continues to advance prototypes for other models of circularity including small rental programs, in-store repairs and customizations, and digital fashion collaborations. Tommy for Life is expanding throughout Europe and building internal systems for product data collection will enable further growth and allow the company to support its sustainability initiatives in the future.

How circularity adds value & exclusivity to a brand

Circularity adds brand value to luxury brands in several ways that combine to redefine the way in which luxury brands operate and are understood within the market.

The way in which a brand can elevate its brand value via circular business models is through alignment with consumer values and values associated with environmental consciousness and sustainability. This is powerful because it has the potential of reshaping traditional luxury, from

ephemeral possession to long-lasting value and intentionality around how products are made (Pieroni et al., 2023).

There are several important ways circularity enhances value associated with a brand. First of all, circular practices are able to improve the brand and its reputation as they show overall, a commitment to responsibility and sustainability. This is, of course, in light of the stronger desertion of Millennial and Gen Z consumers towards sustainable and ethical products. Still, brand credibility is compromised if the initiatives use invalid forms of circularity and are not authentic or traversable. Modern consumers have honed the ability to sense 'circular washing', as it can now be repurposed.

Implementation of circular strategies offers new sources of revenue while also deepening the relationship with the consumer. For example, luxury handbags offering certified pre-owned programs allows brands to establish new revenue while simultaneously controlling secondary market activities. And providing repairs/refurbishments also deepens consumer relationships and extends their commitment to longevity.

A key way in which brand value can increase through circularity is through innovation. By embedding circularity, a brand contributes to innovation that drives, including, its product design, business models, and services. This could include a new line of modular luxury items that can be repaired and upgraded easily, which adds more value (longevity) and satisfaction to a consumer. Furthermore, by using various technologies in the facilitation of transparency and trust, technology integration continues to increase brand worth. Blockchain and other traceability technologies provide assurance over the certification of sustainable materials by confirming its provenance and tracking product usage. The application of such technologies can provide assurance to consumers of the ethical and environmental credentials of their purchase.

Circularity provides a virtuous cycle, creating sustainable outcomes that reduce environmental harm, whilst improving product quality and opening new business streams. This principle of creating value for brands creates leaders in responsible luxury brands whilst continuing to deliver premium experiences.

Notably, in order for brands to improve CST outcomes or refresh tangible worth through circularity, brands need to establish some consideration of potential challenges that arise. Covering aspects which may affect exclusivity and accessibility, ensuring there is consistency across circular formats and maintaining appropriate transparency around circular actions, all have a balance that needs to be addressed. If managed correctly and effectively, transforming brand value through circular business models can create a more resilient, sustainable and consumer aligned luxury proposition.

Impact of Sustainability on the Circular Economy in Fashion

Sustainability affects the circular economy in fashion as it changes luxury brands and how they think about their business model and their activities, it is a significant disruptor. Ultimately, a circular economy is seeking to decouple economic activity from the consumption of finite resources by working to design out waste and pollution while keeping products and materials in use. The issues facing sustainable fashion have seen luxury brands abandon the linear ownership - 'take-make-dispose' model and rethinking the entire value chain from sourcing raw material to end-of-life management. There are also clear indicators in many of the focus areas: brands are engaging in sustainable sourcing practices around recycled, renewable, and ethically sourced materials, while also focusing on longevity and durability through classic design and sturdy construction. The circular economy has contributed to investment and service models around repairs and refurbishment which increases the life of items and ultimately reduces waste. Brands are moving into resale and pre-owned markets, offering rental and subscription models which offer shared use, thus reducing new sales. Companies are even beginning to embrace technologies like blockchain and other forms of provenance transparency to trace the life-cycle of sustainable materials. The move to circularity is especially important because younger consumers in particular (Millennials and Gen Z) are demonstrating a stronger preference for sustainable and ethical products. Each step toward circularity will come with hurdles such as balancing brand heritage and exclusivity with a culture of reuse, and navigating convoluted global supply chains, but circular business models will allow luxury brands an opportunity to reshape their relationship with customers, improve their reputation, and develop more resilient and sustainable business practices. Though the introduction of circular strategies will require substantial development of new or modified supply chains, significant investment in policies and

practices, and adaptation of sourcing and employment of staff with experience, the potential benefits to the environment and brand resilience make this a fundamentally important shift for the fashion industry. The concept of sustainability in the circular economy in fashion has radically altered how luxury brands behave and how consumers regard them; this is a key “tipping point” in how the luxury sector approaches environmental responsibility. Circular business models provide opportunities for luxury to operate in a more sustainable and responsible manner by focusing on reuse of materials, rentals of products, and repairs. This move is a challenge to the traditional luxury association with disposability and excess; the new luxury is a form of opulence that is responsible and durable. This shift has affected how luxury brands are perceived by consumers as they become more discerning and aware of environmental issues surrounding the fashion sector. Brands pursuing circularity will have the opportunity to show themselves as leaders in responsible luxury and to attract a new generation of consumers who are interested in sustainability and the quality and craftsmanship that go along with the traditional luxury offer. This shift must be real and seen to be real, because consumers are much more sophisticated and aware than in the past in their ability to sniff out inauthentic brands and marketing; trying to make an inauthentic or surface-level adoption of circular models can tarnish brand credibility or earn consumer push back. The most important takeaway for brands at this stage is that the notion of circularity has already created many positive benefits to brand perception, including enhanced environmental sustainability through reduced resource consumption and waste production, enhanced brand reputation by aligning with consumer values, and enhanced opportunity for innovation through new product and business model creation. This shift can be particularly significant for Millennial and Z consumers who have been found to emphasize sustainable and ethically produced products much more heavily than preceding generations. Ultimately, luxury brands must continually examine how they package their messaging around circularity to position circular products as equally desirable, high-quality, and luxury compared to new products. Despite numerous challenges posed by circularity, particularly in attempting to move toward truly circular offerings from multiple geographical locations, the benefits and opportunities appear to be considerable, especially for establishing a new relationship with consumers, enhancing brand reputations, and developing resilient and sustainable business models. In order to realize all of these opportunities for transformation, brands will need to re-envision their value proposition, concept of operations, and their

relationship with consumers moving toward a new relationship where luxury is responsible and lives on.

2.3 Consumer Perception of Sustainable Luxury

Changes in consumer expectations and values

The luxury industry is undergoing a significant shift in how consumers view luxury products, particularly with regards to levels of sustainability. Research indicates that in a post-pandemic environment, consumers changed significantly in their purchase behavior and luxury brand expectations (Yang et al, 2023). Prior to the pandemic, the most common accepted hedonic values for purchasing luxury products were quality, exclusivity and personal preferences, often overlooking environmental concern. However, this mindset has shifted immensely as a more recent study has examined that 93% of the respondents indicated that they are already willing to pay more for luxury products that utilize sustainable materials.

This shift in consumer values is particularly evident among younger generations. A large majority (77%) of consumers agree that sustainable materials are not just a trend, but signify a change in how the industry plans to operate. This aligns with a much larger trend of society moving consumers towards environmental stewardship and sustainability over consumerism for the purpose of short term value gratification. Notably, 85% of consumers are aware of sustainable materials being implemented in luxury brand products, demonstrating the value of transparency of sustainability towards consumer purchases.

While there has been a considerable response to that shift in values in the luxury market, it has not been uniform across the industry. While many large luxury conglomerates have initiated sustainability initiatives, they are beginning to implement wide-ranging sustainability initiatives across many brands. For example, Tiffany and Co. has become a founding member of the I.R.M.A. (Initiative for Responsible Mining Assurance) and is sourcing materials only from traceable supply chains . Kering has implemented various sustainability targets across many of its brands including utilization of raw material sourcing, consumption reduction of water and waste, limiting carbon emissions, and supply chain management.

Yet, there are significant obstacles within luxury of correlating luxury with sustainability. Consumers often demonstrate contradictory behavior - they show price sensitivity towards sustainable luxury goods, often putting them in a higher price category, while simultaneously demonstrating willingness to pay more for sustainable products that align with their values (Yang et al, 2023). Studies that have examined sustainable luxury indicate that consumers accept paying a premium of 10-20% more for sustainable luxury products compared to traditional luxury items.

This substantial shift in consumer values does not acknowledge solely environmental values, it also encapsulates social responsibility values. Consumers have begun to expect that luxury brands implement sustainable materials while not compromising quality or financial price. This divergence of consumer values has resulted in research and developments of innovative sustainable materials and processes, including partnerships and collaborations with suppliers and other industry counterparts. Thus emphasizing that an authentic commitment to sustainability is essential. Brands must set ambitious sustainability strides, report progress regularly, and participate in third-party certifications.

As we continue to see the evolution of consumer values, we can apply this to the future of the luxury market. As sustainability becomes more important to modern-day consumers, including Millennials and Gen Z. Luxury brands are going to have to adjust to changing preferences to thus remain relevant and competitive. The paradigm shift observed in consumer expectation and behavior poses both a challenge and an opportunity for brands to reconcile sustainability and luxury. It is important to note this creates difficulty for luxury brands because of the nature of luxury being contradictory to sustainable luxury practices. However, the successful brands will continue to find ways to implement the changes in consumer behaviors for greater standing in their market position and create stronger relationships with their consumers.

The Paradox of Sustainable Luxury: Can Eco-Consciousness Coexist with Exclusivity?

The interaction between sustainability and luxury produces a complex and dynamic relationship that contradicts the entrenched historical conventions of the sector. Luxury has long been associated with excess, exclusivity, and conspicuous consumption. In contrast, sustainability belongs to conservation and care of the natural environment. The connection is almost reflexive and leads to an inherent contradiction especially given the difficulty for luxury brands to reconcile direction and purpose in relation to the idea of elite image and the increasing recognition of the impact of the environmental footprint.

This relationship has been shaped by the changing attitudes of consumers. For example, there is a growing body of research that can make a case for less exclusivity and less wastefulness in luxury as it increasingly helps people express their values at their largest. Therefore, sustainable luxury could not only be a way to solve environmental and social development challenges, but also to illustrate culture, as well as art and innovation together with a history of local craftsmanship. There is a remarkable fluidity in luxury as the global luxury and fashion industry reported an annualized Total Shareholder Return of 35% and lead performance with 26 industry sectors (The BCG 2014 Consumer Value Creators Series 2014).

Sustainable luxury presents a number of paradoxical dilemmas. Many luxury products use sustainable production but are otherwise quite unsustainable. For example, fuel consumption for high-end sports cars although expensive, can be extreme; super cars can use around 100 liters every 100 km travelled at high speed. Similarly, yachts use many resources for operations and cleaning, although they have small numbers of passengers at any time. This brings us to the issues surrounding ethical clothing, particularly animal welfare concerning luxury fashion's fur and leather industry, with the recent issues surrounding the treatment of crocodiles when producing retailers' Hermès Birkin bags.

That said, luxury certainly has features that can support sustainability. Rarity and durability both describe luxury as well (Bendell and Kleanthous 2007). Durable goods have always been luxury products in in-sight of long-lasting family heirlooms. Anyway, durability more or less supports sustainability by limiting waste and consuming less material over time. Additionally, because of

high profit margins and an indication of premium prices, luxury brands have the financial capability to afford sustainable sectors and innovators.

The response of the luxury industry to the sustainability challenges, according to 'A Fashion Sustainability Study', is complex. In fact many luxury brands are starting to implement comprehensive sustainability initiatives. Cartier reported meeting the requirements of the Responsible Jewelry Council to state that, on the basis of social accountability and the stability of mineral extraction, its diamonds and gold are sourced from stable people and environments (Kapferer 2010). Since 2004 we have seen ethical fashion shows emerge and subsequently get included during Fashion Week. Some luxury brands, for example, Hermes, are even building sustainable practices and innovation into their new recycling collection, Petit h, which reuses seconds or fabric remnants.

Patterns in how consumers think about sustainable luxury vary somewhat. Research states that even though there is more awareness and interest in sustainable luxury, there is still skepticism around luxury brands genuinely committing to sustainable practices (Zhao, L., Peng, J., & Yu, S. 2023). Consumers are becoming more mindful and anxious about balancing quality assurance, higher prices, and when a brand is responsible for sustainability. Where this consumer scepticism may pose risk, at the same time opportunities arise for luxury brands to show they are serious about sustainability.

Several factors are affecting the future of sustainable luxury:

The industry needs to recognise the obstacles to managing sustainability, as it is not without there being challenges: managing quality, time for research and development, collaboration with their suppliers and industry collaborators is an additional step. Socially responsible practices representing fair trade practices, charitable donations, and community development are becoming important as consumers' purchasing behaviour is changing away from only the product to include the company's social responsibility practices also.

The luxury industry's journey to sustainability is far deeper than just another emerging market, it will require the un-picking and re-sewing of the industry's entire paradigm for consumers and society. The brands that become leaders in sustaining luxury sustenance, will not be brands who

aim to do the exclusive value, quality product, luxury brands who have adopted sustainability as part of their core operational practices, as mentioned in the WWF Deeper Luxury report "the authentically luxury brand seeks to make the greatest positive contribution to all people affected by their design, manufacturing, and supply chain activities, and where they see their consumers as being able, and positively motivated to respect planet and people".

Education and transparency will be an important strand of this. Research show consumers with a higher level of education tend to evaluate brands social responsibility behavior more critically, while also have more admiration for a socially responsible luxury brand that authenticates their claims and intentions. In other words, with clear communication and transparency, an authentic commitment to sustainable practices can have positive outcomes an educated consumer.

To conclude, while consumers will have to continue to deal with the paradox of luxury or sustainability, it is possible to see how the two can co-exist under certain conditions. A commitment and expectation establishment is taking shape where sustainability will be a foundational part of luxury in the future. The answer lies on producing premium, quality craftsmanship, quality experience and innovation as the mechanisms to establish sustainable solutions to support the exclusiveness, uniqueness, desirability that luxury encompasses. As the industry progresses, brands prepared to navigate the contradictions and challenges of sustainable luxury, should expect to be seen as the leaders in the fields of luxury, sustainability and conscientious consumption.

The link between brand loyalty and sustainability in luxury purchasing decisions is complicated by consumer values, perceptions, and behaviors. Brandão & de Miranda argue that luxuries are tied to an idealized existence, personal pleasures, and social image, while sustainable consumption relates to humility and ethics (Brandão & de Miranda, 2022). These authors found important relationships between sustainable consumption behavior and purchase intention, with the perceived value of an item, social image, and self-expressive functions being significant factors in the decision-making process.

Changes in consumer attitudes have shifted from 'conspicuous consumption' to a 'meaningful' consumption model. Research conducted by Carr found that during this "ethics era," consumers have changed their buying habits and become more cognizant of how their purchasing habits

impact the supply chain. In luxury fashion specifically, consumers have moved further towards purchasing timeless pieces with a heavier investment in quality, as opposed to trendy items, that demonstrate aspects of social and environmental awareness.

These students have recognized that consumer behavior in sustainable luxury purchasing decisions is driven by many psychological determinants. Studies have reported that the perception of symbolic value (both self-directed and others-directed), the tendency to conform, moral judgment, and hedonism, were important factors related to purchasing decisions 4. The findings show that when it comes to luxury brands, those that are used to convey their inherent uniqueness (rather than simply flaunting their wealth and status) were more likely to consider sustainable alternatives (Amaldoss and Jain 2005).

As is often the case with many factors that influence purchase intention, product involvement is a major contributing factor to decision making. Research has shown that consumers with high product involvement for luxury products are more likely to develop stronger relationships with the brand. For example, brand satisfaction, trust, affective brand commitment, and brand loyalty (Bian and Moutinho 2011). Involved consumers expend more time thinking about and doing research to substantiate that the quality, features, and benefits of luxury products are consistent with their interests and expectations 6. Studies indicate that where involvement or brand attitude may be significantly high for a luxury product, the consumer typically expects to achieve both personal and symbolic gains that align with the cost of luxury products (Dubois and Duquesne 1993).

The issue of the attitude-behavior gap is a considerable obstacle for sustainable luxury consumption. While consumers are showing interest in social issues that surround sustainability, many consumers seem hesitant to purchase sustainable luxury products at a high price 7, which typically includes clothing/products. This gap is likely more pronounced with fashion/clothing items than other categories because for personal fashion consumption, self-expressive value supersedes sustainable value.

Interestingly, consumer multidimensional awareness and education affects consumer willingness to purchase decisions. Studies have noted that 85% of respondents had previously implemented sustainable materials within luxury brand products, highlighting the growing visibility and

significance within the sustainability initiatives in the luxury market. This increased awareness will maintain a high perceived brand image, alongside influencing action and decision behavior for consumer purchasing.

With respect to the future, research indicates that luxury brands need to focus on being authentically committed to sustainability. Luxury brands should set clear sustainability goals, document measurable successes periodically, and engage in certifications to provide brand credibility. Studies indicate that when luxury brands can show tangible social and environmental responsibility, it can strengthen relationship equity as consumers feel a sense of pride making a purchase from organizations situated along the sustainable trajectory.

Secondly, the economic opportunity suggests that consumers are progressing, wherein consumers are willing to engage with sustainable initiatives - 93% of respondents indicated they were willing to pay more for a sustainable luxury product, with only 7% of the consumers indicating they were not likely to pay more for sustainability. This indicates that consumers have positive associations and preferences for sustainability in luxury products are likely conditioned as being important to them, where they believe it to invest in more environmentally friendly and ethically produced luxury.

Despite perspective, skepticism remains relevant. Consumers often express distrust if luxury brands are acting sustainably, given their practices are marketing – (and not real, nor genuine commitment). Furthermore, skepticism, economic priorities and conditions, these considerations impact sustainability consideration much more in purchasing decisions than any luxury brand may assume. Overall, while consumers are growing aware of sustainability products at luxury, many may remain concerned about quality, cost, authenticity, sustainable luxury brand engagement and commitment to sustainability .

CHAPTER 3: CASE STUDY - DOLCE & GABBANA'S SUSTAINABILITY POTENTIAL

3.1 Dolce & Gabbana: Brand Analysis

Brand DNA: Aesthetic, heritage, craftsmanship, and exclusivity.

Dolce & Gabbana- founded in 1985 by Domenico Dolce and Stefano Gabbana- had strengthened the association of Sicilian craftsmanship and identity into the world of fashion. The brand DNA is clearly tied into the heritage of Sicily, especially as it relates to the roots of Domenico Dolce in Polizzi Generosa (which is the main creative element of the brand's cultural identity). One distinction of Dolce&Gabbana is that the brand has maintained an eccentric, and often nonconformist, identity since the 1970's which allows them to maintain a distinct and recognizable style. Their aesthetic is richly influenced by Sicilian Baroque architecture (both in reference to Baroque as richer texturally and the opalescence of the fabrics), which is a sartorial representation of Baroque as a historical artistic movement.



The brand conveys its identity through multiple formats, where Sicily is not just a context of inspiration, but rather the common thread of each collection. Some of the representation in their work is provided by collaboration with notable artists and creators, much in the same way that writer and director Giuseppe Tornatore, photographer Ferdinando Scianna or



composer Ennio Morricone conceptualized the purest expressions of Italian culture with Sicilian elements, and collaborated towards this goal. Collections often exemplified connections to aspects of Sicilian culture and traditions, like F.W. 2013/14, which was influenced by Maestro Domenico's inspirations from the mosaics at Monreale, and the cult of Saint Agatha, or the F.W. 2012/13 collection which had significant references to brocade tapestries and putti, which were inspired from Sicilian Baroque wealth and richness.

Dolce & Gabbana's vision and communication model needs to be extended from the boundaries of contemporary fashion and contemporary presentation, to the thought or reasoning behind innovative presentations of fashion shows.

The brand has been able to time, place, and bind these experiences together into experience-based stories that have resisted forms of expression that disconnect them from the territory and remain true to their history. The collections of haute couture that have inspired the brand consistently over the one dozen years have been artifacts from Italian territories, in particular, Sicily. Explaining and practicing construction as a craft and a tradition is a fundamental sensibility of the brand! When Dolce&Gabbana design clothes, they are not just fashion; they are stories, or as Dolce&Gabbana describe it, they are artifacts from the meeting point between territory and a brand narrative. This relationship to place and heritage is further intensified by the historic locations chosen to show their products, such as the Piazza Pretoria in Palermo, the Valley of the Temples in Agrigento, or the baroque architecture of Syracuse.



The stylistic and aesthetic communications of the brand have and are also changing. For instance, the brand had used neorealist black-and-white photography by Sicilian photographer Ferdinando Scianna, as a primary visual communication platform for their first campaign in 1987. After the initial campaign, there was a gradual and theatrical presentation of the brand identity beginning in 1998 when the brand first used Sicilian actors: the eclectic dining restaurant; however, the level of theatrical nature of the brands identity began to mask the authentic Sicilian identity more and more as the representation became increasingly baroque and exaggerated. Nevertheless, there is a dramatic and theatrical level of folly of the presentation of their seasonal collections, of which has bestowed Dolce&Gabbana with a distinctive character as a brand by merging to the broader fashion industry ideological struggles with architecture as an alternative fashion communication platform, thereby cultivating a cultural heritage. Dolce&Gabbana continue to promote a romantic vision of Sicily, which has at times received criticism for its nostalgia, through their designs, shows, and marketing; however, they have nevertheless managed to create a unique, distinguishable brand identity that is recognizable in the global fashion industry. The brand's aesthetic is firmly based in its homage to Italian heritage and particular Sicilian culture, as illustrated through the brand's motto, "Sicily is my Love". Their craftsmanship is most evident through using traditional artisanal methods and high-quality materials with each product demonstrating a sense of sophistication and exclusivity. The brand articulates its values across multiple platforms from collaborations with celebrities and



influencers which allows Dolce&Gabbana to maintain their premium market status while extending to new audience demographics. The brand's marketing method recognizes and embraces online and social media communication to showcase collections to its customers, engage with customers while continuing to be a luxury brand. What separates Dolce and Gabbana and provides it with a competitive advantage in the industry is their connection with their customers, by focusing on traditional Italian family values and love through their products and marketing. Their target market is high mortgage consumers seeking exclusivity and investment in sophistication in their lifestyle, and that are emotionally driven towards fashion pieces that reflect only the best taste and emotion. They will continually challenge the fashion world through innovative and creative directed towards the luxury market as a modern classicist and staying true to Italian style. Through runway shows, famous collaborations, and across multiple platforms, Dolce and Gabbana has built a traditional presence of brand awareness that is widely known and influential to fashion in general. They believe in the importance of creating a balance between tradition and innovative brand identity through new designs while remaining committed to the idea of greatness through craftsmanship and quality. While there will not be exclusivity for the brand through experienced products and advertising, they have created a unique and powerful brand appeal in luxury to targeted consumer audiences around the world from Sicilian inspired products through to quality advertising and marketing.

Key Sustainability Initiatives and Strategic Integration at Dolce & Gabbana

As a result of this study, I was fortunate enough to engage with relevant leaders from the sustainability and ESG teams at Dolce&Gabbana. This process provided me with some unique first-hand perspective on how one of Italy's most prestigious luxury houses is integrating sustainability into all dimensions of their brand identity and long-term strategy. I saw a clear picture of an organization that was not just reacting to market demands, but instead remaking the luxury space through environmental responsibility, heritage preservation, and innovation.

For example, as Sara Vascotto, Sustainability Global Manager at Dolce & Gabbana, described the brand's more recent, but narrow, turn: "And our journey for sustainability is quite new. We have only had a framework for a couple of years," she said, "but the progress we see so far has been quite promising. We have referred our KPIs in line with industry expectations; in some cases, even better."

The Dolce and Gabbana environmental, social, and governance (ESG) strategy is expressed through seven sustainability principles: Net Zero Carbon, Made in Italy and Heritage Preservation, Human Care and Future Generations, Zero Waste Approach, Eco-Systems Co-Creation, Materials and Circularity, and Transparency and Traceability. These principles are the brand's both a philosophy and operationalisation.

Some of the brand's more notable achievements, so far, include moving to renewable energy. The percentage of energy being used for all kinds of operations such as stores, offices, and production; and sources; mostly solar and hydro, was 85% of total energy usage in FY24. In addition, 99% of industrial waste is now redirected towards regulated disposal pathways which demonstrates positive waste management in an industry that has faced a great deal of inefficient practice in the past.

There has been dramatic change to the company's material consumption. According to Giuditta Gubbi of the ESG team, around 70% of textiles reflected in Dolce & Gabbana's collections are sourced from renewable sources, such as organic cotton and recycled wool. Such newer material usage supports the industry-wide ambition toward circularity and a material consumption goal of

getting that percentage up substantially over the next 5 years, while also striving to maintain the quality of luxury.

The same holds true with packaging. The brand has committed to reducing the use of virgin plastic by 50% ahead of end of FY24, and since the retail packaging is made from 100% FSC-certified paper, the bags and boxes are from the same, the garment bags are sourced from 100% cotton and the accessories are made with recycled PET and the industrial packaging is 97% paper or cotton-sourced.

Furthermore, Dolce&Gabbana's involvement in the Re.Crea consortium represents a shift in lifecycle management. "Re.Crea allows us to trace each piece of clothing in their lifecycle, from design and production to disposal and possible regeneration", said Giuditta. This collaborative venture supports closed loop initiatives, complies with EU legislation on textile waste and improves accountability.

Again, while local sourcing will always be an important aspect of the brand, approximately 93% of materials are sourced and produced in Italy (B2B and tulle, laces, embroideries) and 3% from the rest of Europe. This geo-local model enhances quality in artisan production, encourages good labor practices, and emphasizes cultural preservation. "When you support Italian artisans, you are not only supporting heritage, but you are also supporting quality and integrity," said Vascotto.

The institutionalization of skills in the trades is further supported with La Bottega di Mestiere, a program that educates young artisans to use heritage techniques. This not only connected generations but intended to keep the authenticity of Italian craftsmanship alive in various contemporary ways.

In social terms, Dolce & Gabbana is also participating in many initiatives. La Cittadella dei Ragazzi provides vocational training and mentorship to youth confronted with barriers to education, while the Generation D project provides visibility and impact to emerging designers. Inside the organization, Dolce & Gabbana has invested 11,000 hours in sustainability training to extend over 1000 employees. This initiative inspired environmental literacy and responsibility across the company.

From an environmental perspective, Dolce & Gabbana measures their goals against frameworks. As a member of the Science Based Targets initiative (SBTi), the brand is committed to the goals set out in the Paris Agreement. 64% of global electricity is currently generated from renewable resources, and the goal for FY28 is 100%. The brand hopes to model for full SBTi compliance by FY26.

For Dolce & Gabbana, sustainability is not an add-on; sustainability lives within the brand. “We hope for a future where luxury and sustainability are not bifurcated, but rather one fluid matter,” said Vascotto, “each garment as beautiful as it is designed to last, and produced with respect for the people who wear it, and the planet.”

The findings from the interviews have identified a brand that is changing, and genuinely changing. Sustainability has become the lens from which Dolce&Gabbana are redefining their long-held beliefs about quality, legacy and beautiful design. The company has not taken these initiatives as symbolic gestures but clearly have executed measurable impacts with an increasingly sustainable agenda. In this way, Dolce&Gabbana are not just adapting to meet consumer expectations and regulatory change, but they are actively helping to visualize the new future for responsible luxury.



Business Model Assessment

Target Market and Customer Profile

Demographics

Dolce & Gabbana's customers occupy a unique space in the luxury fashion market's demographic structure. Their typical customers are very wealthy individuals aged between 25 and 55 who prompt both male and female buyers. Although the brand has a uniquely existing female buyer demographic owing to the sensual, baroque, and gilt detailing that adorns their products, the demographic is primarily economic, characterized by one's income - Dolce & Gabbana customers include high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) whose financial means permit them to shop from Dolce & Gabbana's haute couture collections, bespoke services and limited edition items but they also have aspirational buyers -- typically upper middle class consumers -- that shop for more readily accessible products, such as deodorants, fragrances, eye wear, small leather goods etc (Statista, 2023; Bain & Company, 2023). In addition to demographics the regional luxury fashion market map for Dolce & Gabbana is heavily entrenched in Europe (predominantly Italy and France), North America (primarily United States), Asia-Pacific (specifically China and Japan), and the Middle East where luxury expenditures are growing very quickly as a function of their strong demand market (McKinsey & Company, 2023).

Psychographics

Psychographically, Dolce & Gabbana's customers are connected by their affinity for a lifestyle inclusive of luxury that is rooted in the past, characterized by boldness, and defined through human and artistic expression. Their customers value exclusivity and are typically attracted to an emotional, expressive, and, often theatrical fashion identity. Their customers appreciate culture (art, travel, fine-dining, and celebrity culture) and participate in elite social activities such as fashion weeks, gala events, and luxury brand launches. Dolce & Gabbana patrons have a strong association with the brand's Mediterranean roots which permeate its collections through storytelling, religious iconography, alluring silhouettes, and Sicilian iconography (Dolce & Gabbana, 2023).

Consumer Behavior

Dolce & Gabbana patrons exhibit omnichannel shopping conducting both physical and digital shopping behaviours. Flagship stores continue to be important for providing luxury service in-person however the brands investment in e-commerce has allowed it to attract a new younger audience who are digitally-savvy (Business of Fashion, 2023). Consumers exhibit strong brand loyalty from Dolce&Gabbana's curated identity and storytelling both creating emotional connection. Influencers and celebrity endorsements significantly influence consumer behavior, especially among Millennials and Gen Z. A new cohort of eco-conscious consumers are emerging - mostly younger buyers looking for brands that have linked luxury to sustainability and transparency.

Business Model Canvas Analysis

Key Partners

Dolce & Gabbana maintains a controlled value chain leveraging vertical integration and partnerships. Premium Italian suppliers of textiles, lace and embroidery are key partners. Celebrity endorsements and influencer partnerships are central in providing amplification to the brand. The brand attends fashion events such as Milan Fashion Week but is also on e-commerce retail platforms such as Farfetch and Net-a-Porter. Emerging partnerships may include circular fashion platforms and blockchain providers to support traceability and resale plans (WWD, 2023).

Key Activities

Dolce&Gabbana's key activities include design, manufacturing, marketing and retail. It's Made in Italy commitment is driven by artisans and traditional craftsmanship. Its marketing activities include global campaigns, influencers, and runway shows (Forbes, 2023). Its retail operations include managing over 300 boutiques and a robust e-commerce strategy. The brand also invests in Alta Moda events and bespoke services to provide an experience unique to a particular customer.

Value Proposition

Dolce&Gabbana provides uncompromising luxury through cultural storytelling, sensuality and craftsmanship (made in Italy). Its collections represent the most bold design language, emotional imperative and exclusivity. In terms of sustainability, the brand is developing a more sustainable proposition - circular couture, upcycling, and reselling products - to reach the high-end, traditional luxury consumer as well as creating eco-derived luxury for a socially acceptable new customer category without diluting brand equity (Vogue Business, 2023).

Customer Relationships

The brand builds customer intimacy through personal experiences, private fittings and exclusive access to fashion events within a digital context - Behind the Scenes, digital storytelling, social media, etc (Luxury Daily, 2023). Loyalty programs are focused on sustainability measures for higher customer conversion into loyalty programs, exclusive access to limited collections and events, and potential innovative approaches to NFT initiatives and digital memberships.

Channels

Dolce & Gabbana uses a multi-channel retail strategy - flagship boutiques in world cities, e-commerce on its website, and premium online retailers. The brand analytically utilise social media platforms, such as Instagram and TikTok, to target younger demographics. Immersive pop-up stores, events and personal collaborations deliver unique retail experiences. In a circular luxury context, Dolce&Gabbana could evolve and expand into blockchain-secured resale channels (McKinsey & Company, 2023).

Customer Segments

Dolce&Gabbana aims to appeal to UHNWIs looking for haute couture, aspirational customers looking for ready to wear and accessories, and Gen Z and Millennial consumers through digital platforms. A new sub-segment of eco-aware consumers is looking for first hand, ethically aligned luxury too and is gaining relevance (Statista, 2023). These segments enable Dolce&Gabbana to remain inclusive while being part of the exclusive world of luxury.

Cost Structure

The brand's cost structure is made up of high-cost raw materials, artisan fees and wages, marketing costs, and the operations of over 300 boutiques. Any investment in ecommerce, pursuing sustainability initiatives and technologies like blockchain or digital authentication also adds to operational costs but could provide long-term value creation and competitive differentiation (Forbes, 2023).

Revenue Streams

Historically, the revenue for the brand has come ready to wear, Alta Moda, accessories, fragrance and licensing. Preparing for new revenue streams includes ready to wear revenues, haute couture collections and perfumes, and their associated attractive margins with profitability (Bain & Company, 2023). Broadening its horizon to circular fashion through resale, long-term rigged rental models and embracing NFT-backed digital-only fashion goods provides income opportunities within the luxury and sustainability trend.

Key Resources

The brand's resources include the brand heritage, design identity and creative team. Human capital is a key resource (artisans, designers, stylists, etc.) (WWD, 2023). The brand's global retail network and robust digital presence are significant resources. As social sustainability is becoming a focus for all organizations, the demand for new resources such as eco-textiles, resourcing innovations, and blockchain as an infrastructure when applicable will be a key enabler of future growth.

3.2 Competitor Benchmarking

Competitors' sustainability strategies

Sustainability in luxury fashion has quickly progressed from an afterthought to an integral portion of brands' identities, innovation, and consumer engagement. The socially responsible and sustainable e and sustainable initiatives that luxe fashion leaders J&F Gucci via Kering, LVMH and Hermès have created open up valuable learning opportunities for Dolce & Gabbana in its strategic move towards being a more sustainable brand. This benchmarking of Dolce&Gabbana against leading brands allows sound introspection on current sustainable practices, emerging opportunities or trends, as well as potential inadequacies that can be enhanced as (part of) or improve its processes toward sustainable luxury.

Gucci is one of the leading brands addressing sustainable transformation in the luxury fashion space. From the outset, the brand recognized sustainability as an essential aspect of its business plan and investment in it has become part of Gucci's ten year plan, as an example. Inherent in developmental direction is a commitment to a thorough implementation of sustainability by the Kering Group (Gucci Equilibrium, 2023). Gucci's sustainability action plan includes plans to integrate sustainability across every part of its business and supply chain. The strategy, named "Culture of Purpose," features a commitment to equality and inclusion, gender equality, artisanal craftsmanship and seeks to centre sustainability into everything it does from product defining to value creation. One of most visible aspects of Gucci's sustainability narrative is its "climate action plan." The climate action plan aims for an absolute 40% reduction of greenhouse emissions across scopes 1, 2 and 3 by 2035 under the auspices of the Paris Agreement for 1.5°C. The brand shared in early 2023 that as of 2022 it had achieved 100% renewable energy in its operations, that is an incredible achievement, and demonstrates the seriousness with which the brand is actively supporting the environment (Gucci Equilibrium, 2023). Gucci has adopted many aspects of circularity, and in particular its Gucci Off The Grid collection which is made from recycled and responsibly sourced products, and its resale initiatives through Vault, a curated platform that incorporates vintage resale, storytelling, and NFT technology. Each of these

support extending the life of products, lessening waste, and providing customers with a sustainable option in the luxury segment.

LVMH (Moët Hennessy Louis Vuitton) is a collective that includes 75 houses including Louis Vuitton, Dior and Fendi. LVMH has built a broader sustainability narrative around a comprehensive umbrella framework - LIFE 360 (LVMH Initiatives for the Environment) - which articulates four strategic pillars: Creative Circularity, Biodiversity, Climate and Traceability & Transparency.

The Creative Circularity pillar promotes eco-design practices, and encourages LVMH family brands to explore sustainable new materials and production practices. LVMH's Louis Vuitton has launched the LV Trainer Upcycling made from waste, available in limited-edition nature, marries craftsmanship with environmental sustainability (LVMH, 2023).

The Biodiversity protection pillar is another priority area. Investing in regenerative agriculture and protecting ecosystems, was a key focus area along with climate strategies, including to reduce the group's CO₂ emissions by 50%, scopes 1 and 2, by 2026; implementing renewable energy projects at LVMH business ventures around the world. LVMH not only invests significant capital into its supply chains but also expects strong compliance from its partner brands and its suppliers, with strict environmental and ethical standards. These initiatives not only amplify accountability but also respond to mounting consumer demand for brands that are transparent in relation to their impact on their environment and labor practices.

Hermès is perhaps the most storied brand and the least engaging to communicate throughout their centuries of history, yet to a model of sustainable luxury that is ultimately based on durability coupled with craftsmanship, rather than trend based versus many other luxury brands. Hermès places far greater value on longevity as its greatest sustainable asset than responding to seasonal shifts and quicker product cycles. Hermès also demonstrated their level of commitment to circularity with their repair department, where about 200,000 products were, as of 2022, repaired (Hermès Sustainable Development Report, 2023). These in store workshops offer consumers a mechanism to repair their Hermès items so they are not just being tossed as easily discarded items. Repairing items will reduce the environmental impact caused by a use of disposing of and then in turn repurchasing products. In addition to the repair department, Hermès

has a commitment to lean production processes in order to limit waste while designing and producing products over the extensive design and production phase.

With respect to climate action, Hermès has committed to neutralizing a large proportion of its carbon emissions by 2030 and somewhere approaching 100% by 2050. The brand has undertaken projects directed towards bending carbon emissions via its reliance on renewables and by the reduction of water and chemical inputs in its tanning and textiles businesses. Hermès does claim to have less technology involved than other luxury brands, but it is representative of how resource efficiency and craftsmanship can add real weight to sustainability objectives.

Key learnings

With this extensive competitor analysis in total, there are a number key learnings for Dolce & Gabbana. To begin with, it is apparent that developing a comprehensive, publicly-disclosed sustainability strategy is essential. Both Gucci and LVMH provide stakeholders with well-organized plans that include measurable targets and timelines. It provides transparency to risks, adds accountability and leadership to the brand. While Dolce&Gabbana has talked about its sustainability aspirations, it has vaguely so, with no organized, formal plan nor measurable targets, establishing a formal sustainability strategy would put Dolce&Gabbana on a level playing field with competitors and additionally develop investor and consumer confidence.

Another important takeaway is the potential for circular economy models. Gucci's Vault, and Hermès' repair services demonstrate that business models based on extending lifetime value for products could be possible, and desirable. While Dolce&Gabbana has introduced recycling efforts through its Alta Moda collections, which has recycled some archival fabrics, there is still potential to develop an official resale, or rental platform. And notably, a lot of opportunity to develop a technology-driven platform that incorporates digital innovation such as blockchain for authentication and traceability. This would give Dolce&Gabbana the opportunity to target a new segment of eco-minded luxury consumers, and reduce the environmental impacts of overproduction.

Beyond that, the focus on transparency and traceability in the supply chains of LVMH and Gucci provide an area for improvement for Dolce&Gabbana. The amount of publicly available information for stakeholders regarding a brand/make's sourcing practices, labour practices, and supplier oversight is minimal. Dolce&Gabbana could minimize a lot of risks, and potentially improve its ethical position by developing a more robust supplier code of conduct, and using third-party audits in the long term.

Finally, competitor assessments suggest an opportunity to use stakeholder engagement, and leverage storytelling through digital channels to support sustainability initiatives. There are brands like Gucci, Louis Vuitton, and others, who are utilising platforms not just to market sustainable products, but educate and engage consumers as well.

Dolce&Gabbana can leverage its heritage of Italian craftsmanship, and Mediterranean culture to build engaging, authentic stories that affirm sustainability characteristics as a natural extension of tradition, quality, and artistry.

In summary, despite some meaningful advances, Dolce&Gabbana needs to adopt a more structured, dynamic sustainability strategy that mirrors what is being accomplished at the highest level by the contemporary leaders in the space. Dolce&Gabbana has the opportunity to define a unique, authoritative space within sustainable luxury, but in order to do that, it can use the roadmap, circular economy business models, and communicative transparency of brands such as Gucci, LVMH and Hermès.

3.3 Challenges in Implementing a Circular Couture Model

Perception challenges: Is circular fashion “less luxurious”?

There are many various challenges to implementing a circular fashion-model in luxury fashion, but perception problems, and whether circular fashion is considered "less luxurious" is a representative and complex example all its own. This perception is influenced by the preferred relationship between luxury and exclusivity, novelty, and conspicuous consumption, all of which are key aspects of traditional luxury thinking. As luxury brands have begun adapting circular

models - emphasizing notions of sustainability, recycling, renting, and refurbishment - there is a cultural shift that counteracts long-held beliefs of luxury. The luxury industry's historical assertion of high value being associated with products scarcity and newness in their condition; that is, new, unused, and perfect, are challenged when establishing circular practices like reusing, rental and pre-owned capabilities, which lead to the questions of quality and desirability. As this circular fashion idea as being "less luxurious" is being challenged, it is being positioned as part of a new story of responsible consumption and sustainability are emerging, which is facing large consumption forces especially among the more conscious Millennial and Gen Z cohort who have begun to change the luxury market dynamics. These consumers are more likely to pay a premium for a brand they relate to, and which shows sustainability and ethical activity throughout their organization. This suggests that circular luxury can drive a reimagined luxury fashion value proposition. Brands now face the challenge of effectively communicating the quality, craftsmanship, and innate stories of consumption behind their circular offerings so consumers can shed their preconceived notions of luxury and update their expectations (for instance, highlighting the craftsmanship in a curated group of pre-loved items or the use of exquisite or repurposed materials). If brands engage authentically with consumers and are truthful about their circular process, they can alleviate the concern around diluting status in luxury. They can validate a new luxury sense that incorporates responsible choices and the longevity of products. Therefore, the current perception problem is not merely a marketing issue but also includes an overarching cultural change in both the luxury fashion sector and consumer culture, providing a strong understanding and desire to objectively appreciate circular luxury and counter required unwillingness to understand or conform to what luxury means within sustainability.

As true luxury consumers shift their expectations showing a prioritization of ethical values, high-quality craftsmanship, and environmental responsibility, circular fashion is becoming more aligned with modern understandings of what luxury is (Sustainable Management of Luxury). Luxury brands must adapt to changing consumer perception or risk alienating clients who desire to prioritize sustainability alongside exclusivity, thus raising the stakes in regard to competition. It is significant to note that many luxury consumers report being willing to pay a premium for sustainable (or those prioritizing sustainability) products adding to the credence that luxury and sustainability may be considered together inside a new value space for consumers. Furthermore, consumer psychology notwithstanding, some consumers view sustainability as diluting the

luxury experience whereby exclusivity is counter to sustainability. Putting scepticism to one side, addressing luxury will not come without challenge. The real challenge facing brands is how to re-define luxury to include notions of durability and sustainable methods of production and consumption without relinquishing the allure of scarcity (exclusivity). While circular fashion may seem to showcase products or concepts that might initially not signify luxury due to the inclusive nature of sustainability, circular fashion is being redefined as a market niche that is representing a broader proposition reflecting current consumer expectations. In the long haul, the "less luxurious" framework that is presented in circular fashion, will become diminished by increased visibility, and by circular fashion being shown through the lens of the luxury landscape, that sustainability adds to a luxury experience.

Sourcing and production limitations

The textile and clothing sector is positioned at a critical level of urgency for sustainable considerations with the challenges of the linear economy becoming more recognized. A linear economy model of extraction to disposal defined as "take-make-waste," does not allow for sustainable practices within the notion of sustainability. Therefore, the idea of "circular economy" (CE) aims to become a restorative and regenerative economy, aiming to remove waste and enhance the use of resources. Within the idea of a circular couture model, CE can be beneficial and perhaps help our design and lives become less wasteful. However, circular options in practice have encumbrances and significant barriers that derive from limitations in sourcing and producing.

To start, one sourcing limitation is the availability of sustainable raw materials. The textile industry relies on the manufacturing of both natural and synthetic fibers, and demand for fibers is projected to significantly increase within the next two decades. According to the Circle Economy, a projected 84% increase in textile fiber demand over the next 20 years could deplete resources to their breaking point (Koszewska, 2018). The increase in demand for conventional fibers like cotton and polyester creates increased environmental concerns over their production, including excessive water consumption, chemical pollution, and significant greenhouse gas emissions (Koszewska, 2018). Sustainable alternatives are limited, and therefore represent a

considerable challenge for brands making viable transformations towards a circular fashion model.

For further sustainability limitations, the quality of raw materials are also instrumental in a circular couture model. Typically, the textile and clothing sector is driven by cost and performance rather than sustainability. This can manifest in the choice of low-quality materials that cannot be re-cycled or re-used. Blends (for example cotton and polyester) are a prime example of this dilemma. Blends are often desirable for their comfort and durability, while they also create challenges with recycling (Koszewska, 2018). Designers are faced with finding ways to meet consumer preferences for high-performance textiles while creating designs that re-cyclable. In fact, the challenge of finding better quality raw materials can be compounded.

Moving to a circular model will require a significant shift in the production processes. The fast fashion model relies on rapid production cycles and inexpensive garments, which is not inherently aligned with the principles of circularity (Nilesh et al. 2022). Fast fashion businesses want to produce garments as quickly as possible and reduce production costs, resulting in overproduction and ultimately textile waste. It is possible to re-think production processes to fit circular economy principles; durability, repurposability, recyclability, for example, however it will require investment in innovative production technologies and could require significant re-thinking in terms of existing supply chain practices, which may discourage some companies.

The textile industry also faces huge challenges from the waste aspect of the supply chain. Effective waste management is an essential part of the transition to circularity and it begins with design. Nonetheless, as Koszewska (2018) explains, a large proportion of textile waste occurs during the production phase, specifically before consumers through manufacturing defects and unsold inventory. Post-consumer waste poses a bigger problem, as most clothing is not born with an end-of-life in mind, so the retailers and producers must establish efficient strategies of collecting, sorting and recycling textiles so that the loop can be closed and waste can be reduced.

Another key component of the circular couture model is the increasingly high demand for transparency and traceability in supply chains. As the industry begins to adopt a circular model, increasingly companies need to trace the original source of their materials and the ecological costs of producing them. As Koszewska (2018) recognizes, this is difficult due to the worldwide

nature of textile supply chains, as many companies buy materials from multiple suppliers across numerous countries. As Koszewska (2018) noted, when acquiring potentially sustainable products the manufacturer's claims are often difficult to verify. In order to facilitate the change to a circular model, time and investment is required to develop accurate and effective technologies to trace back to raw materials, such as blockchain, so that manufacturers can maintain accurate and real-time data against production.

Additionally, consumer behavior directly impacts the transition to circular models in the clothing industry. Despite increased awareness of the sustainability and ethical issues within the industry, a huge number of consumers are motivated by low prices and the fast fashion market (Koszewska, 2018). If all clothing is viewed as cheap and disposable, there can only be an increase in waste. Consumers must amend their attitudes towards sustainability to induce circular culture and changing cultural norms in the fashion industry. Brands must also effectively market the benefits of sustainable clothing whilst educating customers on the importance of responsible consumption.

Lastly, regulatory wherewithal is also significant pertaining to challenges of sourcing and production in the textile and clothing industry when switching to circular practices. For example, the European Union has enacted frameworks, such as the Circular Economy Package, to facilitate circular practices in business, but the lack of universal standards generates a disparity in how companies globally approach the use of the term circularity. Such disparity could lead to confusion and issues with stakeholder collaboration thus creating challenges for companies to derive a strategy to act collectively.

In summary, there are numerous constraints in sourcing and producing under the circular couture model, some examples being recyclable raw materials, maintaining input quality, rethink production, waste management processes, and supply chain transparency. The need to encourage consumer behavior, and the regulatory landscape present further complexity. The need to be sustainable is undoubtedly present, nevertheless, it is the companies' initiatives that will shape their future viability and create a sustainable future. As we move forward, collaboration, investment in transformative technologies, and consumer engagement with callable models will

be needed in order to overcome barriers to implementing a circular model in the clothing and textile industry.

Financial consequences and profitability issues.

Fashion industry transition to a circular couture model has financial consequences and profitability issues that need to be evaluated. One of the challenges of making the transition from a linear economy model to a circular economy framework is the initial investment. Sustainable practices entail many significant capital investments in sourcing sustainable materials, product design for durability and recyclability, and investing in state-of-the-art manufacturing technologies that support a circular economy model. Sustainable raw materials are usually more expensive than conventional fibers, so companies are always trying to justify the costs of sustainable collections and still be competitively priced in an increasingly cost-sensitive market . This transition to circular models could temporarily reduce profit margins while companies grapple with all of the financial implications.

Furthermore, operational costs associated with transitioning to a circular model need to be considered. Companies will need to take into account adopting new systems for managing waste, recycling waste material, and managing reverse logistics; not making these changes to existing supply chains could mean creating new operational problems. Managing closed-loop systems creates complexities that create operational problems and result in unexpected costs especially when companies may not have the existing infrastructure to sort and recycle textiles efficiently. Brands will likely need to train their staff, as well as establish relationships with businesses or charitable organizations that can responsibly manage post-consumer textile waste, creating an additional layer of financial pressure and complicating their existing operational budgets.

From a production standpoint, brands have concerns about the economic viability of circular models while also transitioning their operations. Furthermore, brands are often under pressure from consumers for fast turnaround times and low prices, two concepts that do not fit with sustainability concepts that have extended product life cycles and less frequent production cycles. Thus, brands may end up in a situation where they are engaging in sustainable practices

while also trying to fight every temptation not to charge more or reduce production. If brands do not quickly invest in the circularity of their production processes, they risk involving themselves in sustainable practices while losing profitability in the short run. Brands need to be mindful producer and retailer who will balance the expectations of the consumer as well as their desire to improve sustainability, and may impact their price point and competitiveness.

The willingness of consumers to pay for sustainably produced garments is an important consideration in circular fashion profitability. While there is a growing number of consumers who are now prioritizing sustainability over price, the largest segment of the market remains commodity driven. This begs the question, will consumers pay a premium for circular products? Companies will have to invest in thorough market studies and customer engagement strategies in order to understand consumer behaviors. Understanding this is key to the development of pricing systems that accommodate market conditions and sustainability initiatives that still hopefully offer a more reliable profitability estimate of the circular model. Also significant in the cost applicability of circularity is the regulatory environment. As noted earlier, governments and other regulatory disciplines have instituted and are continuing to devise policies that drive sustainable practices that will include providing incentives to organizations that transition to, or otherwise participate in some element of circular economy initiatives, which can yield some relief in lower costs in moving to a circular model. The impediment to identifying use made of verification and standardisation of sustainability initiatives is the fragmented nature of legislation as it relates to geography, which further complicates forecasting profitability and setting financial plans. To mitigate the financial risk, companies need to establish an awareness of sustainability expectations of consumers and government agencies and modify their models accordingly.

Lastly, in order to support long term profitability in the circular couture model means having an internal approach at the corporate level responsible for behavioural change. Brands that can achieve sustainability to the essence of their culture use it as a way to do business; it is not stereotypes or compliance requirements, nor marketing strategies. Making the change in mind will give rise to new business models repurposing factors - collaborative consumption models, rental, take back programs - in how products and services fit into the overall product lifecycle. The above options are all factors that might help to drive engagement and develop brand loyalty

- Lets not forget that we related brand loyalty to another revenue opportunity, and if you look at this as a long term outlook for profitability potential can exist overtime for the circular economy. So even if there are challenges, there are also options for potential value creation in the transition to circularity.

In summary; the financial implications for transitioning to a circular model are and will be complex and will require substantial considerations in a variety of ways. This includes companies having to examine the impact of the initial investment, and supplementary costs of operations, consumers outlook, and regulatory framework as it relates to any changes they wish to make in pursuit of transitioning to a circular model. Companies will need to use considered approaches when developing their sustainability approaches to be able to create valued and engaged consumers in the circular economy framework, but if companies are willing to invest their time into developing their sustainability strategies and maintain consumer engagement, they may have a greater potential for success in the circular economy and make a profit as a consequence of their engagement with their environmental footprint.

CHAPTER 4: THE CIRCULAR COUTURE MODEL FOR DOLCE & GABBANA

4.1 The Framework of Circular Couture

The circular fashion concept arose as an urgent reaction to the global fashion industry's legacy of linearity—"take-make-waste." As environmental conditions tighten around the global fashion system, fashion is changing in ways that are unprecedented with the intention of cutting waste, extending product life cycles, and changing production practices. Circular fashion, as new as it is in some fashion sectors, has a unique meaning for luxury and high fashion where certain elements will resonate and others may pose challenges. Here, I differentiate as I propose the new idea of "circular couture" is the bottomless cup of circularity in style, aesthetics, and creativity that are rightly correlating with high fashion that conveys the abject dilemmas surrounding the environmental crisis with a sense of ethical thoughtfulness and other-worldliness. Circular Couture, when applied to brands such as Dolce & Gabbana, is a child of effect defined by luxury and artisanal heritage rooted in Italian craftsmanship.

In the scope of this study, Circular Couture is defined as working towards goals that can drive change within high fashion that embraces the exclusivity, artistry, and emotional stakes of luxury, while implementing the circular economy principles into every step in the lifecycle of a product. Traditional circular fashion is often or typically predicated on mass-market strategies such as resale and rental, while Circular Couture makes sense by creating unique luxury products focused on heritage, craftsmanship and artistic expression. The framework of Circular Couture emphasizes key pillars such as regeneration, longevity, low environmental impact, and continuous value circulation, while also focused upon haute couture and luxury fashion.

The Philosophical Foundation: Couture Meets Circularity

For the sake of simplicity, I will call Circular Couture "Couture with a Circular Philosophy." Couture is, at its core, about supreme quality, personalization, and elevating fashion to an art form. Couture pieces are made by hand with labor-intensive methods, and made to last (De Man & Frishammar, 2024). These tenets align directly with the principles of circular fashion, which counters fast consumption, eliminates waste, and builds emotional connections with clothing. I

do not mean to imply that Circular Couture disregards important aspects of the historic values of high fashion, but instead offers a contemporary, progressive, and ecological framing of those values.

Dolce & Gabbana, which, in addition to its established Mediterranean sense of opulence, and baroque-style aesthetic, and an unwavering commitment to artisanal craftsmanship is ideally suited for this transition. Wherever the brand presents itself, through campaigns, press, or social media, the company is ultimately telling stories, and storytelling is about culturally shared meanings and sensuality. Through Circular Couture, I hope to retain, but also elevate these highest values, by providing a mode of doing fashion that commemorates timelessness, authenticity and sustainability. On one hand, each garment will be a beautiful object, while on the other hand, be a signifier of environmental awareness and cultural sustainability interconnected within a historical continuum.

Framework of Circular couture

The Circular Couture model for Dolce & Gabbana is constructed upon a framework of five principles:

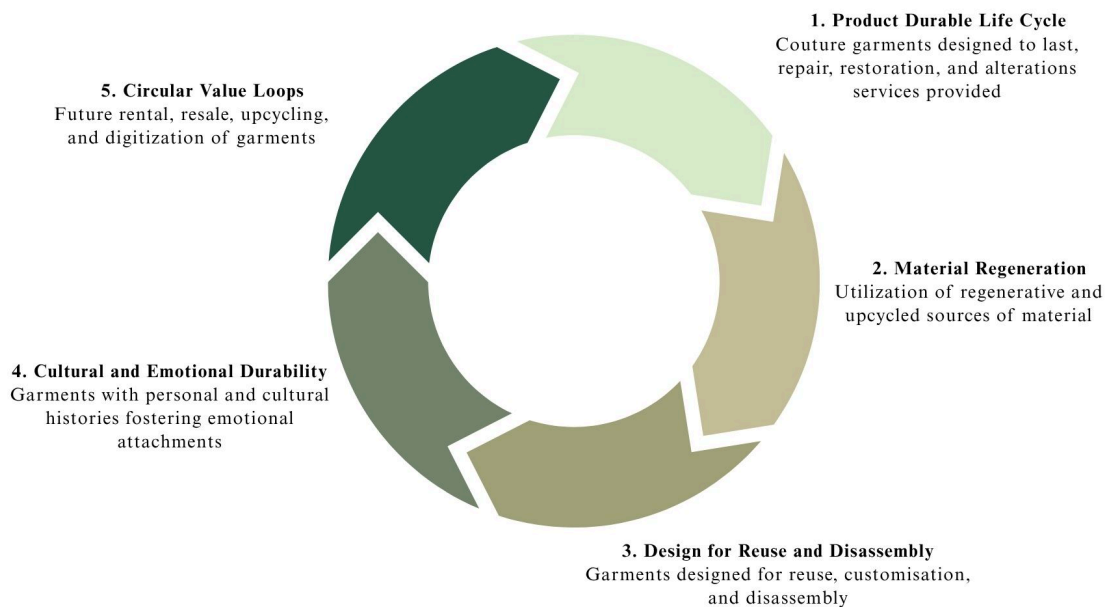
Product Durable Life Cycle: To begin, couture garments are made to last. A Circular Couture perspective we would be working under the premise that the garment can be designed in a way to be durable, and also we provide services such as garment repair, garment restoration, or bespoke alterations to provide longevity across generations.

Material regeneration: In place of utilizing virgin resources, Circular Couture focuses on utilizing regenerative and upcycled sources of material. These materials may be deadstock that was taken out of entire collections, bio-based materials, or luxury materials they have recycled from a vintage item.

Design for Reuse and Disassembly - Circular Couture garments are designed for reuse, customisation and disassembly, with modular parts, reversible parts, or construction that allows for deconstruction.

Cultural and Emotional Durability - Garments are more than clothes, they have personal and cultural histories. Each circular garment has a history and cultural resonance in its design, technique or symbolism. These stories create emotional attachments to garments, which in turn creates a form of durability that resists disposability.

Circular Value Loops - All garments enter a circular value loop through future rental, resale, upcycling, and digitization; this keeps the value meaningful overtime and prevents garments from becoming too disposable too soon.



Integrating Circularity with Artisanal Craftsmanship

Artisan craft is the foundation of the Dolce & Gabbana brand identity. From the hand-embroidered bodices, to the custom lace made from a Sicilian atelier, Dolce & Gabbana garments capture the essence of traditional techniques used by generations of artisans. Within the Circular Couture model, artisan craft is not only a representation of luxury, it is a strategic lever in the circularity process.

High fashion artisan craft is already circular by nature. First, the labour-intensive nature of couture and haute couture fosters mindfulness in the ways that designers create and produce garments; they produce fewer pieces, better quality pieces, and have many less disposals. This is contrary to fast fashion and its propensity for overproduction and planned obsolescence. Second, craftsmen have the knowledge of how to repair, remodel, and elongate the life of a garment and make perfect partners in a circular fashion model.

Dolce & Gabbana can expand its circularity by developing dedicated rework ateliers associated with their flagship stores, and creating the opportunity to offer in-house services including re-beading, embroidery restoration, resizing, and personalization. All of these not only prolong the life of the garments but also further develop the loyalty and emotional attachment from the customer.



Secondly, when skilled artisans upcycle materials into couture garments—these garments take on the artisanal-crafted quality, which adds value. Limited edition capsules from old stock or antique piece, made from archived fabrics or textiles become highly marketable, as they are rare in couture and ethical in ideology; encapsulating further story and history into the garment. Also, each material is never the same, and considering each fabric carries with it its own story, with circularity it creates further narrative richness for the brand.

Circular Couture in Dolce & Gabbana Context



Dolce & Gabbana's brand heritage is rich in creating a Circular Couture model. In the past, including Sicilian cultures, Italian romance, and Mediterranean lust; these cultural references create the necessary high market price of storytelling - an essential tradition in Circular Couture. For instance, the dress I found made from restored lace that was once used in an Alta Moda collection could be offered with an online passport detailing the material's provenance, the skilled hands that crafted it, and the enhanced hand of the artisans and the natural materials used to restore it.

This dedication to storytelling enhances emotional durability, creating value in resale and archival user cases. The buyer or collector are not just buying a garment, but they are also weaving themselves into an ongoing story. This deeper sense of exclusivity and connection is expected of the luxury fashion experience.

Equally, digital can build into the Circular Couture space as well. Using product passports enabled by blockchain technology can authenticate each garment and trace their journey throughout its lifecycle, including materials and ownership. Woven garments are unique, which means digital will provide augmented reality (AR) and storytelling tools enabling extended use experiences, immersively creating deeper engagements with consumers with the garment.

Differentiating Circular Couture from Mass-Market Circular Fashion

It is important to draw distinctions between Circular Couture and any mass market circular fashion practices. The typical circular fashion promise is usually about scalability and access, while Circular Couture embodies exclusivity, personalization, and artisanal value. Therefore, the model is not about mass reuse or standardization, but rather focusing on the unique and high-value experience luxury consumers expect.

For instance, fast fashion brands will draw attention promoting circularity, asking consumers to donate or recycle their used clothing, and offering vouchers or discounts for their store in return. In contrast, Dolce & Gabbana could include a curated archive of the repurposed Alta Moda pieces, all artisan remade, with historical, documented research. Both contribute to sustainability, however, they both operate within completely different frameworks of value systems and consumer expectations.

Circular couture can also help to remedy one of the fundamental reasons sustainable fashion is criticized for letting users down – the perception that sustainability is being sacrificed, whether that is quality, aesthetics, beauty or status. Indeed, within high fashion itself, Circular Couture lends aspiration to sustainability. Not a compromise, nor substandard, but a refinement – an enhancement of the luxury; not just the look and feel of the garment, but an extension of how it lives, changes or at least contributes to the world or community around them.

4.2 Proposed Model for Dolce & Gabbana

This thesis presents the Circular Couture Framework, a sustainable business model to address the pressing need for businesses and consumers to operate in environmental and social responsibility in the luxury fashion industry. The Circular Couture Framework is firmly anchored in circular economy principles, but designed to preserve the nature of luxury fashion, specifically craftsmanship, rarity, heritage, and emotional storytelling. This model will describe how sustainability can be enacted as a value driver in the luxury fashion context, by mapping it using Osterwalder and Pigneur's Business Model Canvas.

The targeted customer segments of the Circular Couture Framework are diverse, but carefully chosen. The customers are Ultra High Net Worth Individuals (UHNWIs) and High Net Worth Individuals (HNWIs), who have always been the primary customer for haute couture and limited collections, but with an increasing marketable opportunity from eco-friendly Millennials and Gen Z customers who are open to ethical consumption and share the sustainable value system. This segment of customers also includes aspirational digital consumption or collector customers who are looking for luxury products and experiences anchored in heritage and cultural link to

best project their own brand value system. The model's key value proposition is a circular luxury experience that incorporates sustainable practices with exclusivity and strong emotional value. Circular luxury products can be created through sustainable design with ethically sourced or upcycled raw materials, and include post-purchase services such as repairs, resale, and rental of the product.. The emotional value, and symbolic value, of a circular product can be enhanced with storytelling, as a digital product passport accompanies each piece documenting the provenance of each item, including craftsmanship, raw material sourcing, and its journey. The combination of responsibility and scarcity makes luxury not eliminated, but instead served to redefine luxury by being responsibly consumed.

The model is established with multi-channel distribution - that encompasses both traditional luxury distribution routes, as well as digitally enabled ones. Multi-channel distribution encompasses traditional luxury destinations, digital luxury, brand/commerce and experiential locations - including flagship boutiques in an cultural locales; digital website e-commerce with immersive experience capabilities; formally curated resale; pop-ups with circular initiatives in the economy. Unique to the brand is a blockchain verified product passport technology, and digital traceability enhances transparency and trust, regarding the origin of the products made via the brand, particularly for today's digitally native consumers and their desired reassurance and authentication information in a purchase process, most importantly, where that product came from linked to their purchase.

Today, relationships with customers are more reliant on a combination of emotional attachment, as opposed to a strictly service experience. The model includes personalised loyalty schemes to the membership brand, which are linked to actions of sustainability- like usage of the repair service, take back and recycling channels, etc., and frequency of purchase. The model also encompasses brand advocacy avenues such as providing personalized brand experience and storytelling; as well as exclusive access to unique experiences for their efforts in the circular economy. This has become an opportunity to enhance long-term loyalty, and allow consumers the ability to co-create a future, within the sustainability narrative of the brand.

There are diversified and multiple income and revenue opportunities to the model that go beyond selling products, because as a consumer buys new items, not only from the brand, also income

source is from certified resale, and from occasion wear luxury rentals; income is also made by creating new opportunities for lower-priced barriers to purchase as repair/refurbish services, enhance product lifecycle, and eliminate waste; and limited-edition-up-cycled capsule collections and one-off releases from re-purposed materials. This avenue of recurring revenue ensures long-term economic viability, and ensures products are utilized in life and prospects are optimized, whilst waste is eliminated. In order to implement this model, the brand must have a different collection of key resources, specifically, expert artisans from Italy to ensure traditional craftsmanship is maintained, a reliable network of sustainable material suppliers, sufficient technology, including blockchain for product traceability, an efficient take-back, repair, and resale reverse logistics process, and trained staff and employees that know sustainability practice and values are lived out across the brand ecosystem.

The key activities needed to implement the Circular Couture Model encompass sustainable product design, logistics, repair/refurbishment, resale authentication, storytelling, and collaborating with sustainable platforms and influencers. Additionally, the model emphasizes the need to engage members of the community through workshops, heritage programs, or mentoring and collaborating with emerging designers.

Key partnerships are an essential element in magnifying the brand's model capabilities. Partnerships would include circular technology firms (e.g., blockchain providers for digital passports), luxury resale platforms (e.g., certified pre-owned resale of luxury goods), artisan guilds (e.g., to maintain craft as endured), logistics partners (e.g., handling return and repair), and not-for-profit organizations (NGOs) focused on social sustainability and worker well-being in the extended supply chain. These partnerships extend the brand's reach beyond fashion into the realm of cultural preservation and systemic change.

The model readily admits that circularity is a large operational commitment. Cost strategies include premium quality sustainable material investments, digital and physical infrastructure to manage traceability, and reverse logistics; it takes investment in labour for repair and refurbishment; and whichever way you look at it, an investment in training employees about sustainability practices and values. Although the cost structure for sustainable initiatives may

vary according to brand resources, the investment stability offers long-term brand equity, consumer trust, and resilience to regulations and policy changes.

To be succinct, The Circular Couture Model offers a refined, resilient and responsible model for luxury fashion brands for navigating sustainability. By modelling a circular economy while employing the attributes of luxury which has its symbolic, cultural, and emotional resonance, The Circular Couture Model disrupts the antiquated narrative that speaks to exclusivity and ethics as antithetical. Instead, The Circular Couture Model, puts forth that the future of luxury lies in the ability to create permanence, purpose, and prestige and has the potential to shift currently where fashion adorns, fun and endlessly lives on.

Business Model Innovation		
Business Model element	Traditional Model	Sustainable Model
Customer Segment	UHNWIs, fashion elites, aspirational consumers	Younger conscious consumers, Gen Z, collectors
Value Proposition	Exclusivity, heritage, design, craftsmanship	Circular fashion, traceability, sustainability storytelling
Channels	Flagship stores, DTC e-commerce, department stores	Resale platforms, digital product passports, events
Customer Relationships	One-directional, image-driven communication	Co-creation, loyalty through repair/resale services
Revenue Streams	New product sales, haute couture, licensing	Resale, rental, repair, upcycled capsule collections
Key Resources	Artisans, Italian suppliers, retail assets	Blockchain, sustainability experts, digital platforms
Key Activities	Fashion shows, product launches, media campaigns	Repair programs, resale logistics, data tracking
Key Partners	Retail partners, fabric suppliers, celebrities	NGOs, traceability tech, green suppliers, Re.Crea
Cost Structure	High costs in retail, production, marketing	Logistics, tech investment, artisan training

To illustrate the evolution of Dolce & Gabbana's business model from a traditional luxury structure to a circular, sustainability-driven framework, the following table compares each component of the Business Model Canvas before and after the proposed transformation:

The new Circular Couture Strategy builds on the business model transformation table to re shape every aspect of Dolce & Gabbana's business architecture. The customer segment incorporates eco-conscious luxury consumers, especially Millennials and Gen Z, who care about ethics, and

innovation, as well as digital collectors, and participants in resale and rental ecosystems. The value proposition changes from exclusive to sustainable luxury, emotional storytelling, and access to rare pieces via rental, resale and even digital. The distribution channel includes more diversity and technology that includes the proposed Dolce Archive platform, blockchain-powered e-commerce, metaverse retail, repair ateliers, and resale partners.

Customer relationships change to promote lifelong emotional support by providing transparency content, such as digital product passports, a unique user experience using NFT transactions and traceable ownership histories, and co-designed offerings. Revenue streams are now multiple and regenerative, from traditional retail, rentals, resale commissions, bespoke services, and digital collectibles.

The key resources now not only consist of the traditional artisans and ateliers, but emerging competencies including digital fashion, blockchain infrastructure, AI-assisted logistics, as well as certification of sustainable supply chain providers such as Orange Fiber. Key activities consist of circular design, creating digital twins of garments for resale, resale logistics, repair activism, and digital storytelling. The key partnerships include organizations Aur Blockchain Consortium, The RealReal, Orange Fiber, Vestiaire Collective, and partnership consultants for B Corp companies to further anchor this ecosystem. Lastly, the cost structure which encompasses cost allocation for the consumer, such as blockchain integration for ownership history, platform creation and hosting, and training programs for artists that provide skills for circular economy practices.

The new configuration enables Dolce & Gabbana to become leaders of a new luxury era—where cultural heritage coexists with digital innovation and sustainability, where the customer journey always contains sustainability touch points that reflect Dolce&Gabbana's past, present and future innovations in business architecture.

4.3 Implementation Roadmap

To operationalize the Circular Couture Model, Dolce & Gabbana must implement a phased model to examine ideas, test consumer appetite, and to adopt a sustainable format that does not dilute the brand's heritage and exclusivity. The circular roadmap is divided into three phases: Pilot Programs, Digital Integration & Market Scale and Experiential Luxury & The Metaverse.

Phase One: Pilot Programs

During the initial phase, Dolce & Gabbana will focus on launching limited exploration programs that exemplify circular principles utilizing the brand's artisanal competence. The brand may collaborate with Orange Fiber to create an upcycled capsule collection of pre-consumer waste made of the citrus-based fabric - tying sustainability to the brand's Sicilian roots. A limited edition seasonal drop may occur during Milan Fashion Week referred to as "Sicilian Renaissance" that would align tradition and innovation.

In addition, a method to implement a buy-back credit program called "Back to Beauty" for clients to return before-loved items for consideration and refurbishment would be introduced. Dolce & Gabbana could work with Reflaunt, a technology platform designed to integrate resale of luxury goods, to help manage the bottom end of the buy-back program with clients. Consumers who participate would receive store credit in exchange for pre-loved items enabling brand loyalty and promote circular consumption. In addition, the brand could partner with the craftsmen's association Fondazione Cologni dei Mestieri d'Arte to set up repair and customisation ateliers in flagship stores. The ateliers would employ expert tailors and embroiderers offering repairs and customisation services for worn garments. These pilot projects would take the pulse of the market to draw consumer insights and operational learnings.

Phase 2: Digitisation & Extended Market Reach

Based on the success of the pilot programme, the second phase would focus on digitisation and market reach. A proprietary resale platform, "Dolce Archive" would be launched globally, marketing verified vintage items and upcycled collections. This endeavour will be supported by the Aura Blockchain Consortium - a shared luxury blockchain platform, founded by LVMH, Prada, and Cartier - to verify product authenticity and trace ownership history.

Concurrently, all new garments will have digital product passports accessed via QR codes. These passports would be developed in collaboration with tech partners like Eon Group or Avery Dennison, and will provide real-time information on materials, ethical production processes, care instructions, and circular options.

To enhance market reach, the brand could team up with circular fashion platforms like Vestiaire Collective or The RealReal, to take advantage of the growing second hand luxury market. AI-powered and machine-learning demand forecasting resources could be invested to kick off production more accurately, optimise stock surplus, and rationalise inventory management, possibly exploring collaborations with companies like EDITED or Heuritech.

Phase 3: Experiential Luxury & Metaverse Activation

The last phase will shift the brand's sustainability initiative to its own form of luxury experience. Dolce & Gabbana would continue pushing for a digital push by creating digital twins of physical garments for the digital vision and try-on space. Teaming up with digital fashion platforms like DressX and digital design studios like The Fabricant for immersive digital fashion items and NFT collectibles to align with the brand's DNA.

Metaverse pop-up activation, virtual craftsmanship ateliers, and curated fashion shows could be established on platforms like Decentraland or Spatial, where storytelling, education, and entertainment can overlap within immersive experiences and deepen consumers' connection with sustainability practices. The NFT association could leverage loyalty programs for exclusive access to events, limited edition items, or customisation services.

In the luxury flagship stores, there could also be dedicated "Craft and Care" hubs for in-house repairs and luxury customisation services, alongside storytelling kiosks immersed with augmented realities visually telling stories about each garments lifecycle from fabric sourcing to end of life showcasing the brand's narrative lineage combining craftsmanship with digital literacy.

This established phased roadmap articulates Dolce & Gabbana's road map towards an authentic rolling out of circularity while upholding its Italian luxury identity. In doing this, the brand will be able to combine technology, collaboration, and heritage craftsmanship to strategically future

proof its business model through custodianship, whilst spearheading on a more responsibly led and sustainable luxury landscape.

4.4 Business Model Implications

For Dolce & Gabbana to implement a Circular Couture Model, they would need to make significant changes to their business model. In similar fashion brands, moving from a traditional linear model that simply has a revenue stream from product sales to another circular model that incorporates a service element with sustainable values of sustainability, digital transformation, and experiential luxury. In particular to the revenue model, with luxury brands you are moving away from monetizing only single ownership of their products to a revenue streams from areas like garment rental, resale, repair service levels, and digital fashion offerings. This also reflects a trend in how luxury is consumed and engaged with whereby customers pay for experiences rather than ownership and simplify easier access and less exclusive accumulation (Armstrong et al., 2015).

We see this most clearly in the rental service proposed for including in Dolce & Gabbana's luxury model. In most luxury fashion houses, past and present, most revenues have derived from selling high-value luxury garments and luxury fashion accessories, largely marked-up - though/high prices can be justified based as much on quality materials/labor and brand reputation as pricing. The 'luxury' component is however shifting in context and requires an engagement from engagement or deliberate consumer behaviour and a way of offering luxury/investment without a lengthy commitment as climate and economic conditions cause changes in purchasing behaviour - especially with younger demographics. Younger consumers are increasingly moving towards cheaper options and, with the sustainability floor on high-end luxury pricing and acquisitions (e.g. Burris et al, 2022), renting is brand new way to engage with luxury for which there is no hard or long commitment and is attractive to designers continually change collections. Research has also indicated that Generation Z and Millenials, are more willing to rent luxury pieces for specific occasions, because of financial reasons and wanting options (Lang et al, 2021). Therefore, a curated Alta moda rental selection, could not only create a new revenue stream, but it would allow younger or aspirational consumers to enhance their experience with

the brand. In addition to the rental model, we also have resale services through platforms like "Dolce Archive." The resale market has been significantly legitimized in the luxury space in recent years, with the brand moving from avoidance of resale to the launch of their own second hand initiatives or partnerships with resale platforms like The RealReal and Vestiaire Collective like Gucci, Chloé, and Burberry did. Creating a resale platform for Dolce & Gabbana would allow the company to control brand representation and pricing, provide authentication and provenance through blockchain, and create ongoing revenue for items previously sold. Waste can be reduced in the life cycle of garments, while reinforcing their genuine difference for sustainability in luxury (Niinimäki et al., 2020). Digital product passports and blockchain authentication provide trust in resale, while increasing the perceived value of pre-used items through verified and deeply rich emotional histories for each product.

An important dimension of this new revenue model is the delivery of repair and personalization services. Unlike fast fashion, luxury is about longevity and emotionality. Obtaining fashion from a luxury brand means that a consumer purchases a deeper level of product care through brands stewardship over time. For example, home repair services offer product care through premium service offerings in flagship stores under services such as hand embroidery renewal, personalized tailoring, and monogramming. These services do not only support the lifespan of the products, but they can deepen the emotional attachment of the consumer for their garments. In doing so, the brand has transitioned their post sale experience into a form of ongoing revenue. This model is an evolution of product-service systems (PSS) model in which value is created over the entire lifecycle of a product through co-creation with the consumers (Tukker, 2015). Additionally, repair services emphasize the artisanal skill that forms Dolce & Gabbana's core brand, providing an opportunity for customers to experience the artisanship and heritage inherent in Italian haute couture.

The digital aspect enhances the revenue innovations. With the rise of the metaverse, and popularity of their NFTs and digital twins, Dolce & Gabbana can also monetize virtual experiences that replicate or support physical product sales. Digital collectibles, experiential fashion shows and metaverse boutiques are revenue sources with unrealized potential for the well-heeled tech-savvy luxury consumer who wants only the rarest and most exclusive goods in physical and virtual lands. For example, Dolce & Gabbana successfully launched into the highly

valuable NFT space with its “Collezione Genesi” digital couture collection, already selling NFTs for more than \$300,000 (Danziger, 2021). By institutionalizing an income source in, and expending effort and investment on, this stream within its business model, Dolce & Gabbana can diversify its income, and solidify its position as a leader creating an innovative digital luxury experience.

No less important in the transformation of the business model will be the balancing act between exclusivity and sustainability. Luxury brands are often linked with scarcity and individuality, which can be perceived as at odds with sustainability if it does not transcend attributes of mass accessibility or utilitarianism. While there is no doubt that the Circular Couture Model proposed does offer a clear path for creating a thoughtful reconciliation of the opposition between exclusivity and sustainability. The exclusivity of sustainable product offerings - such as upcycled capsule collections - can be preserved by offering very limited, artisanal quantities of sustainable products. Rather than being produced for size, Dolce & Gabbana could produce narrative, artisanal storytelling that signals sustainability as an expression of exclusivity, not as an expression of compromise.

In fact, this is indicative of the evolving narrative around “sustainable luxury” - that sustainability adds rather than detracts from brand equity (Achabou & Dekhili, 2013). Evidence from consumer behaviour shows that more luxury consumers are willing to pay a premium for brands that are ethical and transparent about their environmental practices (Kapferer & Michaut-Denizeau, 2020). Thus, sustainability does not diminish Dolce & Gabbana’s value proposition; sustainability enhances its value proposition, and associates it with being socially responsible as well as culturally chic. Similarly, with elements of transparency, e.g., blockchain-backed product passports, Dolce & Gabbana will be able to have the fact-based rigour that eco-conscious consumers demand in relation to the concept of sustainability. Coupled with storytelling that provides immersive experiences, sustainability practices will not only provide an emotion based concept, but they will also offer consumers fact-based integrity.

Reduction in brand value and market position are profound implications. Being part of circularity, you have the opportunity to reinvent your brand as a leader in regenerative luxury, redefining aspirations in the 21st century. This is timely since more luxury consumers are careful

and consider the values that the brands they buy reflect. Circularity provides the opportunity for Dolce & Gabbana to represent a new generation of global consumers that focus on sustainability, digital eco-synergistic opportunities, and social impact while also focusing on aesthetic and craft. This will also assure the brand will remain culturally relevant and as much as possible, futureproof the brand's legacy.

From a market position, the ongoing shift toward circularity offers competitive advantages as well. The increase in brands engaging in environmental strategies will mean differentiation is not based on whether or not they are sustainable, but how real and distinct they are about being truly sustainable. Given Dolce & Gabbana's story-telling expertise, artisanal craft heritage, and a unique Mediterranean aesthetic, it will be uniquely distinct in not only being sustainable, but through a culturally laden, emotionally meaningful expression of circular luxury. With this, Creed & Gabbana can compete with consideration for brands such as Gucci and Chloé, while establishing a unique positioning within the circular economy.

Finally, we must consider the financial advantages of such a shift. While moving towards circularity means upfront investment in systems, processes, partnerships, and a digital environment, the long-run advantages of minimized waste, supply chain efficiencies and customer loyalty, decreasing quality impressions of a brand, and additional avenues for revenue will establish a more competitive and sustainable market architecture. [Studies show that circular business models means significantly lower costs for businesses, especially in relation to procurement and asset depreciation and inventory system efficiency] (Ellen MacArthur Foundation, 2017). Resale and rental services provide companies the opportunity to obtain revenues across multiple sales per garment, which increases return per asset and cost per inventory. In an era of economic volatility and environmental restraint, where businesses need to be more effective, these advantages are not just useful, they are necessary.

In conclusion, in its introduction to the Circular Couture Model, Dolce & Gabbana's business model has been redefined across multiple dimensions. The shift from product ownership to experience-led luxury, the synthesis of exclusivity and sustainability whilst also repositioning the brand as an innovator across the physical and digital spaces reflects a new chapter for the maison. Not only will this evolution address the increasing demand for ethical consumption, but

it will also help the brand to establish a sustainable economic strength and remain relevant in culture in the long term, while ensuring ongoing competitiveness within the global landscape of luxury brands.

CHAPTER 5: EXPERIMENTAL EVALUATION & CONSUMER INSIGHT

5.1 Methodology of Experimental Research

The methodology used in this research was grounded in a quantitative, empirical methodology for interpreting consumer perceptions and behavioral intentions towards sustainable practices and circular couture for a luxury fashion brand, specifically Dolce & Gabbana. The method used to capture these interpretations was a quantitative area of inquiry through an online structured survey instrument was selected to collect comparable data about a larger population from a wide, demographically diverse sample. Surveys provide a way to statistically generalize from the sample to a broad population of potential luxury customers, and create reliable development rooted in numerical or repeatable patterns.

The survey was created using Google Forms and sent via digital email, social media outlets, and several direct contacts and requests through communities of interest, or interest in fashion, to be involved in the study. The questionnaire consisted of closed-ended questions asking respondents their opinions or purchases using Likert and multiple-choice questions along with categorical responses that captured both attitudinal and behavior aspects. The survey instrument was divided into thematic sections to identify (1) demographics such as age and knowledge of luxury brands, (2) knowledge and awareness of sustainability and circular fashion, (3) opinion and perception of sustainable practices when related to Dolce & Gabbana, (4) purchasing habits and willingness to pay premium price of sustainable luxury, and (5) recommendations and sustainability practices they support.

In total 150 participants completed the survey instrument. This represents a purposive sample of fashion conscious consumers that have an interest in sustainability or at least an interest in luxury fashion. The age gap in the sample also spanned participants from under 25 - 55&+, providing a generational understanding of sustainable fashion attitudes. Even though the sample was not fully representative of the general population, it was large enough and diverse enough to conduct inferential statistical tests and exploratory data analysis. The inclusion criteria were both broad enough to capture both luxury fashion consumers and those with just knowledge of the sector to realistically reflect consumer attitudes. As Ball (2019) has indicated, online surveys come with several benefits, such as data collection speed, simplicity of use, and low cost to consumers.

Additionally, with online forms there are fewer manual errors and quicker processing thanks to features that allow for automation. These advantages were particularly relevant for this study because of the need to collect a fairly large number of responses that are standardized, and quickly. The online method also allowed respondents to participate from different geographical locations, and more importantly, we were able to sample individuals who lived in primarily Europe and North America, two important markets for Dolce & Gabbana.

However, as Ball (2019) also cautions, online surveys are often inescapably limited. The self-selection bias where respondents were already interested in anything fashion or sustainability might have limited the representativeness of the sample, as some respondents may already have taken a strong position for, or against, the industry. In addition, the survey links provided on social media could have led to homogeneity in the respondent pools, and overrepresentation of the same kinds of individuals with similar values or demographics. Although it is impossible to eradicate these types of biases, we took steps to try and provide information disclosure to encourage a varied distribution so that respondents were included from different backgrounds, including consumers of luxury fashion or individuals who simply are aware of sustainability issues in luxury fashion.

5.2 Results & Findings

The dataset was exported back into Microsoft Excel to conduct data cleaning, data transformation, and statistical analysis. The first step of the process involved normalizing column names and reconvertting qualitative responses into numeric variables. The Likert-style response scales were recorded from 1 to 5, where higher numbers were assigned to higher levels of agreement or favorable attitudes. Yes/No/Maybe binary and categorical responses were recoded numerically (1, 0, 0.5) to facilitate parametric analyses in their respective categories.

	count	mean	std	min	25%	50%	75%	max
impact_on_perception	153	4,078,431	76,545	2	4	4	5	5
purchase_likelihood	160	5,169,373	1,667,019	30,647	3	4	4	153
willing_to_pay	153	545,752	271,203	0	5	5	5	1
sustainability_importance	153	3,699,346	1,076,575	1	3	4	4	5
recommend_brand	153	732,026	339,437	0	5	1	1	1
support_sustainable_brands	153	3,784,314	1,069,562	1	3	4	5	5

Table 1: Summary of the statistical analysis

Descriptive statistics were first conducted to analyze the sample characteristics and key variables involving frequency distribution, means, and standard deviations for key items such as familiarity with circular fashion, perception of Dolce & Gabbana after hypothetical sustainability ideas, likelihood to recommend sustainable luxury brands, and willingness to pay more for sustainably produced items. Cross-tabulations were also utilized to examine distributions across age categories and other categorical variables. Sample trends arose with the average importance score for sustainability being slightly higher on average in older demographics.

Once the descriptive statistics had been valued, inferential statistics were used to assess specific hypotheses. A one-sample t-test was employed to determine if the average perception of Dolce & Gabbana whose sustainability initiatives were hypothetical boosted the average score significantly. The null hypothesis stated that there would be no change in perception (neutral score of 3 on a 1-5 scale), whereas the alternative hypothesis stated that there is a positive change in these perceptions. The results indicated a statistically significant increase ($t = 17.43$, $p < 0.001$), which rejected the null hypothesis and accepted the alternative hypothesis that sustainability had a positive influence on brand perception.

To examine intergroup differences, one-way ANOVA were conducted to assess if any of the extraneous variables (for example, age cohort) would influence attitudes or behaviors. For example, one ANOVA was conducted to assess whether purchase intention for the brand Dolce & Gabbana (after reading about their sustainability policies) would differ among the age cohorts. It revealed no statistically significant differences ($F = 0.148$, $p = 0.964$) and therefore indicated the impact sustainability will have on purchase intentions is consistent across generations.

	sum_sq	df	F	PR(>F)
C(age_group)	750,477	4	148,282	963,515
Residual	1,872,626	148		

Table 2: ANOVA Age vs. Purchase

Multiple regression analysis was completed to determine the predictive value of a number of independent variables on the dependent variable, likelihood to purchase. The independent variable analysed included pre-owned purchasing behaviour, willingness to recommend, and willingness to pay more, for sustainable fashion. The regression model was significant ($F = 24.20$, $p < 0.001$) and total R-squared value was equal to .449, meaning that approximately 45% of the variance around purchase intention could be explained by the three independent variables. Among the factors that predicted attitudes and consumer purchase intention/recommendation, willingness to recommend sustainable brands had the strongest association (coefficient=1.839, $p < 0.001$), followed by pre-owned purchase behavior (coefficient=0.508, $p = 0.036$), while willingness to pay more was non-significant.

	Coef.	Std.Err.	t	P> t	[0.025	0.975]
Intercept	1,399,618	288,164	4,857,018	0.000003	830,171	1,969,066
sustainability_importance	127,709	73,502	1,737,497	8,438	-1,754	272,957
recommend_brand	1,646,684	246,705	6,674,711	0.00	1,159,165	2,134,204
preowned_experience	191,311	187,176	1,022,092	308,405	-17,857	561,193
willing_to_pay	300,629	280,912	1,070,189	286,277	-25,449	855,745

Table 3: Regression analysis of the factors that predict the likelihood that a customer will purchase from Dolce & Gabbana after learning about its sustainable initiatives

The correlation analysis also examined the association between familiarity with circular fashion and brand perception as well as brand purchase likelihood. The correlation analysis found a positive relationship between circular fashion familiarity and perception ($r = 0.173$, $p = 0.0014$) and

even more pronounced with likelihood to purchase ($r=0.283$, $p<0.001$). This highlights the importance of consumer education and awareness in supporting sustainable branding efforts.

To determine the sustainable initiatives that were the most valued, the responses to the multiple-choice question on preferred sustainability actions were counted. The preferable actions came out as sustainable material sourcing ($n=85$), recycling/upcycling ($n=83$) and circular fashion models such as take-back and resale programs ($n=62$ each). The actions selected suggest that consumers are largely interested in tangible sustainability actions relating to the product and the lifecycle and materials of luxury fashion.

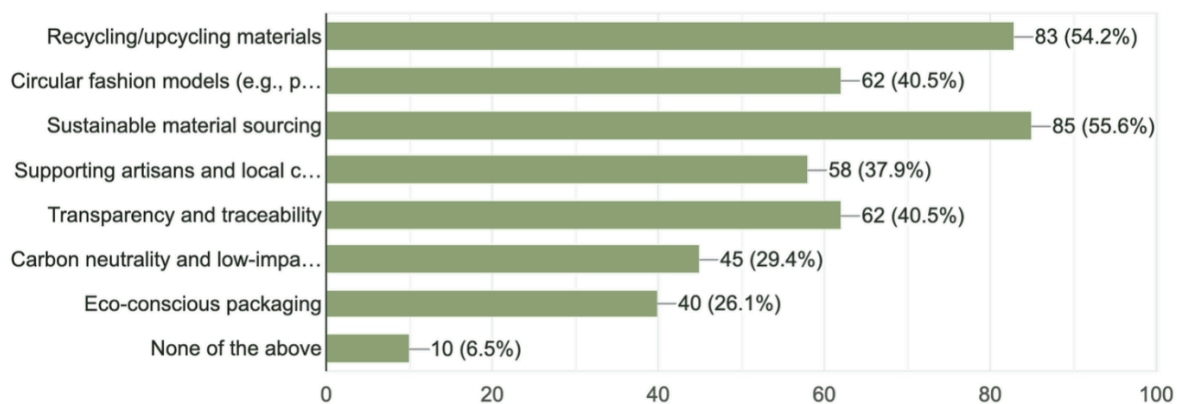


Table 4: Sustainability initiatives preferred by the survey participants

5.3 Interpretation & Implications

The results of the quantitative analysis provide strong support for the inclusion of circular couture and sustainable practices as part of the strategic positioning for Dolce & Gabbana. The statistically significant relationship between familiarity with circular fashion and brand perception suggests that brand perception is directly linked with awareness, indicating that Dolce & Gabbana should launch a targeted educational campaign to educate consumers as it rolls out any circular couture campaign to optimise the opportunity with consumers.

Research findings show with key metrics such as purchase intention or perceptions being consistent across age groups, age as a significant factor is eliminated and therefore the need for a consistent message to all age groups. Sustainability is no longer a niche concern, it is a valued attribute across various age groups. Therefore as a luxury fashion brand, this provides an opportunity to develop and implement a marketing strategy that does not define itself by age but on the sustainable values of responsibility, innovation, and craft.



Table 5: importance of sustainability when purchasing in Luxury Fashion Brands

The regression analysis demonstrates the influence of social factors in driving sustainable purchase behavior. The strong influence of a willingness to recommend suggests that the social proof of peers is an important motivator for consumers to engage with sustainable luxury. Therefore, the best circular couture strategy will not only educate consumers but will incorporate social frameworks such as limited edition releases, influencers, and customer storytelling to create social amplification.

In addition, the consumers' persistence for tangible sustainability efforts, particularly as they pertain to materials and product lifecycle associated with circularity directly support the principles of circular couture. This reaffirms the ability for the brand to transition from linear to regenerative fashion. Through material transparency, closed-loop systems, and readily accessible second-life programs, Dolce & Gabbana can respond to both the ethical and aesthetic demands of consumers.

In conclusion, the data analysis validates that launching circular couture as a new product category under the Dolce & Gabbana brand portfolio is timely, and aligns with consumer expectation. The methodology used in the study directly positions the findings from the research which, when considered collectively, provides credible evidence to support the inclusion of sustainability to the centre of luxury fashion branding.

We view the notable consistency between our survey findings and Dolce & Gabbana’s current commitments to sustainability as providing both validity and relevance for our research. Survey participants were most concerned (311 out of 573 responses) about and admired policy on sustainable sourcing of material (107 out of 573 responses), recycling and upcycling (96), and circularity (109) - all descriptions of specific policies that clearly show a brand prioritization of sustainability, along with the concrete actions that the brand is engaged in. For example, the example of using 100% FSC-certified paper and cotton for packaging, sourcing 94% of its leather directly from certified LWG tanneries, or making meaningful commitments to reducing virgin plastics while developing concepts for new material. At the very least, Dolce & Gabbana is demonstrating commitment to the areas of brand policy that make the most difference for conscious consumers. Many of the projects surveyed are already being made in the industry, but legitimacy and authenticity based on survey results shows that the brand is working toward similar goal in tandem with current consumer expectations. This convergence in concern and brand strategy only adds to the credibility of both the research methodology, as well as the direction of the brand, demonstrating that Dolce & Gabbana is positioning within the market in response to what value is rooted in today’s luxury consumer with an informed view on these issues.



Table 6: Shows willingness to pay and the recommendation intent of a sustainable brand

CHAPTER 6: CONCLUSION & RECOMMENDATIONS

6.1 Conclusion

The regression analysis used to conduct this study was able to provide some useful insight into consumer behavior amidst the shift towards sustainability in luxury fashion, specifically Dolce & Gabbana's circular business practices. The dependent variable in this analysis was purchase intention following exposure to sustainable actions, and was tested with the independent variables of importance of sustainability, willingness to recommend sustainable fashion, engagement with second-hand/pre-owned goods, and willingness to pay a premium price for sustainable luxury fashion products.

The willingness to recommend proved to be the greatest predictor of purchase intent, and coupled with a strong positive coefficient and p-value under the statistically significant threshold, the analysis suggests that as consumers are more likely to promote or recommend sustainable luxury brands, they are more likely to purchase luxury products. The findings are also particularly significant in that they shift the approach of sustainability strategies in luxury fashion, from individual purchase power to the power of influence and recommendation. This analysis suggests that luxury consumers may not be influenced purely by economic motives, nor a personal beliefs system in sustainability, but instead through a combination of social influence, signalling of reputation, and brand association. This implication of this finding highlights brand strategic importance: encouraging consumer advocates and peer recommended endorsements may provide more direct influence on purchase behavior than advertising or price analysis ways.

Conversely, for the other variables, although directionally positive, were not statistically significant. The importance of sustainability, which was thought to be a significant motivator of sustainable purchasing behavior, only demonstrated a weak and positive relationship with purchase intention. While consumers tend to identify sustainability as an important aspect when evaluating luxury brands, it is not always a factor that translates into tangible or behavioral commitment. Likewise, experience in having purchased pre-owned, upcycled, or recycled fashion product is positively correlated with purchase intent, but similarly lacked the power and stability to be a strong predictor. Willingness to pay more for sustainable luxury products, which is often assumed to be a litmus test of real sustainable commitment, similarly did not reach significance and while it could be interpreted as suggesting some level of theoretical openness for these respondents to different price points tied to sustainability, it nevertheless reaffirms the broader finding that stated preferences do not always match what consumers do.

In aggregation these item results are part of a larger theme in sustainability research: the leaky bucket, or gap between attitudes and behavior. Consumers can express positive feelings about sustainability, agree that sustainability is important, and can engage in sustainability practices - but these feelings often collapse when consumers are faced with purchasing decisions in contexts

that are tested at the point of sale. In luxury fashion, with the additional demands on purchase decisions based on emotions, aesthetics, and, of course status, sustainability is just one of many competing factors to consider. These findings affirm the need to embed sustainability not only in messaging or product design, but in the deeper narratives of both brand identity and consumer community. This research has implications for sustainable luxury and circular business model innovation in a number of meaningful ways. First, this study provides empirical validation of the increasingly accepted notion that advocacy and influence – not just individual economic willingness – are indispensable levers for promotion of sustainable consumption. Since willingness to recommend significantly predicted purchase behavior, this justifies social contagion as a consideration in luxury markets. Brands not only have to walk the walk and adopt sustainability as one of their organisational principles, but they also need to promote the consumer as the brand ambassador to sustainability. The consumer moves from a passive recipient to an active participant in the brand's sustainability narrative!

Second, the research furthers the theoretical aspects of business model innovation and circular economy in the context of luxury fashion. By framing analysis of circular value creation and business model transformation, the study demonstrates how traditional luxury business models could potentially evolve. These findings respond to calls by some authors to move away from product sustainability to sustainable innovation among business model systems. By bringing peer influence and recommendation goodwill into the customer value proposition, luxury brands such as Dolce & Gabbana can look to create models that build communities where sustainability is part of the community ethos as opposed to driven by the brand. Third, this study proposes a hybrid analytical framework that integrates the classical Business Model Canvas (Osterwalder & Pigneur, 2010) with more recent circular innovation models, namely the Circular Business Model Value Dimensions (Pieroni et al., 2023) and the Circular Business Ecosystem Canvas (De Man & Frishammar, 2024). This combined framework improves understanding of how consumer behavior influences systemic business transformation processes. Also, while use of the Circular Canvas (2023) provides a practical basis for facilitating the transference from theoretical meaning to action planning, the combination of older and newer models provides an additional layer of practical research significance. Ultimately, the work provides luxury brands with frameworks and tools they can use or adapt in their transition to circularity.

The research has limitations too. A main limitation concerns the demographic composition of the sample; the sample consisted largely of participants aged 18-34 years which potentially leans the research toward younger consumers with alternative sustainability values and other digital behavior patterns than older luxury buyers and consumers. Even though the studying 18-34 years is relevant as they are acquiring more significant purchasing power, research on the attitudes of older age cohorts is nevertheless necessary for generalizability of the research conclusions. Follow-up research should seek more balanced aged-sampling and other demographic profiling factors including income distributions, geographic distributions, etc. in order to capture more representation of luxury consumer behavior. Clarifying the self-reported nature of the survey

data are limitations. Respondents were asked to evaluate their own values, experiences, and behavioral intentions to hypothetical situations. The self-reported mechanism produces elements of social desirability bias, for instance - willingness to act as a sustainable consumer to remain in alignment with acceptable social behavior. Additionally, survey responses provided intention, rather than actual purchasing behavior. Intention is a good proxy in behavioral research but does not guarantee action. Future research may be able to fill this theme with observable or transaction data to support whether intentions are enacted within real-market settings.

The study also does not include consideration of psychological or emotional variables known to product influence, particularly in luxury consumption. Emotional ties to the brand, perceived exclusivity, appreciation of aesthetics, and identity signaling may all impact consumer selection in the luxury sphere. Incorporating these qualitative aspects into future quantitative frameworks may provide even more insight to how sustainability is addressing the emotional value propositions of luxury brands.

In the area of methodological development, future research may include multi-methodual fusion methods. Quantitative survey data, combination with interviews, focus groups, or ethnographic observations would offer a depth and layering of interpretation of consumer behavior. Alternatively, experimental research designs, such as A/B testing sustainable branding or market re-testable option to track consumer interaction to live data, would offer greater causal inference to describe what drives sustainable purchase decisions.

Finally, future research should explore the aspects of sustainability storytelling, influencer marketing, or digital communication engagement strategies, in generating circular luxury. Again, supported by the regression model, peer influence and peer recommendation were observable aspects of purchase behavior. Understanding how brand actions can operationalize storytelling, or peer-to-peer dynamics (e.g., social media promo of a hashtag campaign, or community engagement platforms, or ambassador program) may be fruitful opportunities to further enhance circular economy in luxury fashion.

In summary, although the regression analysis found just one statistically significant predictor, implications are vast. It highlights the importance of consumer advocacy as a driver of sustainable change in the luxury sector. As a brand like Dolce & Gabbana, sustainability cannot remain solely in terms of internal operations and products; sustainability must become shared value, an integrated part of consumer identity and consumer group. The road to circular couture is not simply about better product design, but about building informed, empowered, and influential consumers who advocate sustainability from within their own circle.

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Appendix

Survey interviews google form - <https://forms.gle/YtnmYRhtvPRoGNRV6>

What is your age? *

- ☐ Under 25
- ☐ 25–34
- ☐ 35–44
- ☐ 45–54
- ☐ 55+

How familiar are you with Dolce & Gabbana as a luxury fashion brand? *

- ☐ Very familiar
- ☐ Somewhat familiar
- ☐ Heard of it but don't follow
- ☐ Not familiar at all

Have you ever purchased a product from a luxury fashion brand (e.g., D&G, Gucci, Prada)? *

- ☐ Yes
- ☐ No, but I'm interested
- ☐ No, not interested

Which of the following sustainable actions by luxury brands do you most value? *

(Pick up to 3)

- ☐ Recycling/upcycling materials
- ☐ Circular fashion models (e.g., product take-back, resale, re-use)
- ☐ Sustainable material sourcing
- ☐ Supporting artisans and local craft
- ☐ Transparency and traceability
- ☐ Carbon neutrality and low-impact production
- ☐ Eco-conscious packaging
- ☐ None of the above

How familiar are you with the concept of circular fashion? *

- ☐ Very familiar
- ☐ Somewhat familiar
- ☐ Heard of it but not sure what it means
- ☐ Never heard of it

Section B: Sustainability Attitudes

How important is sustainability when purchasing from a luxury brand? *

- | | | | | | | |
|---------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------|
| | 1 | 2 | 3 | 4 | 5 | |
| Not important | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | Very important |

Have you ever purchased pre-owned, upcycled, or recycled fashion items? *

- ☐ Yes
- ☐ Maybe
- ☐ No

How likely are you to support luxury brands that adopt circular or sustainable practices? *

	1	2	3	4	5	
Not likely at all	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Extremely likely

Section C: Brand & Initiative Feedback

Dolce & Gabbana is proud to introduce a new chapter in luxury: a forward-thinking program that combines timeless elegance with environmental responsibility. Customers will receive a **Digital Product Passport** for full traceability, transparency, and authenticity of their pieces. A **Repair Store Credit** encourages longevity and care, rewarding clients who opt to restore rather than replace. The brand will also launch **Limited Edition Capsules** made from sustainable, innovative materials—blending style with purpose. At the heart of it all is a commitment to a **Circular Economy**, where every piece is designed to live many lives, extending the legacy of true Italian craftsmanship.

Which of the following services would you be interested in if offered by Dolce & Gabbana? (Select all that apply) *

- ☐ Digital Passport – Scan to see product origin, materials, and care info.
- ☐ Repair Credit – Get store credit when you repair instead of replace.
- ☐ Sustainable Capsules – Limited collections made with eco materials.
- ☐ Buy-Back – Return used items for credit toward future purchases.
- ☐ Vintage Market – Shop pre-owned and rare D&G pieces.
- ☐ Circular Design – Products made to be reused or recycled.
- ☐ Eco Packaging – Recyclable, luxury packaging with low impact.
- ☐ Transparency Report – See how D&G is improving sustainability.
- ☐ Made-To-Order – Custom pieces made from sustainable materials.
- ☐ Digital Collectibles – Fashion NFTs with exclusive designs or perks.

How would these sustainability initiatives impact your perception of Dolce & Gabbana as a luxury brand? *

	1	2	3	4	5	
Very negatively	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very positively

Would you be willing to pay a similar or higher price for a sustainable luxury product? *

- ☐ Higher
- ☐ Same
- ☐ Lower
- ☐ Not sure

Section D: Purchase Intent & Wrap-Up

How likely are you to purchase from Dolce & Gabbana after learning about these initiatives? *

	1	2	3	4	5	
Not likely at all	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Extremely likely

Would you recommend a luxury brand more if it adopts circular or sustainable practices? *

- ☐ Yes
- ☐ Maybe
- ☐ No

Interviews

Appendix A: Interview Questions for Dolce & Gabbana Sustainability Team

Interview Questions for Sara Vascotto, Sustainability Global Manager

How would you describe the evolution of Dolce & Gabbana's sustainability journey?

What does sustainability mean for Dolce & Gabbana beyond operational improvements?

How do you see the relationship between heritage craftsmanship and modern sustainability goals?

What challenges has the company faced in aligning its luxury brand image with sustainability practices?

How does Dolce & Gabbana benchmark its sustainability performance compared to competitors?

Interview Questions for Giuditta Gubbi & Sara Rivolta, ESG Team Members

Can you share specific progress the brand has made toward environmental goals?

What about the sustainable materials and circularity efforts that the brand is making?

Dolce & Gabbana joined the Re.Crea consortium—what is its significance?

What role does employee training play in achieving ESG goals at Dolce & Gabbana?

How is the company addressing Scope 3 emissions and supply chain transparency?

What upcoming goals or milestones are most exciting to the ESG team?