

# Luxury, Sustainability, and Corporate Social Responsibility: Insights from Fashion Luxury Case Studies and Consumers' Perceptions

Marco D'Anolfo, Cesare Amatulli, Matteo De Angelis  
and Giovanni Pino

**Abstract** Since the mid-twentieth century, rapid technological and scientific developments have produced continuous and significant improvements in people's daily lives. However, this growth has had considerable, and sometimes horrifying, consequences for the climate and environment (Egri and Ralston 2008). As a result, sustainability has become a central point in public discourse—not only for consumers, but also for the companies, and in particular those in the luxury industry, who generally operate at the international level and may serve as relevant actors in economic development (Fraj and Martinez 2007; Kerr et al. 2009). Our focus on luxury firms was born from the fact that such firms are still uncertain about how to combine luxury and sustainability; indeed, these two concepts are often seen as contradictory (Joy et al. 2012; Kapferer and Michaut-Denizeau 2014). The very term “Luxus” has a double meaning: It positively connotes such concepts as beauty, prestige, and power, but also implies excessive and ostentatious displays of wealth (Kapferer 1997, 2012). This duality helps to explain consumers' difficulty in reconciling luxury, sustainability, and Corporate Social Responsibility (CSR), and also why a company like Prada recently launched a website dedicated to highlighting initiatives that reflect the brand's commitment to sustainability. The present chapter thus delves into a currently neglected area of research—namely, consumers' perceptions of the relationship between luxury, sustainability, and the CSR strategies that major luxury companies adopt to counter said perceptions. To analyze luxury

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M. D'Anolfo (✉) · M. De Angelis  
LUISS Guido Carli University, Rome, Italy  
e-mail: marco.danolfo@gmail.com

M. De Angelis  
e-mail: mdeangelis@luiss.it

C. Amatulli  
University of Bari, Bari, Italy  
e-mail: cesare.amatulli@uniba.it

G. Pino  
University of Salento, Lecce, Italy  
e-mail: giovanni.pino@unisalento.it

brands' initiatives, we conducted a qualitative study on three well-known brands—Gucci, Tod's, and Bulgari—and examined their eco-sustainable collections and approaches. We supplemented this research with a survey of consumers' perceptions regarding luxury, sustainability, and CSR specifically by interviewing 200 consumers via an online questionnaire. From these data sources, we draw theoretical and managerial implications.

## 1 Sustainable Development in Modern Society

In the decades immediately following World War II, societal development was defined primarily in economic terms and measured by the growth in countries' gross domestic product (GDP) and per capita incomes. However, many of the production activities that arose from such development have had a detrimental impact on the environment. As a result, the notion of sustainability has risen to the forefront of public discourse, reflecting the emerging green orientation of companies and their customers (Bansal and Roth 2000). Sustainability captures the idea of satisfying the current generation's needs without compromising those of future generations (Fletcher 2008). In the Referencing a report from the World Commission on Environment and Development (1987), Seidman (2007: 58) notes that “sustainability is about much more than our relationship with the environment; it is about our relationship with ourselves, our communities, and our institutions.”

Sustainability comprises three dimensions that reflect the complex and fluctuating environmental dynamics that affect human livelihoods and well-being (Langenwater 2009). The first dimension of sustainability is a *social* one, which assumes that sustainable development leads to a general improvement of life quality (Fukuda-Parr 2003). Development should be judged not only by the so-called “basket of goods”, or the GDP guaranteed to a person or country, but also by the level of environmental protection and trust in social relationships; the inability to guarantee these conditions engenders a low quality of life (Gasper 2000). The second dimension is *environmental*, which builds on the idea that natural resources form the basis for satisfying material needs. According to this idea, human activities reduce natural resources and, when coupled with production emissions and waste, can compromise humans' ability to satisfy their needs (Glassberg 1998).

“Man cannot live more than two or three minutes without air, or more than one or two days without water. We completely depend on what our ancestors called the ‘Creator’s gifts’ or ‘Nature’s goodness.’ Although these natural goods, with the exception of the Earth, are essential to men’s lives, they have not been considered from economists.” (de Jouvenel 1957)

Contrary to earlier beliefs, which saw natural resources as inexhaustible, modern information clearly demonstrates that raw materials are limited—both in terms of the productive resources that humans transform into commodities or goods (e.g., minerals, water, energy reserves, fauna, forest capital), and these resources' ability

to absorb residues, emissions, and waste. Thus, the principle goal of sustainable production approaches involves reducing natural resource usage while producing eco-friendly goods and/or services that respect eco-efficiency principles and dematerialization standards.

The third dimension of sustainability is *economic*, which refers to the need to regulate resources usage across generations. Excessive levels of consumption are detrimental for the environment because they accelerate the extraction rates of non-renewable resources and shorten the rotation times of renewable ones. Therefore, people must reduce their present consumption if they hope to save resources for future generations.

## 2 Sustainability and CSR in the Luxury Industry

The increasing relevance of sustainability issues has driven luxury firms to invest in Corporate Social Responsibility (CSR), which embodies an enterprise's commitment to behaving in an ethical way that supersedes the mere observation of regulatory standards (Aguilera et al. 2007; Bhattacharya and Sen 2004; Kerr et al. 2009). In particular, CSR represents the set of initiatives that a company undertakes in order to assess and control the potential and real effects of its activities on both the environment and society at large. CSR may also refer to company efforts that exceed the requirements imposed by regulators or environmental protection groups. In short, the concept can be delineated into two dimensions: (1) *internal*, which includes human resources management, health and occupational safety, business organization, natural resource management, and effects on the environment; and (2) *external*, which encompasses local communities, economic partners, suppliers, consumers, respect for human rights across the whole supply chain, and global environmental issues.

For businesses, sustainability generally reflects their concern for the long-term impact of their activities on future generations and the environment. Therefore, CSR is a means by which companies formalize their commitment to sustainable development. The CSR department typically strives to support the company's economic goals while also developing initiatives aimed at increasing societal wellbeing—for instance, by respecting regulations and ethical principles, or preserving natural resources for future generations. However, being socially responsible requires more than simply respecting laws; companies are expected to invest in human capital, the environment, and their relationships with interested groups. As the European Commission wrote in their 2001 Green Paper “Promoting a European Framework for Corporate Social Responsibility”:

“The concept of corporate social responsibility basically means that companies spontaneously decide to contribute to improving society and to make the environment cleaner. [...] Companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. [...] Being compared, in the ‘globalization’ context and particularly the internal market, to the challenges set by a

transforming environment, the enterprises are even more aware that social responsibility can perform as a direct economic value. Even if their main responsibility is that of taking advantage, companies are at the same time able to contribute to social objectives and environmental safeguarding by completing their social responsibility as a strategic investment for their commercial strategy in their management tools and in their actions.” (European Commission 2001, p. 5)

Moreover, the Green Paper specifies that:

“By affirming their social responsibility and assuming spontaneous commitments that go beyond the regular and conventional needs with which they have to conform, however, companies should strive to raise the rules connected to social development, environmental safeguarding, and the respect of fundamental rights by adopting an open government system that is able to appease the profits of the various parts involved within a global approach of quality and sustainable development.” (European Commission 2001, p. 8)

Given this emphasis on voluntary self-regulation, enterprises’ participation in CSR allows them to act not only as an economic player, invested in their own outcomes, but also as a social actor that contributes to society’s well-being. This extends companies’ accountability to the social, economic, and political contexts in which they are embedded. To solidify this relationship, it is necessary that companies’ performance be measured in terms of their contributions to economic prosperity, environmental preservation, and the social capital of their host country (Spence et al. 2004). Thus, a firm is usually considered socially responsible if: (1) it invests in the training and management of human resources with respect to equal treatment and equal opportunity principles; (2) it concretely limits the impact of its own activities on the environment by investing in eco-sustainable technologies and productive processes, and (3) it guarantees the integration and respect of social and environmental problems.

Nowadays, CSR is seen as a fundamental component of the company vision and identity, capable of reconciling economic and collective interests. In sum, CSR represents a cultural shift in how businesses operate across different functional areas. As the European Commission (2001) explains:

“[...]it doesn’t mean to abdicate the profit in order to make good deeds, but instead to make profit, even doing more of it, but in a correct manner, producing social welfare and not to cause damages to the collectivity, equilibrium and equity and not exploitation, the quality of the life and not pollution and diseases, wealth and culture diffusion and not rapacious destruction of human and environmental resources.” (p. 16)

## ***2.1 The Link Between CSR and Luxury***

Sustainability has become extremely important for luxury companies and their customers, but as the root term “Luxus” suggests, the ideas of luxury and sustainability do not readily intertwine. For luxury consumers, luxury goods are

primarily about the delivery of satisfaction and pleasure rather than addressing social or environmental needs. This stems from the fact that luxury goods cost a great deal relative to their utility or economic potential. As a result, several people consider such goods to be superfluous, detached from real needs and characterized by vain superfluity (Sombart 2003). For this reason, “luxury” is commonly associated with “excess,” “intemperance,” “debauchery,” “splendor,” and “magnificence,” (Aiello and Donvito 2006), which can invite criticism with regard to social responsibility (Achabou and Dekhili 2013; Beckham and Voyer 2014). Thus, when luxury consumers hear about CSR in the luxury industry, they may suspect that these companies are simply trying to soften public opinion around luxury products.

While some consumers might interpret luxury companies’ CSR as an optional—and therefore worthless—practice, consumers as a whole are increasingly interested in social and environmental policies. They thus expect companies to not only adhere to regulations, but also support charity programs, preserve the environment, and cooperate with local institutions. In response, many luxury companies now position ethics and responsibility as primary corporate values. Consequently, these brands are undertaking important challenges related to developing more sustainability-oriented production processes while delivering high-quality goods and services (Janssen et al. 2014).

The intent of most CSR plans is to mutually accomplish intrinsic and extrinsic aims. For many companies, the extrinsic (or egoistic) aim is to increase brand awareness. The intrinsic aim, by contrast, revolves around “doing good”, that is, fulfilling a series of obligations either imposed on or undertaken by the company. Across both goals, the brand seeks to become a node in people’s memory that can be “anchored” to other information, with the intent of forming a favorable “bundle” of associations in consumers’ minds (Aaker 1991; Kotler 2011). To this end, it is important that companies position their CSR activities as a pillar of the larger brand’s corporate values, rather than as an ancillary set of actions. Otherwise, consumers may perceive such activities as incoherent and form a negative brand impression.

In short, consumers respond best to a CSR activity when it demonstrates the company’s commitment to being socially responsible rather than merely bolstering the brand image. By focusing on the intrinsic aim, firms can establish a sense of connection between their brand(s) and consumer perceptions, a phenomenon called “consumer-company identification” (Bhattacharya and Sen 2003; Bhattacharya et al. 2011; Sen and Bhattacharya 2001), which may foster a sense of attachment with the company (Fournier 1998). Companies that behave in a socially responsible manner are more attractive targets for identification. This process may foster a strong attachment among some consumers, who might then become “brand advocates” capable of positive word-of-mouth. Conversely, consumers may punish companies that create a false sense of social responsibility.

### **3 Case Studies: The CSR Approaches of Luxury Companies**

The present research focuses on three leading luxury companies—Gucci, Bulgari and Tod's—that are making considerable efforts to act in a responsible way and be perceived as good corporate citizens. These companies are modifying many of their internal processes in order to increase the value of their offerings while simultaneously generating positive effects for society at large. We particularly selected these companies because they illustrate how the broader luxury industry could adopt new, eco-friendly management models as a prompt response to social, environmental and economic concerns. If successful, these three firms could become a benchmark for others in the luxury industry.

#### **3.1 Gucci**

##### **3.1.1 Company Introduction**

Gucci is a famous Italian brand and a symbol of style, class, high fashion, and luxury. It was created by Guccio Gucci in the 1920s in Florence (Gucci 2015a). The company specializes in leather products, which were originally designed for the English nobility. Because sophisticated persons indulging in horse hobbies comprised the chief commissions of that era, Gucci adopted two exclusive brand markings to appeal to those patrons: the clamp, which later became a fashion icon, and the green-red-green weft ribbon, which is reminiscent of a saddle girth. Nowadays, the company strongly invests in its local area and in each activity of the production chain, employing around 8000 people in its productive area and around 45,000 employees in the whole of Italy. In addition to local investment, Gucci's values include quality, exclusivity, a balance between modernity and tradition, and a "Made in Italy" commitment. Together, these values have made the firm one of the most popular Italian brands in the world (Gucci 2016).

##### **3.1.2 Gucci's CSR Approach**

Modern social and environmental problems have led Gucci to undertake a series of activities designed to sustain eco-friendly policies that guarantee high-level qualitative standards among their commodities while respecting labor rights (Gucci 2015b). In 2004, the company undertook a social liability certification process (SA 8000) involving their administrative offices, shops, and suppliers. Since 2008, the company has had a division exclusively designed for such purposes.

Gucci's CSR approach focuses on three main areas (Gucci 2015c): (1) human resource protection and promotion (e.g., labor rights, solidarity towards the most disadvantaged groups); (2) political and economic objectives and efforts to maintain art and culture, and (3) environmental impact management in all phases of the value chain by supporting the creation of sustainable commodities. In order to realize its program, the firm's CSR division coordinates with other internal departments.

Gucci wants to promote the idea that sustainable value, which has become an essential element of the company's mission statement, can and should be a cornerstone of its management policies and behaviors. The firm also emphasizes the importance of communicating with stakeholders, who hold the right to be informed of all processes that impact production. In a CSR perspective, consumers have the right to know where a product's raw materials originate from, so that they can feel confident that their consumption does not negatively affect the environment or other persons (Hennigs et al. 2013).

In 2009, the Italian Charter for Equal Opportunities and Equality at Work was introduced to guarantee equal dignity and working conditions to all employees via periodic inspections of firms' compliance with regulatory standards. In the same year, Gucci created the Committee for CSR and signed an agreement with the most important national labor unions. The purpose of these initiatives was to plan actions that would promote, valorize, and sustain Gucci as a unique icon of knowledge and value in terms of economic, environmental, and social sustainability. As part of this treaty, the company agreed "to valorize and to promote the production chain as a unique patrimony of knowledge and recognized value, in a logical of economic and social sustainability" (Italian Charter for Equal Opportunities and Equality at Work 2011).

In 2010, Gucci obtained the ISO 14001 environmental certification, an important outcome of several eco-friendly initiatives that reduced the environmental impact of its production activities. Moreover, Gucci implemented a moratorium against the raising of cattle livestock in the Amazon in response to an announcement by Greenpeace. These implementation measures called for an energy revolution to halt or at least slow climate change, protect marine reserves and prosecute unauthorized fishing, protect primary forests, namely those still "intact" or only slightly contaminated by human activities, eliminate toxic substances from production processes, and promote sustainable agriculture by protecting biodiversity and avoiding GMOs.

### 3.1.3 Eco-friendly Collections

Social responsibility, environmental protection, and economic sustainability form the basis of Gucci's commercial policies and marketing strategies. For this reason, the company designed a new green logo that embodies its commitment to these CSR goals.

“A new logo is associated with our identity because we have thought that, from now, it was correct to identify our commitment in this area with a dedicated logo. These values are always part of the company DNA and have been carried out with great strength in the last years, through policies of social and environmental sustainability in the broad sense.” (Patrizio di Marco, chairman and CEO of Gucci, Wise Society 2012)

CSR and Sustainability Director Rossella Ravagli described Gucci's green approach as:

“...a very articulated and difficult path that asks for a detailed work and a necessary gradualness. Gucci's commitment has been forward-looking however, a sign, therefore, of a politics oriented towards the environmental and social sustainability undertaken by the group.” (Rossella Ravagli, head of Corporate Sustainability & Responsibility Department, Wise Society 2013)

The new project is congruent with Gucci's responsibility mission of guaranteeing sustainable commodities to the modern consumer by balancing timeless style and love for the future (Gucci 2015b). The sections below describe these efforts in more detail.

*Sunglasses:* In 2013, Gucci and Safilo (the world leader in the luxury eyewear industry) announced the launch of four new models of glasses geared towards sustainability. The products in this collection were made with an innovative acetate that contained natural materials, contrary to those traditionally used in frames (Safilo 2013). To sensitize young consumers to sustainability, the brand also introduced the mini collection “Gucci Eyeweb,” which included two bio-based sunglasses composed of a material extracted from castor oil seeds. Furthermore, the firms tailored the production of these items to reduce CO<sub>2</sub> emissions. These products were paired with a sunglasses frame made of liquid wood, a biodegradable and eco-friendly material derived from wood fiber (from forests with controlled reforestation), lignin (from paper) and natural waxes that replace traditional plastics.

*Shoes:* Gucci has launched a new line of eco-friendly men's and women's shoes designed by Creative Director Frida Giannini and featuring soles made of green material (Gucci 2015d). Named “Green Marola” (for women's ballerina shoes) and “Green California” (for men's sneakers), both shoes utilize bioplastic, a biodegradable material that substitutes for traditional plastic. It is an eco-sustainable material successfully tested in laboratories and certified in agreement with the UNI EN 13432 and ISO 17088 European and International standards. This material decomposes faster than traditionally manufactured plastics and does not produce any waste emission, thus limiting its environmental impact. The Green Marolas are entirely made of bioplastic, while the Green California feature a biodegradable rubber sole and an upper part in leather, laces in certified biological cotton, and the green Gucci logo impressed on a recycled polyester label.

*Packaging:* Gucci redesigned their packaging to be made with Forest Stewardship Council (FSC)-certified 100% recyclable paper. This new packaging is smaller and lighter, thus requiring fewer transportation loads and contributing to a 60% reduction in CO<sub>2</sub> emissions (Gucci 2015e). The new packaging features a



modern and refined design emblazoned with the Möbius<sup>1</sup> symbol, an image of product recyclability employed and recognized all over the world. Buyers of Gucci products also receive a small informative leaflet and a pre-addressed envelope so that they can learn how to recycle the old object when buying a new article.

## 3.2 *Tod's Group*

### 3.2.1 **Company Introduction**

Tod's S.p.A ranks 38th among the top 100 luxury firms (Deloitte 2015), with 1.3 million USD in revenue. It is a holding company and a principal player in the production and commercialization of luxury footwear and leather goods, including the Tod's and Hogan brands; it also operates in the apparel sector with the Fay brand (Tod's Group 2015a). Each brand in the group is characterized by a balanced mix of tradition and modernity, high quality materials, creativity, and wide usability in every commodity. Because of specialization throughout the production chain, each item is handmade using craftsmen's techniques so that the end product is exclusive and highly recognizable. Each brand features iconic pieces, such as the Tod's *Driving Shoe* and *D Bag*, and Hogan's *Traditional* and *Interactive* footwear. Production occurs across both group factories (six for the footwear and two for the leather goods) and a small number of specialized laboratories, with which Tod's has long-established funding relationships. Material purchasing, production monitoring, and control stages are overseen by the group leader, even for products manufactured in external laboratories.

### 3.2.2 **Tod's CSR Approach**

Tod's embraces principles such as creativity, craftsmanship, tradition, "Made in Italy," and solidarity. Since 2008, the company has employed an Ethical Code and a Model of Organization, Management, and Control as a guideline for conducting training aimed at implementing such principles (Tod's Group 2015b). The group sees this support of human capital as an essential asset to its own activities, as well as a way to benefit the stakeholders in its countries of operation. Furthermore, Tod's devotes 1% of its net profits to supporting the poorest resident populations in its operating areas (Fondazione il Sole 2013). In this way, the company shares its own profits with the areas from which it draws resources, thus strengthening the group's bond with its local audience. Tod's Group is also committed to improving Italy's

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<sup>1</sup>In mathematics, and more precisely in topology, the Möbius strip is an example of non-orientable surface and a grooved surface. It takes its name from the German mathematician August Ferdinand Möbius.

international reputation and preserving the nation's cultural heritage. It is a founding member of Teatro della Scala of Milan, and, in 2011, entirely financed a series of restoration works for the Colosseum (for a total of 25 million euros) in collaboration with the Ministry of Cultural Heritage and Activities and the Special Superintendence for the Archaeological Goods in Rome (Tod's Group 2016). This initiative aimed to protect and promote Italian culture, inspired by the company's conviction to invest in the "Made in Italy" concept, and hence in the abilities and traditions of local companies.

### 3.2.3 Eco-friendly Collections

Even though past criticisms were what led the company to behave more ethically and implement social responsibility management plans, Tod's has initiated numerous programs oriented toward environmental themes. One such priority is to decrease energy consumption in the company's production and retail establishments. With the help of specialized suppliers, the group can reduce electrical consumption by tailoring its buildings to be low energy. In its Italian headquarters, for instance, Tod's uses renewable energy resources (e.g., geothermal, photovoltaic). Meanwhile, a new building that has been under construction since 2014 abides by the newest green construction philosophies, featuring several floors composed of plant components and other natural materials. The group also embeds motor devices with *inverter* technology into its facilities, which reduce energy consumption by enabling operation modification in response to real needs. Additionally, Tod's utilizes LED<sup>2</sup> technology and recycled wood in both its Italian headquarters and the retail stores that compose the company's distribution network, further demonstrating the group's responsible use of resources.

Even though Tod's does not produce "green" products, the group engages in a series of activities aimed at preserving environmental resources. For instance, the firm prioritizes the environmental protection and sustainable development of the territories in which it operates, striving to minimize the adverse environmental impact of its business activities. To this end, the firm respects a series of European environmental regulations concerning emissions and land utilization. Furthermore, Tod's promotes activities and processes compatible with the environment, such as pursuing energy efficiency and the sustainable use of resources; assessing the environmental impact of all activities and business processes; collaborating with stakeholders, internal (e.g., employees) and external (e.g., public institutions), in order to optimally manage environmental problems, and contributing to environmental protection through the implementation of suitable management and monitoring systems.

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<sup>2</sup>LED (Light Emitting Diode) is an optoelectronic device that uses the optical properties of some semiconductor materials to produce photons through a phenomenon of spontaneous emission.

### **3.3 *Bulgari***

#### **3.3.1 Company Introduction**

The Bulgari Company was founded in Naples in 1884 by Sotirios Voulgaris (in the original Greek; *Bulgaris* in Italian) and his business partner Demetrio Kremos (Bulgari 2015a). Bulgari drew inspiration from the Greek and Roman cultures for its constant brand renovation. The brand comprises six different Strategic Business Units (see Fig. 1): the percentages listed in Fig. 1 represent the incomes of each SBU (authors' elaboration of Bulgari's 2014 financial statement). With an overall turnover of 1.6 million euros, the brand is one of the most profitable subsidiaries of the Louis Vuitton Moet Hennessy (LVMH) group, a leading luxury goods conglomerate. Bulgari owns 180 retail stores around the world and plans to achieve further growth through its emphasis on such values as harmony and refinement.

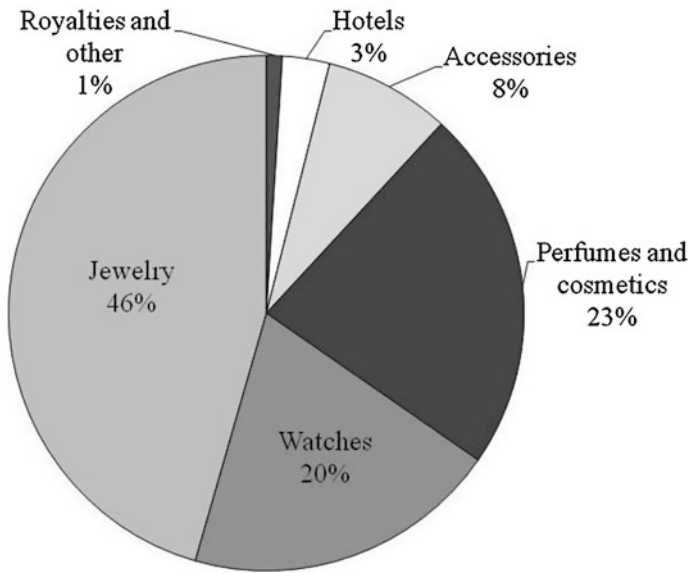
#### **3.3.2 Bulgari's CSR Approach**

Bulgari's approach to CSR involves balancing the social, environmental, and economic values inherent to its strategies and activities while promoting long-term social and environmental sustainability (Bulgari 2015b). To this end, the firm has defined and continuously implemented an advanced ethical code and internal policy, as well as established reference values intended to promote diversity, prevent discrimination, and safeguard employee health. Internally, the group seeks to ensure safe job conditions, offer ongoing training to employees, and build a collaborative and conscious working environment (cf. Feltus, Petit and Dubois 2009) that values responsible behaviors, such as environmental protection. These principles are solidified in Bulgari's code of conduct (Bulgari 2015c), which relegates the provisioning of precious stones. Regarding community impact, Bulgari's strategy involves promoting youth education all over the world through the support of the World Scout Organization and other global or local associations devoted to the same objective. The firm also rewards improvements to its production chain by giving consideration to its nearest company partners. In 2014, for instance, Bulgari awarded its partner company Zordan with the Bulgari Design Award for sustainable construction.

#### **3.3.3 Eco-friendly Collections**

As said before, Bulgari's code of conduct regulates its supply of precious stones. Conflict diamonds (also called "blood diamonds") present a serious issue—for example, in those parts of the world where rebel movements use untreated precious stones to finance wars against governments. Therefore, companies cannot purchase

## Revenue per SBU



**Fig. 1** Pie chart of Bulgari's SBUs

raw materials from such places without the risk of becoming complicit in atrocious felonies. As such, Bulgari exclusively purchases carved stones from qualified suppliers in the Kimberley Process (Bulgari 2015d). This is a combined initiative among governments, industries, the civil society, and companies that aims to stop the flow of conflict diamonds via an international control system of certified trade. In addition, Bulgari is a long-time member of the Responsible Jewelry Council (RJC), a non-profit organization that promotes ethically responsible business practices in order to safeguard human rights, in both social and working environments, across the whole jewelry production chain.

All companies directly and indirectly supervised by Bulgari have adopted policies and management systems to guarantee the respect of the following important principles: (1) *ethics in business*: to develop activities with respect to ethical norms, integrity, transparency, and conformity with enforced laws; (2) *human rights*: to respect the dignity of the individual according to the Universal Declaration of Human Rights enacted by the United Nations, and (3) *environment*: to suitably eliminate or minimize the adverse effects of production activities on the environment (Bulgari 2015c). In addition to earning the Green Certificate for the renewable energy of its centers, Bulgari also obtained LEED Certification

(Leadership in Energy and Environmental Design),<sup>3</sup> which attests to the minimal environmental impact of its buildings. Bulgari also aims to create optimal working environments where safety and prevention serve as cornerstone values. By advocating for the inestimable value of human life, the company is able to encourage environmentally conscious behaviors and delineate individual employees' ethical responsibilities.

Since 2012, the company has audited its own suppliers to confirm their respect for social and environmental responsibility in the distribution chain. In 2013, during the LVMH group's celebrations for 20 years of environment engagement, Bulgari launched *Green Week*: a week devoted to the environment (Bulgari 2015e). During this time, the company proposed activities meant to sensitize employees to environmental matters while also inaugurating a series of CSR projects linked to the green philosophy. For example, during the week's *Info Pills* campaign, which strove to spread information about new recycling measures, Bulgari's employees received gifts of ceramic cups for warm and cold drinks as substitutes for plastic glasses. The week ended with the sharing of good environmental practices across Bulgari's various centers in different countries.

## 4 Empirical Research

### 4.1 Objectives

To supplement the above analysis, we administered an online questionnaire with 19 questions to a sample of 200 Italian consumers (female 34.2%, male: 65.8%). We used this questionnaire (see Appendix) to understand the real impact that CSR policies have on consumers' behaviors and their perceptions of luxury brands and products.

### 4.2 Methodology

The survey was articulated into four parts that assessed respondents': (1) frequency of luxury purchases or reason for having never bought luxury goods; (2) knowledge of sustainability issues, CSR, and the luxury sector; (3) knowledge of the studied companies (Gucci, Tod's, Bulgari) and their green operations; and (4) demographic data.

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<sup>3</sup>LEED is a voluntary certification program that can be applied to any type of building (both commercial and residential) and concerns the entire life cycle of the building, from design to construction.

### 4.3 Results

Regarding the frequency of luxury purchases, 41% of respondents considered themselves occasional luxury consumers, whereas 16% considered themselves usual luxury consumers (see Fig. 2). We found that consumption frequency began to increase among consumers aged between 26 and 35, who have more solid working positions and thus more opportunities to purchase luxury goods and/or services. The main obstacles to luxury purchases included economic impossibility (44%) and mismatch with the consumer personality (35%) (see Fig. 3).

In the second part of the survey, we introduced the topics of CSR, sustainability, and the relationship between these themes and the luxury sector, and assessed respondents’ perceptions of these topics. More than half of the respondents (51.5%) had never heard of CSR. The most thorough definitions of sustainable development and CSR given by respondents were as follows:

“All those actions intended for the use of energies derived from renewable and non-polluting sources, which are also cheap and eco-friendly for the company.” (Female consumer, aged 18)

“Sustainable development: a series of initiatives aimed at curbing the planet’s decay through actions in respect of our environment; CSR: corporate policies that relate to compliance with social, environmental, and productive dimensions in the pursuit of sustainability.” (Male consumer, aged 27)

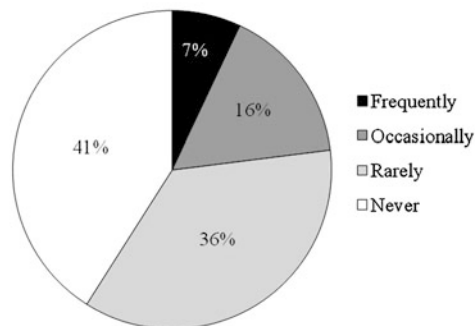
“Being able today to produce, without erasing the possibilities for future generations of living with dignity.” (Female consumer, aged 35)

“The implications of moral and ethical nature that may exist within the business strategy.” (Male consumer, aged 51)

We asked respondents to indicate what dimensions of sustainability among the social, environmental, and economic ones, they considered most important and allowed them to provide more than one preference. Results revealed a significant preference for the environmental (140 responses) and social dimensions (116 responses). A lower number of respondents selected the economic dimension

**Fig. 2** Responses regarding the frequency of luxury consumption

How often do you buy luxury goods/services?



### *If you have never bought, why?*



**Fig. 3** Reasons why people never bought luxury goods

(36 responses). These answers suggest that the environment and people’s quality of life are closely linked. A subsequent question, however, revealed that only 27.3% of the respondents knew of luxury companies who care about sustainability and CSR.

Respondents were also asked to judge the production chain activities of luxury companies. Given a scale from one (negative judgment) to seven (positive judgment), the majority of respondents positioned the three companies in the range from one to three, thus indicating an overall more negative judgment. When asked to justify their responses, some of the respondents commented as follows:

“Because I think they do not pose any problem.” (Male consumer, aged 26)

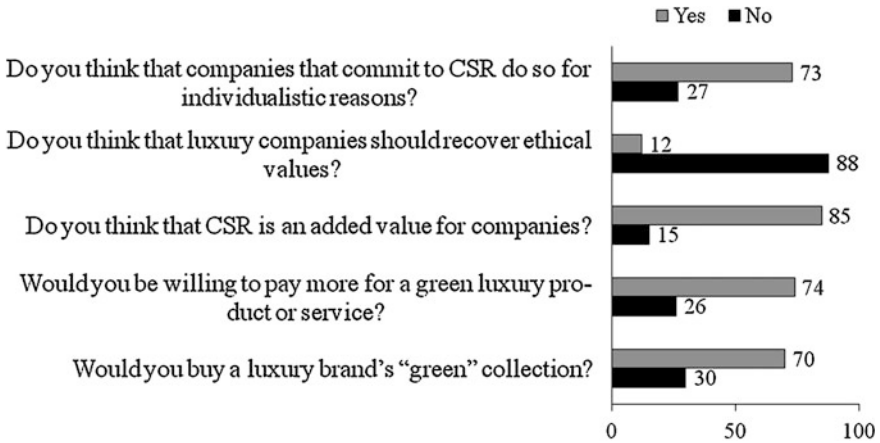
“These are processes that cause pollution, social and economic inequality, and conflict between employees and managers.” (Female consumer, aged 28)

“Often in their scale of values, sustainability is located at the lowest point of the pyramid.” (Female consumer, aged 28)

“Few companies today respect workforce rights or use green materials.” (Male consumer, aged 34)

“Exploitation of the poorest countries.” (Male consumer, aged 57)

This part of the questionnaire also included multiple choice (Yes/No) questions that assessed respondents’ perceptions about the ethicality of luxury companies and their own willingness to buy green luxury goods (Fig. 4). Over 70% of the respondents expressed skepticism toward the ethicality of luxury companies, asserting that CSR mainly represents a source of added value for these companies. Such perceptions reflect the belief that companies only adopt sustainable activities and CSR policies to distract and appease the public. Consumers who hold this point of view may push for luxury companies to rediscover their ethical and moral values (Abela and Murphy 2008) and thereby recover a positive image among consumers. Granted, it takes very little to destroy a company’s brand image, but a very long time and considerable investment to recover its original position. Nevertheless, about 70% of respondents claimed that they were willing to buy green luxury goods and pay a premium price for them (Fig. 4).



**Fig. 4** Personal opinions of consumers about luxury companies and their CSR activities

In the third part of the survey, we asked respondents a series of questions related to Gucci, Tod's, Bulgari, and their green operations. First, we asked if participants knew of these companies; all of them did, as expected. We then asked respondents to share their opinions regarding whether and to what extent the studied companies are committed to CSR and sustainable development. Of the responses, 51.5% answered that the companies are "not committed to CSR and sustainability issues," while the remaining 48.5% claimed these brands have joined the ranks of the world's so-called *green companies*, but that their results are not satisfactory. We also asked respondents if they would buy the green collections produced by the three brands; the positive responses confirmed that sustainability may not scare consumers during the purchase phase. Finally, participants provided their gender, age, and occupation.

## 5 Discussion and Implications

The three luxury companies assessed in this chapter appear to be particularly sensitive to sustainable development. As a result, they have made considerable efforts to reduce the environmental impact of their activities, develop eco-compatible products and production processes, and contribute to societal wellbeing. In particular, Gucci focuses on the use of new materials for its products and packaging; Tod's emphasizes non-profit initiatives, and Bulgari invests in responsible production approaches and work environments. In addition, each company communicates its commitment to CSR in a singular way: Gucci uses green logos, Tod's develops cultural initiatives, and Bulgari formalizes its respect for ethical standards with certifications. Through those initiatives, these leading



luxury companies demonstrate their sensitivity to relevant societal, economic, and environmental issues. They also hope to establish trusted relationships with their customers and foster a sense of consumer-company identification. However, consumers often lack awareness of these activities and thus do not identify with the companies that perform them; at best, consumers may take a company's CSR activities on good faith. To close this gap, luxury companies, such as those considered in this research, should cultivate their own ethical and moral values while increasing consumer awareness about their CSR commitment, emphasizing that CSR is a central to their corporate strategy rather than a mere secondary activity (Castaldo et al. 2009; Grappi et al. 2013).

Our survey ascertained that a significant number of consumers are still skeptical about the examined companies' CSR approaches. However, consumers seem willing to support these companies' efforts to act in a responsible way, so long as said companies are able to demonstrate a stronger commitment to social, economic, and environmental issues. Because modern consumers use alternative information sources, such as the Internet, to cultivate their understandings and opinions, they are less prone to accepting advertisements as truth. Further, they spend an increasing amount of their shopping time online—to the point that online purchases of personal luxury goods will represent almost 20% of the total amount by 2025 (McKinsey 2016). Companies with an online presence can use their websites to explain their production processes or material sources, or perhaps even devote entire pages to their CSR efforts, thus highlighting their contributions to public wellbeing. Using these communication platforms to spread awareness could be an important first step toward improving consumers' opinions about luxury brands.

As it happens, Gucci, Tod's and Bulgari are already very active in the digital sector (Contactlab 2015) and experiencing considerable growth. Nonetheless, these companies could enhance their positioning by broadcasting a green message to counteract any negative reputations. However, it is not enough to simply talk about these themes; consumers will likely be persuaded more by seeing the results of CSR activities. Moreover, companies must communicate that their initiatives constitute an integral part of a larger development policy aimed at benefiting all stakeholders, both internal and external.

Another way to create awareness is through green marketing activities, which comprise the set of initiatives aimed at planning and executing the marketing mix that is best able to facilitate consumption, production, distribution, promotion, packaging, and product reclamation in a manner that is sensitive or responsive to ecological concerns (Dahlstrom 2010). Through green marketing activities, luxury companies might propose and support new consumer lifestyles (Davies et al. 2012), thereby presenting customers with the opportunity to enhance their sense of identification with the company and the luxury brand. Those objectives could become particularly important for companies wanting to be perceived as ethical and responsible corporate citizens.

## 6 Conclusions

The results of this research suggest that leading luxury firms such as Gucci, Tod's and Bulgari invest considerable resources to ensure responsible operations in areas ranging from production and distribution processes, to working environments, to non-profit initiatives. In spite of this, consumers may suspect that these ethical initiatives mainly serve to increase these firms' profitability rather than meaningfully contribute to societal and environmental problems. To improve consumers' trust and support, luxury companies may need to better communicate their values, responsible actions, and non-profit goals. It is important, however, that consumers perceive sustainability initiatives as part of a structured production approach aimed at generating, re-investing, and re-distributing economic value in an ethical and responsible way, rather than as isolated actions design to improve the company's image and visibility. Given the importance of all CSR initiatives to a brand's health, luxury companies cannot afford to neglect one activity for another. Instead, they should seek to simultaneously benefit stakeholders, society, and the environment.

## Appendix

### *Part I. Luxury purchases*

1. *How often do you buy luxury goods/services?* (multiple choice question)

- Frequently
- Occasionally
- Rarely
- I never buy luxury products

2. *If you've never bought, why?* (multiple choice question)

- I don't like the offers of luxury companies
- I feel uncomfortable when I go in luxury stores
- I believe that luxury goods offer nothing more than the common brand
- Luxury goods don't match with my personality
- Economic impossibility
- Other

### *Part II. Sustainable development, Corporate Social Responsibility (CSR) and the luxury industry*

3. *Have you ever heard about sustainable development and CSR?*

- Yes
- No

4. *If you heard about them, can you define these concepts with your own words?* (open-ended question)

5. *In your opinion, what dimensions of sustainability are most important? (You can select more than one dimension)*
- Social: improving lifestyle quality
  - Environmental: satisfying consumer needs without depleting natural resources
  - Economic: creating economic value for present and future generations
6. *Do you know any luxury company that has implemented sustainable production processes and/or CSR strategies?*
- Yes
  - No
7. *How do you judge luxury companies' production chain\* activities? (1 = Negatively; 7 = Positively)*  
\*: all the stages of making a product, considered together.
8. *If you judged it negatively, why? (open-ended question)*
9. *Do you think that companies that implement sustainable choices and commit to CSR do so for individualistic reasons?*
- Yes
  - No
10. *Do you think that luxury companies should recover ethical and moral values?*
- Yes
  - No
11. *Do you think that CSR is an added value for companies?*
- Yes
  - No
12. *Would you be willing to pay more for a green luxury product/service?*
- Yes
  - No
13. *Would you buy a luxury brand's "green" collection?*
- Yes
  - No

***Part III. Three leading luxury companies: Gucci, Tod's, and Bulgari***

14. *Do you know the luxury brands Gucci, Tod's, or Bulgari?*  
Mark the answer "other", if one of them is unknown to you.
- Yes
  - No
  - Other

15. *Do you think that the three brands are committed to the topics of sustainable development and CSR?*

- Yes
- No

16. *Would you buy some of their “green” articles?*

- Yes
- No

#### ***Part IV. Socio-demographic data***

17. *Gender*

- Male
- Female

18. *Age*

18–25; 26–35; 36–50; 51–65; Over 65.

19. *Occupation* (open-ended question)

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