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## THE IMPORTANCE OF SUSTAINABILITY IN LUXURY BRAND MANAGEMENT

### *Lüks Marka Yönetiminde Sürdürülebilirliğin Önemi*

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“Sustainability is our most important design; Nature is our best designer.”

John Loring, Design Director, Tiffany & Co.

**Abstract:** Due to the economic, social and environmental problems in developed and developing countries, companies increasingly focus on sustainability and try to ensure the same quality and standards in working and production conditions throughout their supply chains. Besides the concept of sustainability, the field of luxury brand management has gained more relevance in the last decades as well. Considering the increasing importance of both concepts, the question for a combination of these two concepts arises. Luxury brands sell products that are rare, and are thus resource-dependent, which increases their need for sustainability.

Even if other sectors may be more relevant to the cause of sustainability, luxury brands that have gained intact reputations for sustainability must take care to maintain it. On the other side, given the growing concern for sustainability nowadays, consumption habits started turning towards more environmental friendly choices, so to reduce the impact of everyday life on the earth.

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This paper contributes to current knowledge of sustainability in the luxury industry. All major real luxury brands have already responded to the demands of sustainability, but can luxury brands be at the leading edge of sustainability? This will be analyzed in detail with the help of Louis Vuitton case study.

**Key Terms:** Sustainability, Luxury, Brand Management

“Sürdürülebilirlik en önemli tasarımımız; Doğa ise en iyi tasarımcımız.”

John Loring, Tasarım Direktörü, Tiffany&Co.

**Özet:** Gelişmiş ve gelişmekte olan ülkelerde yaşanan ekonomik, sosyal ve çevresel problemlere bağlı olarak, işletmelerin sürdürülebilirliğe ve tedarik zincirleri boyunca çalışma ve üretim sürecinde aynı kalite ve standartları tutturmaya yönelik verdikleri önem artmaktadır. Sürdürülebilirliğin yanında, lüks marka yönetimi de son yıllarda önem kazanan bir alan haline gelmiştir. Bu iki kavramın önem kazanarak bir araya gelmesi sonucunda çeşitli sorular ortaya çıkmıştır. Lüks markalar ender bulunan ürünleri sattıklarından kıt kaynaklara bağımlıdırlar ve bu da onlar için sürdürülebilirliğin önemini ortaya koymaktadır.

Diğer sektörler sürdürülebilirlik ile daha bağlantılı olsalar da, lüks markalar da itibarlarını korumak için kavrama önem vermelidirler. Diğer yandan günümüzde sürdürülebilirliğe verilen önemin artmasıyla beraber tüketim alışkanlıkları da gündelik yaşama yansıyan zararlardan korunabilmek adına daha çevre dostu ürünlerin tüketimine doğru bir eğilim göstermektedir. Bu çalışma şuan sürdürülebilirliğin lüks endüstrisindeki önemini ortaya koyacaktır. Bütün gerçek lüks markalar mevcut durumda sürdürülebilirlik taleplerine cevap vermektedir ancak bu markalar sürdürülebilirlikte öncü olabilecekler midir? Bu soru Louis Vuitton örnek çalışması üzerinden detaylı bir şekilde analiz edilecektir.

**Anahtar Kelimeler:** Sürdürülebilirlik, Lüks, Marka Yönetimi

## Introduction

We are living in a world surrounded by the effects of climate change. A world exposed to the anxiety of future population and economic growth impacts such as decreasing resources and biodiversity. With a population of nine billion people by 2050, business as usual will not be an option. Sustainability has become more than a buzz-word. It has turned into a global mindset. Already in 2007, the WWF report Deeper Luxury confirmed that environmental consciousness is rising amidst consumers and is no longer the preoccupation of a minority (Mauer, 2014:2). During the last decades the importance of sustainability has steadily increased and nowadays, sustainability is not only a governmental responsibility any more. Besides the concept of

sustainability, the field of brand management has gained more relevance in the last decades as well. Today, companies invest large amounts of money in the development of their brands (Gerlach and Witt, 2012). Recently more attention has centred on the relationships between luxury brands and sustainability. In 2013, a report from GfK showed that an increasing interest in sustainability is equally reaching emerging markets. However, whereas most people believe that luxury is a guarantee for quality, most do not believe that it is a guarantee for sustainability. Especially the younger generation is increasingly socially conscious and suspicious at the same time. Despite a large interest in ethical engagement, the luxury consumer is lacking of information due to an absence of transparency from luxury brands on sustainability (Mauer, 2014:2).

More and more luxury players are integrating corporate social responsibility and corporate environmental responsibility in their mission, objectives, strategy, and concrete actions (Cervellon and Shammass 2013), all under the pressure of being given low ranks on sustainability through nonprofit organizations (Bendell and Kleanthous 2007; Moore 2011). Increasingly, luxury consumers want to show that they understand and care about the environment and society. Luxury products are expected not only to look fabulous, but also to be environmentally and socially responsible (Ivan et.al., 2016:18).

In order to achieve these objectives, this paper is organised as follows. In the first part, the paper focuses on explaining the luxury brand management in detail. In the second part, it emphasises how recent evolutions in the context have dramatically changed the situation and increased the importance of sustainability for luxury brands. Lastly, the sustainability concept of luxury brands through the relation between luxury (gold) and environment (green) is analysed through the case study of Louis Vouttion

### **1. Luxury Brand Management**

In its most literal sense, the word luxury derives from the Latin word “Luxus” which signifies “soft or extravagant living, overindulgence and sumptuousness, luxuriousness and opulence” (Dubois et. al., 2005). Traditionally, “luxury has been associated with exclusivity, status and quality” (Atwal & Williams, 2009, p. 339). The concepts of rarity and scarcity were also noted to be of importance in centuries gone by (Nueno & Quelch, 1998). As far back as Roman times, the concept of luxury can be examined where Berry (1994) observes the potentially disturbing power of human aspirations, which follows through to Christian biblical times where the term ‘luxuria’ appears as one of the Seven Deadly Sins. The use of ‘luxuria’ in this context referred to

the sin of lust, documenting the negative relationship held between desire and luxury. In a more contemporary setting, this negative association can easily be found in marketing campaigns, where the consumption of luxury brands is portrayed as 'wicked' or 'naughty' (Low, 3). In other words the meaning of luxury is manifold, and its definition is elusive, with nuances suggesting an absolute concept tied to an idealised life, extras beyond necessity, needlessly expensive items or intimate exceptions of self-indulgence. A major issue related to the definition and measurement of luxury thus arises from its subjective character (De Barnier et al: 2012& De Barnier et al: 2006).

Chevalier and Mazzalovo (2008) distinguish between three levels of luxury:

- Inaccessible luxury: Exclusive models hand made in single units.
- Intermediary luxury: Expensive replicas of individual models.
- Accessible luxury: Products made in factories or workshops, in larger series.

Nueno and Quelch (1998) define luxury brands as those whose ration of functional utility to price is low while the ratio of intangible and situational utility to price is high. According to Grosman and Sharpiiro (1988), luxury brands are goods for which the mere use or display of a particular branded product brings prestige to the owner apart from any functional utility. Vickers and Renand (2003) point out that luxury goods are based on symbolic attributes, whereas non-luxury goods mainly rely on functional attributes. Thus, symbolism shapes the luxury character of a brand, enabling luxury brands to maintain status and demand premium prices. Phau and Prendergast (2001) assume that luxury brands evoke exclusivity, have a well known brand identity, enjoy high brand awareness and perceived quality, and retain sales and customer loyalty.

In summary, luxury brand exhibits 10 core characteristics are(Okonkwo, 2007: 105); innovative, creative, unique and appealing products; consistent delivery of premium quality, exclusivity in goods production, tightly controlled distribution, a heritage of craftsmanship, a distinct brand identity, a global reputation, emotional appeal, premium pricing, and high visibility.

### **1.1.Classification of Sustainable Luxury Brands**

Luxury brands can be classified according to several criteria such as luxury level, awareness and business volume. But in this study because of some brands' aggressive sustainable participation, brands will be classified according to Mauer (2014) as;

- **Activist Brands:** Activist brands are globally known luxury brands with deep connection and strong belief in sustainability. Sustainability is an integral part of their business model and dictates the mission of the brand. With their global strategy, including celebrity involvements and media presence, these brands are actively promoting their cause. They are characterised by the strong involvement and personal conviction of their founders (Katharine Hamnett and Edun).
- **Eco-Born Brands:** This new generation of eco-born brands entirely integrates social commitment and environmental engagement in its DNA. The combination of luxury and sustainability has been a natural combination since their creation and is an integral part of their business model. Although eco-born brands may still be in a niche market, with the shift in consumer values, they are slowly becoming a real competition for traditional luxury brands, demonstrating that a luxury brand can have an integrated sustainable vision without being on the side of eco-activism (John Hardy and JEM).
- **Stakeholder Focused Brands:** These brands are mostly part of the big players in the luxury field, worldwide renown and geographically spread with boutiques and points of sale. While sustainability didn't play a major role in their beginning years, they all have integrated sustainability into their operations over time. They are also characterised by the fact that sustainability is an integral part of the brand's external corporate or customer communication. They are highly concerned by the stakeholder's demands and expectations as well as their overall competitive positioning (Gucci and Tiffany).
- **Savoir-faire Brands:** Sustainability recognises the importance of cultures and local traditions. It brings attention to artisans, the savoir-faire of ancient traditions and the preservation of the same. Luxury (the so-called 'real luxury' distinguishing itself from the ostentatious bling-bling luxury) is cultivating craftsmanship, the handmade arts, and the art-like expertise one needs to sew a Chanel dress, to create an Hermès carré or to cut gemstones for the Van Cleef Mystery Setting. Such luxury brands advocate the 'made-in', which is a true distinction in today's global world and endless geographic supply chain temptations. Another intrinsic value of luxury and specifically of these brands is confidentiality. Everything is confidential: the price, the production, the savoir-faire, the clients, and so on. These brands do not openly communicate; neither do they discuss their sustainable engagements (Louis Vuitton and Hermes). Correspondingly, it is inevitable to classify the luxury consumer types according to their interest in sustainability.

## 1.2. Luxury Consumer Types

Luxury consumers are the one who don't behave rationally when purchasing a luxury object. There have been several studies analyzing the rich prestige consumers. Don Ziccardi identifies four consumer segments; millenium money (who made a fortune around the turn of the century), old money (who have inherited wealth), new money (who made a fortune themselves) and middle money (upper middle class which is careful about money). According to Vigneron and Johnson (1999), there are five values of prestige behaviour combined with five relevant motivations and from these, five different categories of prestige consumers can be classified;

- Veblenian consumers attach greater importance to price as an indicator of prestige, because their primary objective is to impress others.
- Snob consumers perceive price as an indicator of exclusivity, and avoid using popular brands to experiment with inner directed consumption.
- Relative to snob consumers, bandwagon consumers attach less importance to price as an indicator of prestige, but will place greater emphasis on the effect they make on others while consuming prestige brands.
- Hedonist consumers are more interested in their own thoughts and feelings, and thus will place less emphasis on price as an indicator of prestige.
- Perfectionist consumers rely on their own perception of the product's quality, and may use price as further evidence of quality.

But nowadays with the consumers' increasing concern of corporate social responsibility and sustainability concepts, a new classification "true luxury global segmentation" came up into practice progressed by Boston Consulting Group ([www.youtube.com](http://www.youtube.com), 2016).

- Absolute Luxurer- "Luxury is my commodity"
- Megacitier- "World is my city"
- Social Wearer- "Green carpet"
- Experiencer- "Luxury is real only when shared"
- #Little prince- "Luxury is my fun"
- Fashionista- "In fashion I trust"
- Status Seeker- "I show then I exist"
- Classpirational- "I saw it on my boss"

At this point, Social wearer-Green Carpet luxury consumer type have an important place in sustainable luxury brand management. This type of consumer started to increase. They generally think that luxury should drive a better world. The life stage is grown ups about 35-40 years old, sixty percentage of them is woman and live in big and mega cities. Their specific features are listed in Table 1.1.

**Table 1.1:** *The Specific Features of Social Wearer Consumer Type*

<b>Personality and Lifestyle</b>	<b>Luxury Attitude</b>	<b>Product Preferences</b>
-Socially responsible, see the global warming as an important threat. -Loves art and is actively involved in charity activities.	-Luxury to him/her is quality and sustainability. -Feels an emotional connection with the brands he/she purchases. -Always checks where the products are made.	-“Made in” and social responsibility are true purchase drivers. -Is committed to few brands. -Purchases mainly vacations, clothing and furniture. -Loves to customize products.

**Source:** www.youtube.com, 2016.

### 1.3. Luxury Brand Communication

Belch & Belch (2012) explained that an IMC strategy is a combination of the promotional mix of advertising, public relations, sales promotion, direct marketing, personal selling, event marketing and interactive marketing. Different promotional channels aim to maintain brand identity, brand equity and customer loyalty at every touch point for profit and greater sales (Srisiriwongchai, 2014:687). Kapferer & Bastien (2012) explained that the standard rules of marketing are only applicable to premium brands, while luxury brands must pursue their own luxury strategy including exclusive and excellent quality of product, premium price (appropriate price), limited distribution channels, public relations-oriented and recognition of the “anti-laws of marketing” rules. Luxury marketers must persuade consumers to choose an “item from further up the range” so they can treat themselves to buy something better and more expensive. At the mass-market level, media advertising is a major component of in-store promotion. The closer the media tools get to the top of the pyramid, the less important role it plays in advertising because luxury is meant to communicate and is never meant to advertise. The VIP events represent intimacy and a form of one-to-one relationship. Other communication strategies are public relations, shop window displays, and digital ad campaigns. Strategically, headquarters of the luxury brand define and execute all types of strategic communications in terms of managing the country-specific internet sites and in designing worldwide events, sponsorships and fashion shows among other activities (Aron, 2014:687). By doing so, the local management teams in the different countries make an effort to create more memorable events in order to maintain the brand identity. Thus, public relations are a major part of the local management in relation to building a special relationship with VIPs and major customers (Kapferer & Bastien, 2013).

In luxury, you communicate in order to create the dream and to recharge the brand's value, not in order to sell. This implies refined and artistic communication, which is highly coded without being too dated, is never direct and is highly allusive. The practical consequence of this approach are that you can never judge the effectiveness of luxury communication by measuring its impact on sales. Since the role of communication in luxury is different from its role in traditional markets, it is therefore hardly surprising that luxury's communication methods should be fundamentally different from the usual methods (Kapferer and Bastien, 2012:255). In general, the objectives of brand communication are to reflect the brand ethics, give factual information, be remembered, have a visual impact and generate emotions and attitudes, and these overall objectives of communication also exist in luxury communication (Chevalier and Mazzalovo, 2008: 273-274). In the luxury brand communications tools used are these; Advertising, direct marketing, personal selling, event management, sponsorship, word of mouth, digital media, packaging, public relations.

At the mass market level, media advertising plays a key role, but in luxury, it is secondary. With the well known exception of perfume, luxury does not use the great media of television. Luxury seeks participation and active membership from the client; the use of a mass medium such as television does not meet this requirement. In addition to this, television is a very expensive medium, and not at all selective; its strength is precisely that the cost per contact is very low. Finally, a minimum time span is required to create a dreamlike universe, as luxury demands, whereas on television every second counts (Kapferer and Bastien, 2012: 259). So, it is important to emphasize the explicit focus on printed advertising-fashion magazines, business publications, airline in-flight magazines and other high-end publications. Advertisements are highly important in the luxury goods sector, as they enhance the visibility of luxury brands.

Direct marketing is defined as direct communication between a brand and a consumer designed to generate a purchase behavioural purchase response. Although this is one of the fastest growing media of communication, its application in luxury goods is minimal (Okonkwo, 2007: 153).

Personal selling is the most direct and longest established means of promotion in the promotional mix. It is manifested in several ways in the luxury goods sector. These include private shopping programmes, special customer events, private product previews, online privileged information Access, fashion show sales and so on (Okonkwo, 2007: 154).

Luxury consumers must feel that they are part of a club. Events are here to reinforce this sense of belonging. At an event, you can initiate a new client into the brand universe in a very personalized manner, or treat a very good client in the appropriate manner (Kapferer and Bastien, 2012: 260).

Sponsorship is provided when it is coherent with the brand. An event is sponsored since all its parameters are controlled. An event that is coherent with the universe of the brand's core and its roots must be chosen and concentrate fully on a single universe, in which developing a strong image by devoting all the available means to it (Kapferer and Bastien, 2012: 260-261). The other fast growing function of the PR Office is managing the social relationships with the taste leaders of this world: movie actors, artists, architects, designers, singers, bands, sport celebrities, journalists, politicians, and so on. Much has been written about how to create the buzz, the magical momentum that gets everybody talking about the hottest new product, brand, store, designer and event (Chelavier and Mazzalovo, 2012, 227). Everything the brand does should be made use of in press relations. A brand that the press does not talk about does not exist in this world (Kapferer and Bastien, 2012: 265).

Being on the web is today compulsory for luxury brands. The brand must monitor the internet as closely as possible, checking all the time that nothing wrong is appearing (Kapferer and Bastien, 2012: 266).

Luxury companies, though slow to engage in communication on sustainability, have started to publish their activities such that most luxury brand websites contain special sections dedicated to social and environmental responsibility (Kapferer & Denizeau, 2013: 3).

Packaging is the art, science and technology of protecting or enclosing product for storage, sale and distribution (Romeo, 2013: 19). Sustainability in packaging calls for the integration of sustainable development and social and environmental strategies throughout the entire life cycle as well as the supply chain. Packaging can really make a difference along with its function for product protection, waste prevention and safety (Nordin and Selke, 2010).

Sustainable Packaging Alliance (SPA) (2005) has defined sustainable packaging based on 4 principles: effective, efficient, cyclic and safe. As effective, innovation should focus on optimizing functionality and supporting informed and responsible consumption. As efficient, resources wastes and emission should be minimized. As cyclic, recovery of materials should be

made throughout the all life cycle. Finally, safety and health risks should be minimized (Kooijman, 2000).

On the other hand, Sustainable Packaging Coalition (SPC) (2005) outlined 8 criteria to define a sustainable packaging as:

- Beneficial, safe and healthy for individuals and communities throughout its life cycle
- Meeting market criteria for performance and cost
- Sourced, manufactured, transported and recycled source materials
- Manufactured using clean production technologies and best practices
- Made from healthy materials
- Physically designed to optimize materials and energy
- Recovered and used in biological/industrial cradle to cradle cycles

Although different sets and criteria shape the two definitions, the fundamental concept is the role of packaging to be considered in its entire life cycle to capture social, economic and environmental elements that need to be satisfied to realize a truly sustainable packaging system (Bickerstaffe, 2000).

In general, PR functions to promote and generate awareness in order to establish goodwill and loyalty towards a brand. Okonkwo (2007) argues that the aim of the PR activities is to influence people's knowledge and feelings regarding a company and its offerings, including its identity and image in order to persuade consumers and the public of the authenticity of the brand and build favorable relationships with stakeholders.

## **2. Sustainability and Luxury**

"Sustainability" has many definitions, with the three most common being an activity that can be continued indefinitely without causing harm; doing unto others as you would have them do unto you (Partridge, 2011); and according to the World Commission on Environment and Development (1987), sustainability is defined as development that meets the needs of the present without comprising the ability of future generations to meet their needs (Shen, 2014: 6237).

As per EPA (United States Environmental Protection Agency), sustainability is based on a simple principle: Everything that we need for our survival and well-being depends, either directly or indirectly, on our natural environment. Sustainability creates and maintains the conditions under which humans and nature can exist in productive harmony that permit fulfilling

the social, economic, and other requirements of the present and future generations. Sustainability is important to making sure that we have and will continue to have the water, materials, and resources to protect human health and our environment (Ivan et.al., 2016:20-21).

Following the most widely used definition developed by the World Commission on Environment and Development, we view sustainability as ‘meeting the needs of the present without compromising the ability of future generations to meet their own needs’ (Brundtland Report, 1987, p. 8). This definition emphasizes the importance of the conservation of nature’s assets while consuming (Strong, 1997). Sustainability has three major dimensions: social, ecological and economical (Kapferer and Bastien,2012:360). In this study ecological sustainability will be taken into account because most of the examples are about environmental issues. According to Cervellon and Shammass (2013), luxury brands these days are complimentary with sustainability through ethos (e.g., eco-brands such as Stella McCartney (Kering/PPR) or Edun (LVMH) in luxury fashion or Tesla Roadsters and Venturi luxury cars), commitment all along the supply chain (Gucci group, LVMH, Porsche) and/or introduction of eco-collection and eco-lines (BMW i3 electric cars, Vranken-Pommery Pop Earth Champagne, Issey Miyake 132.5 origami design collection, Gucci sunglasses made out of liquid wood produced from sustainably managed forests) (Ivan et.al., 29).

The concept of sustainability can easily be integrated as part of the DNA of true luxury. It is the responsibility of the luxury industry to redefine itself so that their products embody this DNA of sustainability. The industry is also changing to believe that sustainability does not matter. Since 2011, various luxury companies started waking up to the integration of sustainability in their DNA. This had some obvious advantages (Ivan et.al., 2016: 28-29).

**1.** It is a part of the luxury business ethos—Jean Noel Kapferer observed the relationship as “luxury is at its essence very close to sustainable preoccupations because it is nourished by rarity and beauty and thus has an interest in preserving them. The unique values of the luxury business—Uniqueness, Timelessness and Heritage, all overlap with the ideology of Sustainability.”

**2.** It is seen as an ethical business practice—The convergence of media highlighting various aspects of the luxury business, whether it is outsourcing to developing countries, environmental impact, abusive employment policies, labor working conditions, or the health impact of the toxic residues present in food, textile, and cosmetics brings a high level of awareness among

consumers. A luxury business aligned to the principles of sustainability is seen as a value enabler rather than arrogant. This creates a sense of belonging and awareness that engages the aware and involved luxury consumer. For example, Hermes invested in Shang Xia, a Chinese premium luxury brand of graceful, contemporary handcrafted products. The usage of Cashmere Felt, Zitan Wood, Eggshell Porcelain, and Bamboo Weaving are some of the crafts revived and used as the brand story (Shang Xia—Chinese Fine Living). BMW's Efficient Dynamics technology was created to reduce harmful emissions and fuel consumption without sacrificing the comfort and pleasure of driving.

**3.** It is a clear differentiator—By stressing on the fundamental values of luxury, sustainability demarcates itself from the ever-changing, fast high fashion brands who promote consumption for the sake of owning such high fashion, rather than appreciating the value of rarity, the usage of noble materials, and craftsmanship.

**4.** Sustainability provides for a long-term return on investment—Luxury brands aligned and seen to be following sustainable practices echo their values of timelessness and longevity. These values stand the test of time through generations and position the company being true to their core principles of craftsmanship. This enduring spirit weaves a certain longevity and story creating a long-term ROI.

**5.** Sustainability should be seen as a responsibility of luxury companies, in not so much a manner that it is required, rather than that luxury companies with their deep pockets and profits can contribute far easily to people, planet, and finally profits. While we can argue that the consumer shall eventually start distinguishing between environmentally conscious and sustainable organizations, it is the duty of luxury companies to become sustainable in whatever form and fashion quickly.

**6.** Sustainability is an opportunity for innovation. More and more designers are looking a creative ways in terms of material, design, packaging as well as giving back to society as a long-term value. To do this, they are seeking innovative ways to create what they have been creating for the last century or so. The Diffusion of Innovations Theory centers at creating conditions which increase the likelihood that a new idea, product, or practice will be adopted by members of a given culture. Diffusion of Innovation Theory predicts that media as well as interpersonal contacts provide information and influence opinion and judgment. Studying how innovation occurs, Rogers (1995) argued that it consists of four stages: invention, diffusion (or communication) through the social system, time, and consequences. The information flows

through networks. The nature of networks and the roles opinion leaders play in them determine the likelihood that the innovation will be adopted. Ideas and hence practice of sustainability require early adopters to use the communication channels of the luxury business over time to be able to bring change to the social system.

On the contrary, there are two kinds of discussions. The first one is that luxury is excluding, exclusive and excessive, whereas sustainability is sharing, collective and frugal. The second one indicates that luxury is about one's egoistic pleasure yet sustainability commands rationality and focus on the functional values (Kapferer and Bastien, 2012:363).

In luxury, criticisms tend to refer to hidden parts of the supply chain, such as raw material sourcing (for example, checking the source of all animal skins, gold, gemstones), animal treatments (for example, the anti-foie gras lobby, exploitation of crocodile farms, killing baby seals for fur), human work conditions (for example, gold), manufacturing methods polluting the local environment (for example, mercury for tanning skins), or destruction of the environment (for example, endangered tree species used in the luxury furniture business, exploitation of rare water resources by luxury golf clubs and hotels situated in poor countries). Another major facet of sustainability relates to economic and social equilibrium, or its lack thereof. The luxury sector must realise the reputational risks, especially considering modern communication techniques, which allow activist groups and regular consumers to spread rumours rapidly and widely (Kapferer and Denizeau, 2013:4).

### **3. Case Study of LV**

In this case study LV is selected because it has been crowned as "Most Valuable Global Luxury Brand" by Millward Brown's 2015 BrandZ™ Top 100 Most Valuable Global Brands Ranking, with the brand value of 27,454 \$M (<http://luxurysociety.com>, 2016).

Before the analysis, LV's short story can be explored; It was in 1837 that a 16-year-old Louis Vuitton arrived in Paris by foot and started apprenticing for Monsieur Maréchal. He established the company in the year 1854 which is headquartered at Paris, France. At the time, horse-drawn carriages, boats and trains were the main modes of transportation, and baggage was handled roughly. Travelers called upon craftsmen to pack and protect their individual objects. Louis Vuitton quickly became a valued craftsman at the Parisian atelier of Monsieur Maréchal. These were the roots of his highly specialized trade; the beginnings of his career in an artisanal industry that called upon skills to custom design boxes and, later, trunks according to clients' wishes. In 1987, the company has become part of LVMH (Louis Vuitton-Moët Hennessy).

The case study of Louis Vuitton's brand management from the point of sustainability is analysed by Sustainable Business Practices of Grail Research. Sustainable business practices go well beyond just providing recyclable packaging, firms can consider four primary area of focus (2010:8):

**Packaging:** Various brands are making their packaging greener by optimizing the amount of materials used, reducing the use of plastic and metals, and using green paper. Green packaging practices include – recycling old packaging, using eco-friendly materials, minimizing packaging and partnering only with eco-friendly suppliers. According to this;

- 85% of the corrugated packaging used by LV to transport products was composed of recycled fibers,
- LV implemented a carbon inventory program and began using eco-labeled paper for all packaging,
- LV discontinued the use of intermediate packaging while transporting products from workshops to stores.

**Products:** Several luxury companies, especially those manufacturing apparel and accessories, are beginning to use eco-friendly raw materials, such as organic cotton and natural dyes. Many are also reducing the use of leather, fur and endangered natural resources.,

Products created by the LV's are made from natural and often rare and exceptional raw materials. The design and manufacture of luxury products not only require innovation, creativity and production excellence, but also environmental performance. These values, which originate in the unique heritage of LV, are perpetuated through the expertise and commitment of LV environment teams. The LV Environmental Department has been working closely with LV for over 20 years to achieve exemplary environmental performance.

The Environmental Charter signed by Bernard Arnault (CEO) in 2001 defines the Group's goals and strategy:

- Aim for a high level of environmental performance,
- Foster a collective commitment,
- Control environmental risks,
- Design high-quality products by integrating environmental innovation and creativity,
- Pursue commitments beyond the company.

**Business operations:** Some luxury brands are pursuing sustainable operational practices including optimized water and energy consumption, using only renewable energy and partnering with ethical companies. Correspondingly LV;

- Began transporting 60% of its leather goods from France to Japan via ship, to avoid pollution caused by jet fuel,
- Reduced energy use by 30% at all new stores by implementing a new lighting concept,
- Opened a green warehouse built primarily from eco-friendly materials.
- Decreasing energy consumption and greenhouse gas emission in production cycle
- Protecting biodiversity and natural resources (Fionda and Moore, 2009).

In addition to the above operations, Louis Vuitton has for many years pursued responsible logistics. The LV's policy was formally recognized in 2013 when it earned ISO 14001 environmental certification for its Leather Goods and Accessories supply chain, becoming the first company in the world to deploy a "green supply chain". On the other hand, whether solar, wind, geothermal, tides or vegetation, renewable energy sources all share very limited (or even zero) carbon footprints, giving them pride of place in the global transition to clean energies. Renewal energies are also a priority in LV's environmental policy.

Louis Vuitton has selected six LIFE<sup>†</sup> performance indicators linked to its main environmental challenges (eco-design, control of the supply chain, the energy efficiency of facilities and stores, compliance of the materials, management of the logistics carbon footprint and the environmental performance of the activities):

- the energy efficiency of the stores;
- the breakdown of transport flows by mode;
- the rate of wastage during the production process;
- the ratio of materials where the primary origin is known;
- the ratio of audited suppliers;
- the measurement ratio for the products' regulatory environmental compliance.

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<sup>†</sup> LVMH decided to reinforce its approach to supporting the environment by launching a global program known as LIFE (which stands for LVMH Initiatives For the Environment). The Group sought to structure the initiatives implemented by its Maisons around a united approach and a collective commitment, as part of a long-term view. The LIFE program has been designed to include the environment in managerial processes to a greater extent, facilitate the development of new management tools, and capitalize on the developments and enhancements arising from the Maisons' innovative practices.

In summary environmental performance, embedded at the core, is based on the 3 main principles of the Louis Vuitton Environmental Chart (<http://uk.louisvuitton.com>, 2016):

1. Minimize the impact of our activities on the environment: Limit our carbon footprint, preserve natural resources, reduce our waste,
2. Create a collective willingness in and beyond the company,
3. Get organized to guarantee our environment performance

Some examples of “Green Supply Chain Initiatives by LV” are electric and photovoltaic supply chain vehicle in USA and electric vehicle to deliver products to retail stores in France. Also, Louis Vuitton is working on development of a device which can calculate CO2 emissions throughout the logistics network (<https://managementpaper.com>, 2013).

***Socially responsible activities:*** In addition to changing their business practices, luxury brands have been organizing, funding, supporting and participating in various social and environmental initiatives like auctions or donations.

LV’s social responsibility is based on four pillars: workplace well-being and quality working conditions, developing talent and savoir-faire, preventing discrimination and supporting local communities. In addition to these, LV has the Fondation Louis Vuitton, located in Paris, supporting French and international contemporary artistic creation and makes it accessible to as many people as possible. Hence, LV’s environmental policies are discussed under the title of sustainability. The economic and social types of sustainability belong to the social responsible activities.

## **Conclusion**

The world is faced with various problems like overpopulation, pollution, high consumption, abuse of labour, and poverty etc. Luxury is also included in these problems. Luxury encourages people to make extreme purchases, despite a more affordable and rational substitute. According to some people, luxury consumption are seen as a major problem because it causes overconsumptions. John Crowne has been said “War destroys man, but luxury destroys mankind; at once corrupts the body and the mind” in 17th century (Mauer, 2014:35). This speech is important that showing to harmful effects of luxury on the people.

What will or could our environment look like in 2050? It is projected that by 2050 the population will increase by another two billion people, adding up to nine billion people overall.

This mass of population will increase its impact on resources, pollution, climate and the environment in general with the following projections (Mauer,2014:45).

- It is predicted that the world economy will quadruple which brings an increase of 80% of energy with it, whereas the global greenhouse gas emissions are projected to increase by 50%.
- Biodiversity will be decreasing by 10% with climate change as its main driver.
- Global water demand will increase by 55% due to growing demand from manufacturing (+400%), thermal electricity generation (+140%) and domestic use (+130%).
- More than 240 million people are expected to be without access to safe water.
- 1.4 billion people will be without access to basic sanitation.
- Air pollution will become the top environmental cause of premature mortality.

These alarming predictions apply to all industries, to all sectors and to the entire population. Smart actions will need to be taken immediately in order to positively influence the 2050 forecast. Companies will have to change their usual way of doing business and integrate ecological objectives in their management and communications practices (Mauer, 2014:45). Accordingly, luxury industry is impressed by environmental changes and sustainability has been influenced in luxury brand management.

Luxury brands, unlike premium or mass brands, sell products that are rare, and are thus resource-dependent, which increases their need for sustainability. Luxury brands can reasonably position themselves as green brands, with sustainability as a point of differentiation from their competition. Luxury can lead the way by redefining the notion of quality and the luxury dream that takes into account environmental concerns (Joy, 2015). A good example is the company LV. Especially LV differ by other luxury brands with its sustainability practices.

Many luxury brands are redesigning their packaging, using eco-friendly raw materials, pursuing sustainable practices such as lower water and energy consumption, and organising and supporting various social and environmental initiatives.

Papadopoulos et al (2010) have pointed out that, concerns over global warming and rise in green house gas emission has increased among customers in recent years and customers are showing penchant for purchasing environmentally sustainable products in order to reflect their growing concern. Niinimaki (2010) has pointed out that, although customers show supportive attitude towards environment protection but very few of these customers show penchant for

purchasing green products. Many consumers believe that luxury brands adopting sustainable practices are purely commercial in nature (Achabou and Dekhili 2013). For consumers, ethical concerns can help to improve opinion and self-perception; they constitute an increasingly decisive factor in the psychological satisfaction afforded by luxury goods (Olorenshaw, 2011).

If luxury does not want to miss the opportunity to lead in sustainable excellence it has to act now. An integrated sustainable management is the future of any business because it makes economic sense, it is demanded by people and the planet and it protects reputation (Mauer, 2014:3). Therefore, marketers should create integrated marketing communication strategies for promoting sustainability such as, 1- passing the cost benefit of green supply chain to customers by providing those discounts on purchase of green products, 2-communicating the benefits of sustainable consumption through societal marketing, 3- creating awareness for reducing the usage of plastics among customers, 4- connecting with customers through social media platforms such as Facebook, Twitter, blogs, LinkedIn etc in order to engage them with the agenda of promoting sustainable consumptions and many others (<https://managementpaper.com>, 2016).

As a result, to bring luxury brands in line with the concept of sustainability is an absolute necessity. It is the unavoidable response to widespread customer awareness that resources are limited. Luxury brands cannot afford to be stigmatized with the label of being harmful to nature on the environment for fear of severely damaging the all important brand image. On the contrary, forward looking brand management must use sustainability as a valuable sales argument and a strategic communications proposition.

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