



*A resource-based perspective on corporate
environmental performance and profitability in the
luxury fashion industry*

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Abstract

The purpose of this study is to analyse if there is a positive relationship between corporate environmental performance and profitability in the luxury fashion industry. Using a multiple regression analysis on data from financial statements in the period 2010-2015 we were able to explore this on a sample of luxury fashion groups. Using both environmental performance and corporate social performance as dependent variables in the analysis, our findings show that i) there is a positive correlation between environmental performance and profitability within the firms of the study; ii) including more factors into the definition of corporate environmental performance by also focusing on community, employees and government gives a higher tendency of positive correlation on performance.

This indicates that both environmental and corporate social responsibility engagement can enhance the profitability performance in the luxury fashion industry. This supports theory stating that luxury and sustainability can be harmonised. It also shows that focusing on sustainability can increase the competitive advantage even in the luxury sector. Lastly we found that focusing on all aspects of corporate social responsibility, and not only environment, generates a higher correlation.

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The work on this thesis has been an inspiring journey into the narrowly studied effect sustainability has on luxury fashion companies performance. This have given us a broader knowledge on the topic and relevant experience on doing research. We hope that this study can contribute to the existing research in the field, and can be of value to further researchers.

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1 Introduction

Now more than ever before, we are experiencing a higher level of consumption a rising population. This means that our way of living is affecting the resources of our planet. The high population and consumption means; higher water and energy usage, more production, building on more land, leading to lower possibilities of food production and higher levels of pollution (Dubois, 2011) Giving the concept of sustainable development an increasing relevance the last decades. From the 1987 report *Our common future* by the World Commission on Environmental Development (Butlin, 1987), also called the Brundtland report, sustainable development is defined as '*development that meets the need of the present without compromising the ability of future generations to meet their own needs*' (Butlin, 1987, p. 43). This report can be seen as the start of corporate sustainability. From the definition sustainable development is a social concept grounded in three principles - the three pillars of sustainability. Environmental integrity, economic prosperity and social equity (Barbier, 1987; Elliott, 2005). For companies this means that it is not only the owners and the directly affected stakeholders that should be considered, but the community around the organisation, both neighbours and others compromised, and the environmental impact they have from their entire value chain.

As firms represent the productive resources of the economy, society cannot achieve sustainable development without the support of corporations (Bansal, 2002). The biggest impact on our planet comes from the business world. Companies are depending on natural resources to build the economy and society we have today. Everything that we know is mined or grown (Esty & Winston, 2009). For this reason, firms are being more confronted with sustainable development than ever before.

This has also lead to opportunities to drive innovation, increase competitiveness and generate better bottom line results through lowering costs and increasing revenues.

This gives the focus on environmental issues a larger impact than just an ethically nice a nice strategy, but an essential part of a modern world's business strategy. The importance of playing, with and not against the nature is a vital part of future businesses. Companies need to tackle the real problems of concerning natural resources and pollution management. Not

handling these problems can damage a brand's reputation, draining it quickly from the value that has been carefully built over decades. This makes handling environmental costs and risks as important as handling other established costs and risks in the company, reducing the overall risk of the enterprise.

It is important to understand and handle sustainability as an opportunity instead of a barrier. An example of positive value creation through a sustainability strategy can be illustrated from BP:

'BP's chief executive, Lord John Browne, committed the company to reducing its emissions of the greenhouse gases that contribute to global warming, especially carbon dioxide. Browne told all of BP's business units to find ways to produce less of these gases. And they did. After three years of what insiders call "looking for carbon," BP discovered numerous ways to cut emissions, improve efficiency, and save money. A lot of money. The initial process changes cost BP about \$20 million but saved the company an impressive \$650 million over those first few years. As of 2006, the savings topped \$1.5 billion. In a low-key British way, BP executives told us that they were floored by the outcome. Nobody had dared imagine such an absurdly high return on investment. As Browne has said, "We set out to do good . . . and we ended up doing well." Was BP radically inefficient before this program? Far from it. The company had just never looked at its operations with an eye toward reducing greenhouse gas emissions. Once it did, innovation flourished, all to the benefit of the bottom line.'

- (Esty & Winston, 2009, pp. 2-3)

This example from BP shows that taking on environmental problems does not only reduce company risk, but may also lead to cost reduction, high return on investments and flourished innovation inside the firm, all to the benefit of tackling environmental issues. It also shows that the natural world and the business world are closely connected.

There are also two interlocking sources of pressure behind being *green*. First, the limitation to the natural world can constrain business operations, realign markets, and may also be a threat to the well-being of the planet. Secondly, there is a growing concern of environmental issues from investors. Water shortage, extinction of species and growing signs of toxic chemicals in humans and animals are all issues affecting the function of society and companies (Bellard, Bertelsmeier, Leadley, Thuiller, & Courchamp, 2012).

The fact that even the financial service industry, who normally only focus on ROI, starts worrying about environment makes it something that can be ignored (Esty D. C., 2011). With this said, there is of course differences within companies and industries. Every firm faces different risks and advantages, and have to handle them differently. So, who has the highest risks? According to the book *Green to gold* (Esty D. C., 2011), there is a growing risk and reward for companies who have a:

- *High brand exposure.* These are companies with large amounts of goodwill and intangible resources.
- *Big environmental impact.* Firms operating in heavily manufacturing industries should expect closer examination.
- *Natural resource dependence.* Companies operate by selling resources of natural limit, such as fish, food and forest.
- *Current exposure to regulations.* Firms operating in highly regulated areas or manage hazardous materials.
- *Increasing potential for regulation.*
- *Competitive markets for talent.* Industries depending on human resources can risk that their main asset walk out the door.
- *Low market power.* Small companies that rely on big customers.
- *Established environmental reputation.* Hard to regain value after bad conditions have been reviled.

In the start there was a high focus on companies with big environmental impact who also had a high exposure for regulations. BP, Shell and other well known oil and gas companies therefore got high attention (Taylor, 2014). Now it is not only those who are being watched, but the whole business world. First of all people have gotten more aware of what is happening around them. Media is a central part of this. Helping people understand how things are made, and the impact it makes. Social media have made it easier to reach out to the mass on a whole new level than ever before, increasing the flow of information available, (source). As a result to this, more companies are now being watched. Not only the big bad wolves.

One of these sectors generating more attention is luxury. In 2012 Kapferer did a survey where customers were asked which sector they associated least with sustainable development and engagement in it. The results showed that luxury was perceived as quite remote from

sustainable development (Kapferer & Bastien, 2012). This was taken as proof that the luxury sector was lagging behind, at least from a consumer perspective.

Luxury brands attracts a lot of attention as they are the highest symbol of the consumption society which is domination the world (Kapferer, Kapferer on luxury: How luxury brands can grow yet remain rare, 2015). With this attention there comes a downside of high exposure to criticism. Sustainable development is a key issue for all businesses, including luxury, not for its size but for its visibility and its symbol for growth of a consumption based on other motives than functionality. This has been called the positional economy (Mason, 2000) or the appearance business. This makes companies that have iconic status, are more in the viewfinder of activist such as Greenpeace and other non-governmental organisations, then other less known companies.

Luxury brands are as mentioned not big by size, but by reputation. Their economy is build up largely by intangible value (Kapferer & Bastien, 2012). They are therefore extremely sensible to bad information, and reputational risk has become extremely high for luxury brands. Showing a good example of sustainable development is therefore crucial to the brands, as bad PR has such a good grip on their future existence. Today criticism from one single customer has more power than before as they quickly can take on gigantic propositions because of social networks (Leonard, 2013)

“Environmental missteps can create public relations nightmares, destroy markets and careers, and knock billions off the value of a company. Companies that do not add environmental thinking to their strategy arsenal risk missing upside opportunities in markets that are increasingly shaped by environmental factors. “This is very relevant for the luxury industry. (Esty & Winston, 2009)

The general customer also has a higher need for transparency. From the *Rapport Annuel Ethnicity* from 2013 (Rapport Annuel Ethnicity, 2013), eighty percent believed that companies did not provide enough information about the conditions of production of their products. The deeper luxury report showed that luxury brands were already being criticised for their lack of transparency in 2007 (Bendell & Kleanthous, Deeper Luxury, 2007) Greenpeace still reports a lack of transparency in brands such as Hermès, Chanel, Dior, and Louis Vuitton (Greenpeace, 2014). As a result of this, many luxury groups today present an environmental or corporate

social responsibility report. With this said, it should be pointed that it is the groups that are presenting these reports and not the brands. Varying from report to report not all represent brand specific information, arguing against more transparency.

But what is actually so bad about luxury? People have a tendency to compare luxury fashion with fashion. The fashion industry is a fast-moving industry with high production for low prices. This have resulted in critics of unsustainable conduct, by producing high levels of carbon emissions, poor labour conditions, excessive waste, and chemical usage (Claudio, 2007), impacting negatively on the environmental quality. Luxury is on the other hand identified with exceptional quality, hedonism (beauty and pleasure), price (expensive), rarity, selective distribution and personalized service, exclusive character (prestige, privilege) and creativity (art and avant-garde) (Barnier, Falcy, & Valette-Florence, 2012) This does not mean that they the luxury fashion industry do not use chemicals and produce waste, but it is in a whole different scale. To comparison the luxury fashion industry is in total the same size as WalMart. (Kapferer, 2015) Unlike fast fashion (waste couture) (Claudio, 2007) - or fast moving consumer goods, luxury is associated with high quality, know-how, slow time, the preservation of handmade traditions, transmission from generation to generation of timeless product. All these associations are in agreement with sustainability. Paradoxically, sustainable development would do better at developing sustainable development behavior in public if it followed the luxury strategy:

Kapferer: 'there is luxury when the inside is as nice as the outside'.

When this is said, luxury does not always show the way. Bad examples of this is having golf courses where there is little water, or having private islands, forcing fishermen to fish elsewhere (Kapferer & Michaut-Denizeau, 2014). A different perspective is the usage of rare materials, such as rare wood in furniture's, or shark fin for magical powers.

Even if there are some similarities between the luxury strategy and sustainability, the luxury fashion industry still has some hard challenges to tackle becoming more sustainable. Studies have showed that even if the consumer have sustainability concerns, their consumption behaviours reflect poorly on responsibility (McNeill & Moore, 2015).

The consumer recognises the importance of sustainable considerations, but are being reserved about purchasing sustainable fashion products. Results describes why the customers are unwilling to purchase sustainable fashion products with 1) negatively quality perceptions; 2)

the lack of paying a price premium; 3) the lack of social awareness about the value of eco-fashion products. This kind of empirical study have also been done with French luxury clothing:

'Findings from an empirical study regarding the case of French luxury clothing indicate that incorporating recycled materials in such goods affects consumer preferences negatively and reveals a certain incompatibility between recycling and the category of luxury products.'

- (Achabou & Dekhili, 2013).

These finding show that the customers are reluctant to purchase clothing that does not match the intrinsic attributes of quality and style of non-recycled luxury products (Domina & Koch, 1998). The customers understand the benefits of recycled materials, from an environmental perspective. However, they are still reluctant to its usage in luxury. They only considered recycled paper for packaging as accepted. A reason for this could be the customers view, that recycling is not prestige, and it therefore opposes their luxury dream.

With this approach from the customers it might not look like being sustainable is a good approach for the luxury fashion industry. Other studies still show that the customers are expecting the products to be sustainable, as they pay such a high price premium. (Kapferer & Michaut-Denizeau, 2014). They are also positive towards sustainable packing. At the same time they do not like to think about these issues when they purchase luxury products. They wish to by dream of luxury, and do not want to think about the bad impacts it might give to the environment. With this in mind, it might seem irrelevant and expensive for luxury brands to become more sustainable.

But luxury firms do act on sustainable development, even if they do not talk much about it. Most of the firms are producing environmental and/ or corporate social responsibility reports annually. The reports are showing actions that are taken both internally and external. An example of this is LVMH's initiative to support *Caring for Climate*, voluntary program who are complementing the United nations Global Compact (LVMH, 2016). They are also showing annual changes in their effect on the environment, as well as what they are doing to improve it. Examples of this is their water and energy consumption in different productions, production of waste, greenhouse gas emission and water pollution, as well as their upstream

and downstream transportation and packaging. Most of these actions are based on the international ISO 14000 and the ISO 26000 standards. (ISO) (Richemont, 2017)

So even if the customers do not view recycled materials as luxury, and do not want to pay price premiums for them, the luxury brands can be sustainable in other parts of their value chain. Some players who have managed to create luxury placing sustainability at the heart of their brands. Tesla is electric luxury vehicles designed to create a better future, showing that sustainability in itself can be an element of desirability and prestige (Musk, 2013). The Stella McCartney fashion brand is refusing to use real leather on their production as their designer is a vegetarian and an animal rights activist (Kering, 2017). These companies are successfully combining sustainability with luxury, making it their most competitive advantage through its innovative thinking.

Industries that are highly visible, as well as depending on natural resources, need to consider how sustainability is influencing their future prospects. Luxury brands need to take supporting actions to protect their pool of resources. They also have to manage how their environmental actions reflect on their reputation, endangering their vulnerable value. We therefore want to look further into how luxury and sustainability can be united, despite the inconsistent theories on the topic. As research has proven there to be competitive advantages from being sustainable in other industries. We wish to study if this would be applicable in the luxury fashion industry.

2 Theory and hypothesis

In this section of the paper the theory will be introduced. The chapter will start by defining sustainability and its relevance. Next we will discuss the concept of luxury and its strategy. The two concepts will then be compared for compatibility. Lastly, the resource-based view is introduced, which our hypotheses are based on.

2.1 Sustainable development

2.1.1 Definition of sustainable development

There are many different views and definitions of sustainability. The concept of sustainability has grown rapidly since 1950, in discussions of the connections between population growth, resource use and the perceived pressure on the environment. Sustainability covers fundamentally different concepts, all of which are in some ways valid, this makes a single definition of the concept difficult (Kidd, 1992).

The earliest found use of the word sustainability, in connection to today's current connotations, was in a study of the earth's capacity to sustain its rapidly expanding population in 1972. At that time the global population was only half of what it is today (Meadows, Meadows, Randers, & Behrens, 1972).

Fifteen years later, the UN had a study of the world's future sustainability conducted. 'The Brundtland Report' (Butlin, 1987) provided us with the most frequently used definition of sustainability: *'Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs'*. At this time the trend of sustainability reached its 'tipping point', as a consequence of the report (Kidd, 1992). Its popularity continued to increase, because of the sustainability conscious organizations that formed, and the increased media attention and consumer awareness.

The previous vice-president of The United States of America, Al Gore's documentary *An Inconvenient Truth* (Guggenheim, 2006) further spurred the topic on. It theorised that global warming was a reality caused by humankind and with potential for catastrophe. It soon became a worldwide trend; gracing magazine covers and with numerous articles a day published about the subject. Laws and regulations have been made, to stagnate and decrease mankind's impact on the earth.

Despite, or perhaps due to its popular usage, the concept of sustainability has had negative connotations for many. In 2006, Alan Atkisson declared that *'sustainability is dead'* (Atkisson, 2006), and in 2010 Advertising Age included 'sustainable' in its 'jargoniest jargon' list, (Advertising Age, 2010), as a word they were sick of hearing. It had been overused and

oversaturation had set in. Additionally, due to the recession many businesses stopped embracing sustainability. In 2013 UN Global Impact and Accenture did a survey of how chief executives viewed sustainability (Hayward et. al, 2013). It showed that a majority felt the largest barrier was a lack of financial resources and that the primary focus on strategies were for the present and not for the future. But sustainability is not a trend, it is an ethical choice. As such it can never become unfashionable (Hosey, 2016).

Today, sustainability is a priority for many organizations. According to McKinsey's Global survey from 2014, *Sustainability's Strategic Worth*, chief executives were twice as likely to list sustainability as their top priority than in 2012 (McKinsey & Company, 2014). Many companies have in addition moved past the point of just using sustainability as reputation management. They are now pursuing more substantial sustainability goals, such as developing greener products, saving energy and retaining and motivating employees. This in turn helps the company gain value through growth and return on capital.

However, any value gained from sustainability is hard to quantify. Almost one-third of the executive leaders whom participated in McKinsey's global survey: '*The Business of Sustainability*' from 2011, stated that they were unsure of the amount of added value that was due to sustainability initiatives (McKinsey & Company, 2011). Nonetheless, the respondents did rank corporate reputation-management, following trends within sustainability and investing in research and development to create sustainable products, as helpful tools for value creation. However, the executives believed these levers to have more potential for business to business companies, whilst consumer companies perceived the most potential in managing sustainability throughout the value chain, reducing water usage and waste.

The need to develop sustainable models is a necessity for the future survival of the earth and its species. This is the reason why, in 2015 the United Nations developed a set of sustainable development goals for the next fifteen years, aimed to '*end poverty, protect the planet and ensure prosperity for all*' (UN, 2015). All industries, including the luxury industry, need to preserve rare materials, guarantee safe manufacturing, avoid pollution and exhibit respect for their workers (Long, 2015).

2.1.2 CSR

Corporate social responsibility is a term coined in the 1960's, which is used to address the legal and ethical responsibility corporations face. Corporate social responsibility is commonly defined as the corporation's integration of social and environmental considerations in their day-to-day operations, on a voluntary basis, as well as following all existing laws and regulations in the country which it operates (Midttun, 2007).

But there are many different definitions regarding the concept of the corporate world's responsibility and obligations toward society. The World bank has a high focus on workers, the local community and other arenas where their business can contribute to improved quality of life, defining corporate social responsibility as:

'the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development' - (World Bank)

Other businesses may have a more general focus on ethics, development and employment, such as the World Business Council for Sustainable Development:

'CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large' - (wbcsd, 1999)

Corporate social responsibility is in itself very complex, composed of several ideas and concepts, but all with a shared theme. The triple bottom line, corporate sustainability, corporate governance, socially responsible investments and business sustainability are some of these concepts. And while they differ from corporate social responsibility, they are all part of its theme, and are often used as synonyms for each other (Midttun, 2007).

In any case, the basic theme seems to be to make the corporate world adhere to more substantial and clear cut obligations towards society. Though, in addition to the traditional financial responsibilities corporations face, there are also requirements of transparency and ethics chained to the corporation's governance.

The online rating site CSRHub divides corporate social responsibility into four main categories, community, employees, environment and governance (CSRHub, 2017). All the categories are then divided into three subcategories.

Community

This category consists of the company's commitment and effectiveness in the local, national and global community in which it does its business. It covers the company's treatment of its supply chain and the company's human rights records. This category also reflects the companies voluntary work and charitability, as well as the company's social and environmental impact on products and services, and the sustainable development of them. Within this category we find a subcategory of community, development and philanthropy. This category covers the relationship between the company and the communities it is embedded, through charitability, public health, and protecting and developing the local economy and ecosystem. The second subcategory is the human rights and supply chain, which reflects the company's whole value chain and transparency. The last subcategory is product. It covers the firm's responsibility of the development, design and management of its products and services, and their impact on the customers and society.

Employees

This category measures policies, programs, performance in labour relations and rights, employee training, and health and safety. The evaluation of this category focuses on the quality of the programs, and the company's compliance with national regulations and laws. Within the category we find compensation and benefits, which regards how a business can improve its employees' loyalty and productivity, with incentives for good performance, fair compensations and monetary benefits. The subcategory also includes a focus on long-term employment growth and stability. The next subcategory is diversity and labour rights. This include the workplaces policies and their practise of fair and non-discriminating treatment of employees, as well as their diversity. It concerns the right to organize, minimum age of employment, equal opportunities regardless of gender, age, religion, ethnicity and sexuality. The third category is the training, safety and health subcategory. It measures the company's ability to provide a safe and healthy workplace for its employees. The category analyses accidents, job training, safety -standards, -training and -performance.

Environment

The third main category which is considered the most important one, is environment. This category covers the company's use of natural resources and their overall impact on the earth's ecosystems. It evaluates the company's corporate environmental performance, compliance with environmental regulations, environmental footprint, addressing of climate changes and development of renewable energy, risk and liability on the future and in general their policies and strategies for sustainable development.

The first subcategory is the energy and climate change. The category measures the company's effectiveness in addressing climate change through the right policies and strategies, development on renewable energy and new technology, energy usage, and emission of carbon dioxide and other greenhouse gas emissions. The environmental policy and reporting subcategory includes the company's policies to reduce the environmental impact of the company, now and in the future, their reporting performance and their transparency. The last subcategory in environment is the resource management subcategory. This category measures how efficient the resources are used in the manufacturing and delivering service, including their suppliers. This measures their capacity to reduce water, energy and materials, and can make the supply chain more efficient.

Governance

The last category is governance, covering the disclosure of policies, board independence, executive compensation, the evaluation of the company's culture of ethical leadership and compliance, and their corporate governance.

In the first subcategory we find board, which covers the company's effectiveness in following the best practice in corporate governance principles, in relation to board members, diverse and independent board members, the structure, and the composition. The second subcategory covers leadership ethics, and measures how the companies manages its relations with various stakeholders such as investors, customers, communities and regulations. It also includes the company's culture of ethical decision making, and their effectiveness towards integration of top-to-bottom and sustainable principles. The third and last category is of leadership and reporting. It measures if the reports complies with global standards, and if they are publicly available (CSRHub, 2014).

The concept of corporations showing responsibility toward the community has grown to be a major trend in the business world, spreading explosively in the last ten years, from the United States, Australia and New Zealand, to Europe and lately also to Africa and Asia.

The trend has also asserted itself by being the catalyst for many initiatives for social, environmental and governance improvements. These initiatives often come from the corporate sector themselves, for example Japan's 'Global environmental charter' or the 'Global Code of Ethics for Tourism' to name a few (UNWTO, u.d.).

The increasing interest in corporate social responsibility has also led to a host of initiatives from interest groups, who establish guidelines for socially responsible operations and trade. These groups and our society, with the help of the media and internet, are driving forces behind influencing many corporations to take more responsibility for their operations (Midttun, 2007).

The growing awareness of corporate malpractice has made CSR a clever strategy, to win over critics and establish a good relationship with the local populace of where one's factories or business offices are situated. As many corporations often have their production facilities in developing countries, where poverty is a large issue, providing jobs with good working conditions can give positive repercussions for the corporation in the media, and amongst the consumers (Midttun, 2007). In addition, securing sustainable development in the local community can be an important factor in creating a sustainable developing growth for the corporation.

2.1.3 Laws and regulations

There are numerous laws and regulations for business operations, both nationally and internationally, to reduce environmental impacts and ensure ethical practices. *The International Union for Conservation of Nature*, has more than 1300 governmental and non-governmental members, and has since its establishment in 1948 worked for the conservation of nature and sustainable use of natural resources (IUCN). *The Washington Convention of International Trade in Endangered Species of Wild Fauna and Flora*, entered into force in 1975, with goals to protect endangered plants and animals. Though participation is voluntary, 182 states and the European Union have found it an important treaty to uphold (Convention on International Trade in Endangered Species of Wild Fauna and Flora, 1973). Most of

today's Environmental agreements exist because of the work of the United Nations. At their conference on environment and development in 1992, over 170 countries signed the *Rio Declaration on Environment and Development*, agreeing to uphold its 27 principles. The declaration has since been followed up twice by the United Nations, in 1997 and 2002, to assess the progress of its implementation (UN, 1992).

The Kyoto Protocol is another international treaty from the United Nations, continuing from their *Framework Convention on Climate Change* from 1992. When the protocol was agreed to, in 2005, the 192 parties involved committed to reduce greenhouse emissions. 37 of the countries involved had binding targets to adhere to (UN, 1997). The *Paris Climate Conference* in 2015, was the United Nations twenty-first conference on sustainable issues. The 195 countries attending agreed to a revolutionary universal, legally binding global climate plan. The global action plan is designed to repair damages done to the environment, and avoid hazardous changes in climate. This is to be achieved by limiting the global warming to below two degrees Celsius. Every five years, the governments are to come together to set more ambitious goals (European Commission, 2015). Sustainable development has long been a key priority for the United Nations, resulting in many conferences, declarations, acts, treaties and agreements. As mentioned earlier, in 2015 they released 17 sustainable goals for the world to strive for (UN, 2015).

The European Union has its own legislations for its members, to uphold concerning water and waste management, air pollution, climate change, soil protection, civil protection, protection of nature, species and biodiversity, and cooperation for the environment with third countries. Though not all environmental laws and regulations may be obligatory or enforced, they should still be followed by all businesses who care about the world, and protecting their reputations.

2.1.3.1 ISO 14001

Environmental Management is practiced to regulate businesses impacts on their outside environment. This involves the corporations formulating individual environmental policies and goals to regulate their activities, products and services. The demands of environmental management and the tools to achieve this are given in the ISO 14000 standards (ISO, 2015). The most prominent of these standards is the ISO 14001, which is the standard of systems for environmental management. Some companies may not require ISO 14000, if they already

have good systems and practices in place. However, many now seek to be ISO 14001 certified at the bequest of big clients, who have environmental concerns.

Benefits of Environmental Management include:

- Competitive advantage through documented, systematic production
- Cost reduction through improved exploitation of resources and natural commodities
- Improved creditworthiness
- A documented basis for investments and technological developments, where cleaner technology is introduced
- Improved work environment, due to the removal of hazardous materials
- Reduced risk of environmental accidents
- Good relations with government, neighbours, partners and society
- Increased motivation among employees

Having an Environmental Management System in place helps the business optimize their performance.

2.1.4 The Eco-Advantage

There are numerous advantages for being environmentally conscious for businesses. Esty and Winston have written about some of these advantages in their book *Green to gold: How smart companies use environmental strategy to innovate, create value, and build competitive advantage* (Esty & Winston, 2009).

The increased awareness of sustainable issues and the potential risks associated are a catalyst for changing the traditional business methods. Some larger issues like water and climate concerns, will affect all of society, forcing all businesses to address them. Other issues affect some industries more than others, such as a lack of natural resources or toxic exposure.

Corporations need to consider these issues, understand the science behind them and be aware of how they impact their value chain.

The unpredictable effects the environmental issues can have on companies, industries and markets, create both opportunities and risks. Companies who wish to be durable must develop tools to face the fast-changing market conditions.

Companies will also have stakeholders with concerns of their sustainability. Customers who wish to know the content of their products, and its safety for themselves and the environment.

Human resources who wish to work where their personal values are compatible. Business-to-business consumers who require transparency from their suppliers, regarding the production and materials in their products. Banks that include environmental variables in their decisions of loans. Stock market experts who put value and significance in environmental performances. And Insurance companies who regard sustainable threats as business risks. Pressure from these stakeholders can have an adverse effect on a company's profitability, by influencing project financing, employee loyalty and products accessibility to the market.

Eco-design

Eco-designed items are defined as products manufactured or developed in a fashion that it reduces the environmental impact for a sector, in its journey from materials and resources to discarded product. Sustainable products which lowers the client's environmental footprint and costs related to this, can give benefits that strengthens customer loyalty, increase the market share and justify price premiums. These benefits usually incur from efforts to reduce waste, lower energy usage and remove toxins from products.

But there are criteria for eco-designed products. The customer has other needs than the environmental ones. It is therefore imperative, not to ignore these. Though it is easy to be distracted by innovative technology, the focus must remain on the customer's needs. And if the cost of producing sustainable products is too high, it might not be beneficial to produce. A product cannot only rely on its sustainable qualities to be attractive. Though greener and cleaner products might be marketable, it is the quality, price and service which will remain the consumers core incentive for purchasing. The sustainable quality of a product should be mentioned as an added benefit to the other incentives.

Brand management

In a society which is dominated by celebrity endorsements, opinions and advertisement, brands have a high importance. As social mediums overwhelm the consumers with constant information, there has been created an opportunity for brands to communicate with clients. With reputation management and a trustworthy brand and image, firms today can gain and maintain competitive advantages. However, many companies choose to not advertise their green initiatives, as there is a risk of receiving criticism for not doing enough.

Eco-strategy.

Sustainable development can be applied in two financially strategic procedures. As a tool for cost cutting, it evolves the business becoming more efficient, but has mainly a tactical focus. If sustainable development is to be used to increase revenue, it will centre around growth. The revenues will be increased by adding value of environmental concern to the products, creating a new market space and reaching new consumers who value environmental products.

Companies who prioritize environmental issues think differently in some aspects. They base their decisions on more than the monetary payoff, and when computing returns on investments, they include possible benefits such as; raised employee morale, competitive advantages, and enhanced brand reputation and image. Intangible variables such as these are difficult to quantify, but should be included in companies yearning for a thorough strategic plan.

2.1.4.1 Reputation, investors

According to a survey published by Ernst & Young, where they questioned over 320 high ranking investors, nonfinancial performance affects investor behaviour (EY, 2017). Their research, gathered in the *Climate Change and Sustainability Services* survey, shows the value of companies proper management of environmental, social and governance issues, as it is often seen as a sign of an excellent operation. Ninety-two percent of the participants thought issues varying from climate change to board effectiveness, to have a genuine and measurable impact. Eighty-nine percent stated that implementing environmental, social and governance issues into a company's agenda could produce tenable returns over time.

Due to these beliefs, a majority of these senior decision-making investors reply that they today put more weight on nonfinancial disclosures than before. This is largely due to society's demands in regards to ethical and environmental performance.

2.2 Luxury

2.2.1 Definition

The word luxury stems from the Latin *luxus*, and was later adopted by the French as *luxe*. It has a universal definition of excess, wealth and indulgence (MerriamWebster).

But luxury is primarily a personal concept; what is considered to be a luxury for one person might not be a luxury for another. For example, a thick winter jacket may be seen as a luxury item by a poor inhabitant of a developing country, whilst for a middle-class Norwegian it would be an everyday product, maybe even thought of as a necessity. The common definition of how something is considered luxury is when one consumes above one's need for survival and comfort (Kapferer & Bastien, 2012).

The luxury industry has undergone profound changes, particularly over the past twenty-five years. Socioeconomic and technological factors such as; globalization, the rise of the affluent middle class, more affordable luxury and the introduction of the Internet and mass media, have transformed the segment from niche into a consolidated economic sector, whose worth has increased ten times in this short time frame (Hoffmann & Coste-Maniere, 2012).

Though personal luxury has a different definition for different people, everyone implicitly understands the concept of luxury itself. There has been identified seven core fundamentals of luxury; quality over quantity, hedonism over functionality, expensive prices, rare products, selective distribution and personalised services, exclusive character and prestige, and creativity (Kapferer & Bastien, 2009). It is not the number of diamonds a ring has or the size of a handbag that matters, it is the quality of the raw materials, and the quality of the production process that is of importance. As well as the story of the product and its creator. The elegance and beauty of a luxury product often takes precedence over its functionality and comfort. The price should also be reflective of the level of the product, as luxury items are expensive and price premiums have traditionally been set by the luxury houses, without them having to justify it to the consumers. The products should also have an element of rarity and uniqueness. Creating a limited amount of each product keeps the interest and demand from stagnating.

In addition, true luxury products are multisensory, meaning that they should not just be pleasant to look at, but should be attractive to all the senses. However, the aesthetic aspect of luxury is very important, as it contributes to an individual component of the concept of luxury. A strong human content is also preferable in luxury items, as handmade objects by one specific artisan, are much more enviable than mass-produced products. These criteria for luxury products help differentiate them from other goods, such as premium or fashion products, as illustrated in Kapferer's model below (Kapferer & Bastien, 2012, p. 32).

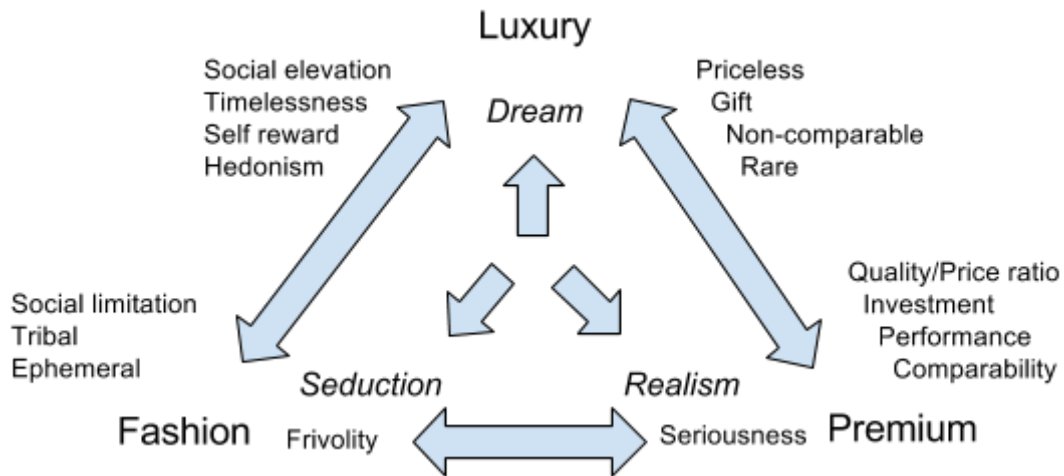


Figure 1 Luxury, fashion & premium positioning triangle

Fashion products are trends, tied to seasons and opinions. The object of fashion products is to be unique, and stand out from the anonymous crowd. Fashion's business model does not value quality as much as luxury does, and is centred around delocalization of production, to lower labour costs. When fashion products are newly designed they are in high demand, but as the trend ends, and the product is determined to be 'out of fashion', the demand slows. Retailers of fashion products then mark down the price, to eliminate their inventory (Kapferer & Bastien, 2009). Fashion and luxury have a marginal overlap, found in haute couture, which concerns the luxury industry's fashion segment. Haute couture concerns producing expensive and exceptional clothing of unique design and high quality (Cambridge Dictionary).

Premium products aim to be perfect. Quality is essential, as premium product's high price centres around the product's functionality. There is a direct correlation between a product's price and its functional benefit (Kapferer & Bastien, 2012). The objective of the premium business model is to create the 'best' product. As stated, premium's business model is similar with luxury's business model, as it centres around the highest quality products. However, where the luxury brands refuse any comparison with others, as they believe they are singularly unique, the premium brands welcome comparisons, and use favourable comparisons to build their reputations. A premium brand cannot simply become a luxury brand by raising their prices to exceed their quality and functionality. A premium watch is known to be more accurate than its luxury counterparts, as they use quartz technology. Whilst, when buying a luxury watch such as Patek Philippe, there follows a warning that it

loses two minutes every year. To become a luxury product there requires a touch of madness (Kapferer & Bastien, 2009).

A luxury product is deeply rooted in a country and its culture, meaning that when clients buy their products they not only purchase a beautiful handmade product of exceptional quality, they also purchase a piece of tradition and culture. This means that it is imperative for most luxury brands to stay true to their origins, and always continue production in the place it represents. Though relocation may be tempting, as cheaper countries of production have often been a success for mass-producing businesses, it could prove highly damaging for a luxury brand. Due to the effects of assimilation, brands are associated with certain countries or places in consumers' minds. Bentley and Burberry are British, and Chanel and Champagne are French. Therefore, if the connotations or illusions, consumers have towards a luxury brand are proven untrue, it shatters the 'dream' of luxury (Amatulli, De Angelis, Costabile, & Guido, 2017).

Many luxury items can only be purchased in the brand's own stores. The luxury industry has been slower than many others to adapt to the Internet's capabilities, as they believe it detracts from the experience of purchasing their products, as the experience of shopping in a luxury store is an essential part for many luxury consumers. As luxury brands thrive on limiting their accessibility, they are reluctant to become available to the masses by selling on the Internet, especially their more iconic products. But according to Deloitte's study *Global Powers of Luxury Goods* from 2016 (Deloitte, 2016), more luxury brands will become more accessible online in the future, as the large amounts of online consumers might be foolhardy to ignore.

2.2.2 Luxury Brand Management

2.2.2.1 Industry

The overall market of luxury was in 2016 estimated by Bain & Co. to be €1.08 trillion, in retail sales value. According to their *Luxury Goods Worldwide Market Study* the luxury industry consists of ten segments, including; fine arts, private jets, yachts, fine wine and spirits, fine food, designer furniture, luxury cruises, luxury hospitality, luxury cars, and personal luxury goods (D'Arpizio, Levato, Zito, Kamel, & de Montgolfier, 2016). The personal luxury good segment is considered the core of the industry, and is therefore the focal

point of our study. This segment is further divided into five sectors, comprising of; apparel and footwear, bags and accessories, cosmetics and fragrances, jewellery and watches and multiple luxury goods. The personal luxury goods segment as a whole, consisted of €251 billion in 2014. This makes Walmart's sales, the world's biggest retailer, larger than the entire personal luxury goods segment (Kapferer, 2015). Though the luxury industry might be highly visible, it is quite small in comparison with other industries.

To ensure a continuous growth, many luxury fashion companies have resolved to democratize the luxury sector (Kapferer, 2015). Thereby gaining a part of the demand from the emerging markets of Brazil, Russia, India and China (BRIC) and Colombia, Indonesia, Vietnam, Egypt, Turkey and South-Africa (CIVETS), whose middle class is growing. The affluent inhabitants of these countries have a desire for recognition, status and pleasure, whom many associate with luxury. To be more accessible to the middle-class purchasers, many luxury brands have chosen to deviate from the traditional luxury business model.

It has recently become common for large luxury corporations to gain their primary profits from accessories and toiletries bearing their logo, or so-called diffusion lines which are linked to their 'parent brands', but are produced with lower quality materials and are therefore priced lower. Examples of such second lines are Emporio Armani, DKNY, and RED Valentino, and though their parent brands are considered true luxury brands, their diffused lines are sold as fashion objects. The consequence of this is that they are only considered 'in fashion' for that season, in comparison to the luxury products which have a timeless seal of approval.

Another way some luxury brands have deviated from the traditional luxury business model is by moving their production to cheaper countries. Burberry and Coach are examples of such companies, delocalizing to China where there is lower production costs and labour wages (Kapferer, 2015).

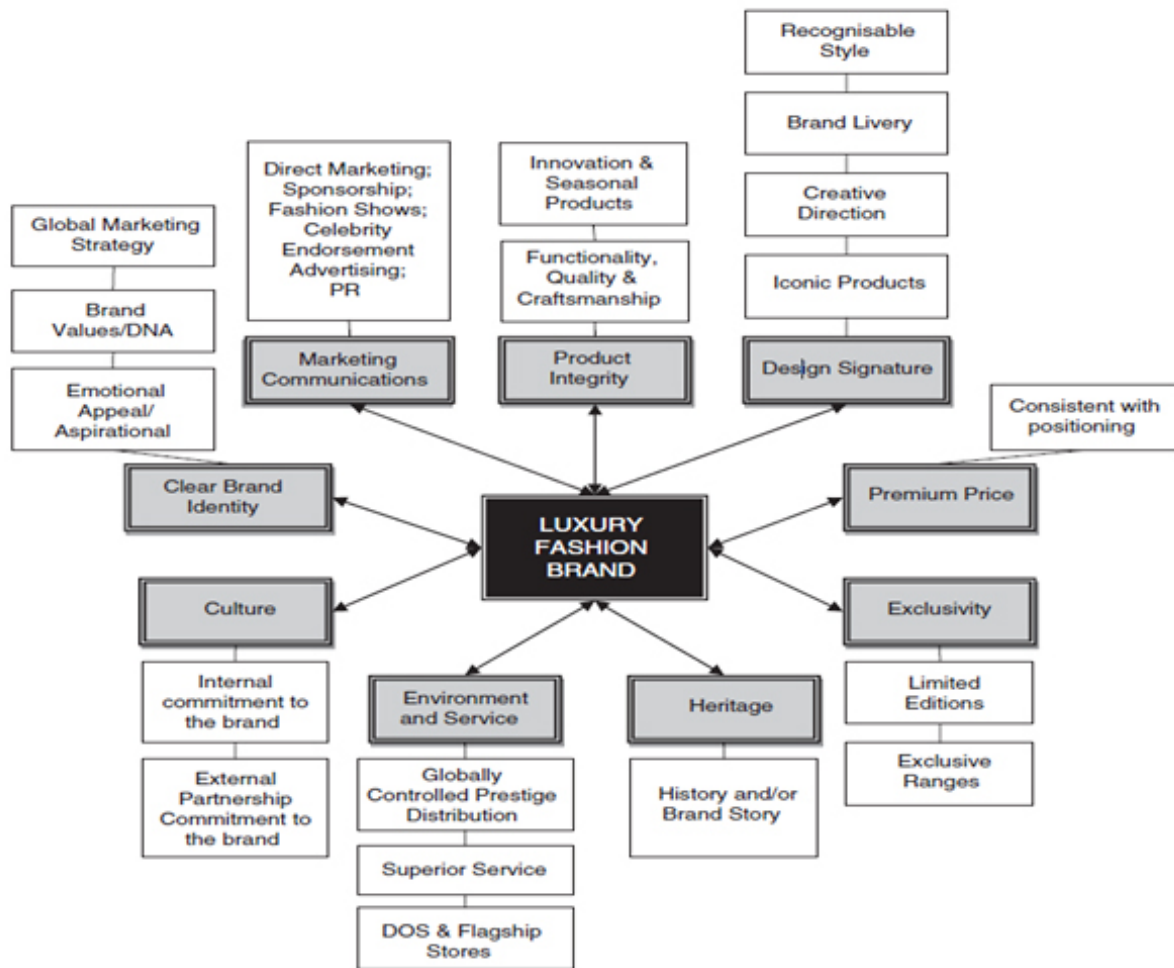


Figure 2 The components of a luxury fashion brand

2.2.2.2 The luxury business model

The luxury industry employs a unique business model with a very specific strategy, which contains strict and demanding rules to follow. The luxury business model has been adjusted to a precise art by old, family owned companies, such as Chanel, Louis Vuitton, Rolex, Hermès and Ferrari. The business model they have created is a direct contrast to classic business models for profit, where demand controls supply. The business model has been adopted by companies in other sectors, with Apple as a prime example of a company that is not considered a luxury company, but still uses the luxury business model (Kapferer, 2015).

Product

At the product level the brands have to focus on their core traits. This is their permanent, iconic and classic products. These products are the most profitable, as they are the most sold. This also means that they do not need to use large resources on promoting and managing the products, as they are ‘incorporated’ in the brand. Their product line should be permanent, as it takes a lot of time and money to implement new products within the brand. Another important aspect is that all products should be profitable. This is an industry with very high profit margins, and they should therefore not accept non-profitable products. On the other hand, they need to have less profitable products in their product range. Most brands operate with such entry products, which are sold at a lower price to get new customers. It is important that these products are produced with the same quality as the brands more exclusive lines, to provide the customer with the luxury feeling. The idea of these products is that the customers are gaining the essence of the product, and will want to buy their more exclusive products in the future (Kapferer & Bastien, 2012).

Production

In luxury production, it is important that the brands have control over the whole vertical production cycle. From the design and how the garments are produced, to the customer interaction in the sales segment. Nothing should be left to coincidence, as the luxury essence is developed throughout the value chain. An important part of creating luxury comes from the artisans. They are skilled craft workers, who create everything by hand. This is a very important part of what qualifies a product as luxury. It is therefore imperative that the brands do not subcontract their production, as they risk losing the essence of their brand. Most brands therefore produce in their countries of origin. The workshops also play an aesthetic role in the brand. It can be viewed as a temple, where clients can come to visit, and experience the core of the brand.

Distribution

As explained in the production section, it is vital to have control over the whole value chain. When it comes to distribution it is important that the products are not being sold in places or by people who are not part of the brand's universe. Without this, the brand loses some of its essence. It is important to understand that the customer's most direct contact with the brand happens through its stores. Losing this contact means that the customers are missing out on the brand experience. This is also evident in their online stores. The luxury brands do not have

their entire collections available for purchase, forcing the customers to be dependent on the stores. But when they visit the stores there is no guarantee that their desired product is in stock. The luxury brands pursue a strategy where they aim to limit their customer's access. They therefore have a very short range of products, in limited numbers available, in their stores. By doing this, they can control the distribution, thereby making sure that their products are not overexposed (Kapferer & Bastien, 2012).

Pitfalls

There are precarious temptations that arise when following the luxury strategy. The key to long term success is patience. As profit margins start to rise many companies wish to take advantage of this, by diversifying their product range to increase sales. In the short run this might be profitable, but as the brand starts being diluted it begins losing value. The brands can then risk losing their luxury status, becoming premium or fashion brands.

A law of the luxury business model is to always increase average prices. They can do this as there will always be enough newly affluent consumers who dream of purchasing the brand's products. But when this fails, if the luxury brand has lost its dream quality, many companies expand downwards. They launch more affordable accessories, produced in larger quantities in low-wage countries, and sell to more people. These profitable accessories are bought repeatedly by the clients, as they often change yearly or seasonally. By doing this the luxury brand has moved from their luxury business model to a fashion business model, valuing change and originality over rarity and timelessness (Kapferer, 2015).

Expansion of luxury brands takes time, and should only be done through investing in promotion and distribution. Afterwards, prices can slowly be increased to gain higher profits. It is also imperative to keep control over the internal workforce. Designers are extremely important for luxury brands. There are examples of brands losing their value due to the resignations of important designers. It is therefore vital to keep talented employees within the brand. As the world is changing faster than ever, innovation and development is relevant both for the customers, but also for the employees.

When this is said, there are other aspects of the luxury strategy that have changed over the years. The luxury houses can no longer act arrogant and snobbishly; today's customers expect to be treated well. This is also important to building long term relationships. It is the customers that validate the brands, and set the price premiums.

2.2.2.3 The luxury strategy

The industry of luxury goods differs greatly from all others in the business sector. The three main areas in which the luxury industry distinct itself is the company's size, their financials and their perspective on time (Kapferer & Bastien, 2012).

Company size

In most industries company size is a major element of comparison, whoever in the luxury world size is not as consequential. It is comprised of generally small businesses, which are highly respected and with impressive reputations. As an example, Dior Fashion has annual sales of approximately 800 million euros, while Peugeot Group has annual sales of 56 billion euros. This means that Peugeot is seventy times bigger than Dior. The same ratio applies for their employees. But if one asks a Chinese, Japanese or American to name a French company they will most probably list Dior before Peugeot. This is due to Dior being a more well-known brand worldwide. A reason for this is the consumer's high awareness and interest in luxury and fashion. Despite their size, in comparison to companies in other sectors, luxury brands are highly visible to consumers.

It might also be hard to compare them by sales figures, as the corporate figures might be comprised of very different elements. Because of the differences in export and retail sales, if one wanted to measure the power of two brands against each other, it would require part of the activity to be multiplied by a coefficient. But this would still not give a correct comparison, as brands operating with a hundred percent control of its activities are much stronger than those operating with licensing.

Financials

The industry has a very high break-even. In most sectors the start-up costs consist of manufacturing investments and fixed costs, while in the luxury industry even the small brands must give an impression of being above reproach toward their customer so they can build their brand value and gain a high break-even in the future. The brand must be represented all over the world, if not the customers view them as weak, and their products as undesirable. Each store has fixed costs of; rentals, staff and inventory, before they can make their first sales. This is also required to be of top quality, with perfect service and expensive packaging. Cost cutting in these areas can be extremely dangerous for the brand, as they all contribute to the purchasing experience of luxury.

Twice a year they also have to host expensive fashion shows, to present their products, where most of the clothing used can never be sold, as they are not fitted to the average customer. All these factors make it very difficult for new entrants to achieve long-term success. When they first become profitable, everything seems easy. Margins are high, and most of this becomes profit after the fixed costs are recovered. Though inventory can be costly, in the beginning it is not as hard to finance if sales are satisfactory. The difficulty is having inventory available everywhere, in the start-up phase. The conclusion is therefore simple; luxury is a great and very profitable business for those whom achieve success, but difficult for the others. It is a game of high stakes and high rewards, win all or lose all.

The time perspective

Big changes or strategic decisions in the luxury industry, have long-term impacts. A luxury clothing brand that switches designers, will most probably be unable to see any consequences of the change until a few years later. As luxury brands are deeply rooted in culture and tradition, they cannot be converted quickly. The consumers have certain connotations toward the brand, and their identity is therefore difficult to alter. An example of this is Paco Rabanne, whom, whilst primarily a women's designer, is most well-known for their men's perfumes (Chevalier & Mazzalovo, 2008).

If a brand's image has been damaged and its sales decreased, it takes time to turn it around. When Yves Saint Laurent was purchased by the Gucci Group, they had hundreds of million euros in already acquired debt. Yves Saint Laurent lost money for several more years, sometimes barely breaking even, before becoming profitable. This is important knowledge for investors who wish to turn failing brands around. Any change of identity must be done over a longer time-period, and customers may be unhappy about it, as they can regard the changes as a betrayal against the brand's history and culture.

This 'time factor', and the high risk of failure for turnarounds, is a reason for why private-equity firms or affluent private investors rarely buy majority shares of small luxury brands. This explains why luxury brands are traditionally family owned, as they are not thinking about short-term profits, but rather of the legacy to leave their descendants.

2.2.2.4 Anti-laws of marketing

As explained in the section above, luxury is sensitive to normal marketing strategies, as they can be harmful towards their brand value. Traditional marketing rules should therefore not be

used in managing luxury brands. To sum it up Kapferer and Bastien (2012) presented what they called the *Anti-laws of marketing*. A set of rules that should be followed when pursuing a luxury strategy, often in direct contrast to traditional marketing ideals.

1. Forget about 'Positioning', luxury is not comparative
2. Does your product have enough flaws?
3. Do not pander to your customers' wishes
4. Keep non-enthusiasts out
5. Do not respond to rising demand
6. Dominate the client
7. Make it difficult for clients to buy
8. Protect clients from non-clients, the big from the small
9. The role of advertising is not to sell
10. Communicate to those you are not targeting
11. The presumed price should always seem higher than the actual price
12. Luxury sets the price, price does not set luxury
13. Raise your prices as time goes on in order to increase demand
14. Keep raising the average price of the product range
15. Do not sell
16. Keep stars out of your advertising
17. Cultivate closeness to the arts for initiates
18. Do not relocate your factories
19. Do not hire consultants
20. Do not test
21. Do not look for consensus
22. Do not look after group synergies
23. Do not look for cost reduction
24. Just sell marginally on the internet

2.2.3 Financials

To gain a better understanding of how luxury fashion brands work, it is important to look at their financials. How is the industry compared to the general market, what does their balance sheet consist of, and what is important to be successful in the luxury industry? Many business sectors are eager to emphasize that their industry segment is different from others, but managers in the luxury industry might be the only ones who can be justified in claiming so (Chevalier & Mazzalovo, 2008).

Luxury companies are known by their brands, but normally belong to luxury groups such as LVMH, Richemont and Hermès. There is no standard for how these groups are composed. LVMH is the largest luxury group, consisting of seventy different brands in different luxury sectors (LVMH), while the group Hermès International only consists of the brand Hermès. But there are said to be two main types of groups; 'Type 1' groups are defined by their strategy, and not whom they supply. They follow the luxury strategy and are the true luxury players. The second group, 'Type 2', consists of non-pure luxury players, whom address the luxury market. The brands belonging to groups, only have obligations towards the group in regards to their financials and management. When it comes to luxury management the brand is alpha, and the brand strategy dominates the corporate strategy. Within the groups there is no direct competition, as each luxury house has its own speciality. There is also little synergy within the groups, as the brands are very separated with their own strategy and management. This gives portfolio construction limited worth, as all the group's profit comes from the profit of each brand, and not from the synergies of the group (Kapferer & Bastien, 2012). But there are some benefits to being in groups. 'Type 1' groups use their existing human resources in new brands. It is also a way to maintain talent within the groups, whilst allowing them to grow. In 'Type 2' groups, all synergies are eligible. Financially; they are gaining easier access to credit, by pooling of financial resources, on market level; they can get benefits from bargaining powers and corporate effects, on operation level; they can increase their efficiency, production and supporting activities, and lastly they can share their experience in distribution on a corporate management level.

By being united through big luxury groups such as Richemont and Kering, small and new luxury brands have the security to lose money for many years, before they become profitable. The temporary losses are accepted, as their intangible value of brand name is considered to be

of such a high value that it compensates for them (Scholz, 2013). For this to work, they must have backing from strong, financial groups who are willing and can afford long-term loss investments before they start generating profits. A consequence of this is that many brands survive, even if they go bankrupt, due to their high brand value. They often end up restructuring or being bought out.

Another imperative part of the success of luxury groups, is the importance of human capital. Successful, renowned luxury brands need to have talented, creative, detail oriented and professional employees to keep their relevance. A good artist is essential; the loss of a good designer can be the end of any prestigious luxury brand. The brands are also dependent on having talented artisans. The artisans are the reason for why the products produced are of the highest quality and are unique. But a luxury brand does not only need creative and talented left-brained workers. It is essential for their success to have good managers. In fact, most luxury brands originate from couples (Kapferer & Bastien, 2012). A famous example is the partnership formed by Pierre Bergé and Yves Saint Laurent. This way, they can utilize both the left-side and the right-side of the brain.

Lastly it is important to mention that many luxury groups are family owned. Even the largest luxury group LVMH is family owned by 46,4 percent by the family holding company of chairman Bernard Arnault (Ozbay, 2013). This gives both the brands and the groups a higher focus on long term growth, reducing the risk of taking profitable chances that can ruin the brand value in a longer time period.

Brand value is the most important asset for luxury brands, due to the extreme concentration of intangibles that it embodies. As explained in the text above, luxury is a big industry due to its reputation, not its revenue size. This makes the luxury strategy a better financial valuation than the fashion strategy, as it tends to maximise the brand value and not the profit. Showed in profitability measures, this leads to a high return on equity. The reason for this is that most brands have a very high profitability, combined with not listing their true value on the balance sheet. It is said that the intangibles are considered to be of a higher value than the tangible assets (Scholz, 2013). A normal return on equity (S&P 500) has been between fourteen and eighteen percent while our brands of study have had an average of over twenty-three percent, for our time of study (2010-2015).

Keeping high gross margins can be a pitfall, as it is tempting to lower prices for easy profit. This might yield a gain in the short run, but you often end up losing more on the brand value than the profits generated. When investing, it is important to start with one product, and when sales increase, investments in communication and distribution should be done. Then, when the product comes to the point where selling more will decrease brand value, investments in new products should be done. It is important to be profitable within the core products before diversifying. Investments, such as advertisement, becomes more profitable the more the brand is known. When the brand is big enough, and ready for further growth the brand should globalize and internationalize. A luxury brand should never grow by selling more in the same market, but expand by raising prices and entering new countries and markets. Much of the luxury industries latest growth, is explained by the rising demand for luxury goods in emerging markets such as India and Mexico (Deloitte, 2016) (D'Arpizio, Levato, Zito, Kamel, & de Montgolfier, 2016). The most important key elements of further growth for luxury brands are; millennials, travel, wealth and digitalisation. This shows that even the established luxury market must follow the trends of the modern world. Deloitte's research also shows that millennial customers care deeply for the brand's place in society and the effect it has on the environment.

Even if the luxury industry has not been affected by many changes throughout the years, they are now experiencing a dramatic expansion of the market. More people are now able to buy luxury goods as their disposable income and demographic are changing. Luxury has also become more affordable, as they are increasing their low-price items to target a larger part of the customer group, hoping to attract them to the brand. For most people a Dior suit is still out of reach, while make-up or sunglasses are affordable. As the economy is developing throughout the whole world, the competition in the luxury markets are also changing. The growth of the affordable luxury brands has attracted players suffering from decelerating growth and competition, bringing a new competition to the luxury market.

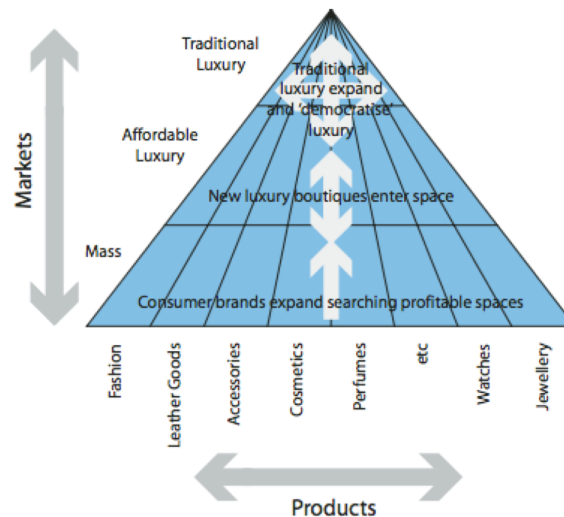


Figure 3 The luxury Triangle (Alvarez, Kemanian, & Malnight, 2004)

Most entrants in the luxury market start up as affordable luxury, as they must earn their price premiums before they can earn the real profits. This also makes the competition harder for both the traditional and the affordable luxury brands, as the customers now buy more diversified and are following trends of up and coming luxury brands. A successful example of this is Michael Kors, whom opened their first retail store in 2006, and are now the sixteenth largest luxury brand by sales.

To gain a better understanding of the luxury market, it is interesting to look at their performance. The industry is known to have very high price-earnings ratios. Historically over the five year period of 2011-2015, the brands of this study were ranging way above the average market ratio, with over twenty-three percent. The reason for this is that except from acquisitions it is very hard to account for the brand value, but as it is taken up in the share price it raises the price-earnings ratio. Secondly communication expenditures are for most industries categorised as an operating expense and not an investment, but for luxury this makes a large part of their investments. This does not increase sales or margins, but the value of the shares due to increased desire. There is a phenomenon called the ‘boss’s dancing girl’ (Kapferer & Bastien, 2012), which is an investment done that serves no commercial objective. Most chief executives of big groups cannot resist the temptation of adding luxury brands to their portfolio, for no other reason than the brand’s symbolism. This helps to push the stock prices of luxury brands up further. It should also be said that analysts are, ‘in love’ with luxury and major clients of luxury products, which might obstruct them from seeing the

industry in an objective way. This all results in very high price-earnings ratios, which usually exceed the market standard.

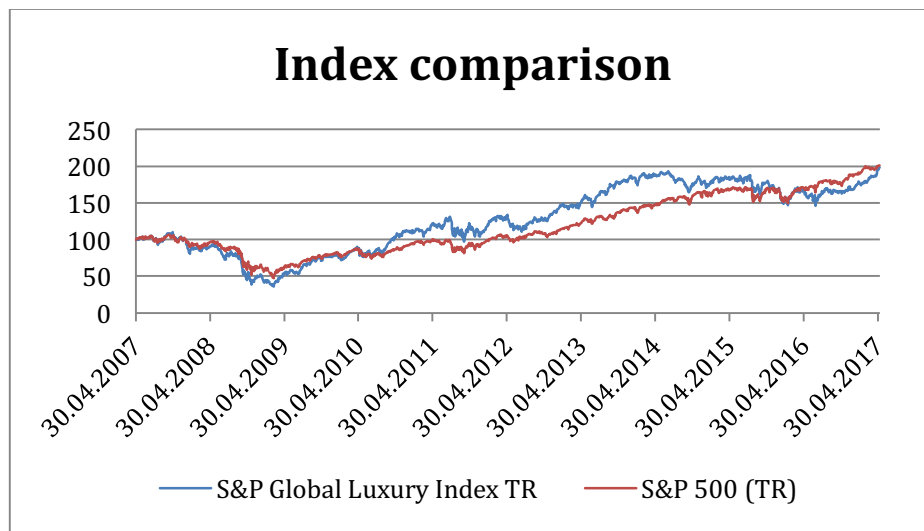


Figure 4 S&P 500 vs. S&P Global Luxury Index (Data & Multpl, 2017)

The luxury market can be of high volatility. This means that it has a fluctuating price over time. According to Kapferer (Kapferer & Bastien, 2012), a luxury company that follows the luxury strategy is less sensitive to economic changes. The problem is that few players manage to scrupulously respect the strategy. Another aspect is that the luxury customers are changing. The luxury sector has many customers from emerging markets and the middle class (Deloitte, 2017), as it is no longer old money that drives the luxury sector (Solca, 2016). This means that a large part of the customer base stops buying luxury products early on, in times of economic recessions (The Economist, 2009). The brands are also sensitive to customer's reception of their collections, as they need to stay relevant to keep their brand value. This combined with a stock price affected by the analysts' love of luxury, can be very sensitive. In the figure above we can see the S&P Global luxury index in comparison with the S&P 500. Over this ten year period it is easy to see how the luxury industry is more affected by economic crises than the general market, as it has higher fluctuations.

Company	Profit Margi	ROE	Profitability	P/E -Ratio	Company	Profit Margi	ROE	Profitability	P/E -Ratio
Prada	9,39455437	10,7607179	5,80904299	22,2018915	LVMH	10,0185061	13,849374	8,18116086	20,7838983
Prada	12,6896979	14,9330036	6,11080193	26,6172188	LVMH	18,4346237	24,5533191	8,63905678	11,7975022
Prada	17,7793884	23,6087565	6,45802475	26,4284082	LVMH	11,8417425	12,3123231	8,14206328	19,4143485
Prada	19,2072061	27,1745194	6,45094424	29,5317061	LVMH	12,2452628	13,3445025	8,13885675	20,2052786
Prada	17,0762248	23,8344001	6,07855925	20,5400059	LVMH	12,9549009	13,0358966	8,02780285	17,5601926
Michael Kor	18,3854257	42,6632753	6,65672972	9,2091954	Richemont	20,1065367	18,6235156	7,70841067	25,4230076
Michael Kor	20,4237611	39,9453866	6,43689118	18,0528846	Richemont	12,8146013	13,0592266	7,19593723	19,6803251
Michael Kor	20,1149958	36,9059174	6,08157122	27,7098976	Richemont	19,4102733	24,1359178	7,63385356	20,4134893
Michael Kor	17,3123557	36,8006812	5,5526281	30,0176471	Richemont	19,7536946	28,7496415	7,60339934	21,3304009
Michael Kor	8,26970051	25,6131066	4,30624088	41,9230769	Richemont	17,3677681	27,2036743	7,3395377	19,5302749
Coach	8,64424779	14,2679079	5,82120086	24,7954545	Kering	5,87179089	5,85213927	6,52238687	29,067029
Coach	12,6519131	22,5805798	6,15271799	18,2330097	Kering	10,2425903	9,12868597	6,93546772	37,9761905
Coach	19,5872836	40,135153	6,56509295	16,3644315	Kering	8,83734767	7,69478113	6,75867506	393,974359
Coach	21,3126324	50,451465	6,68043548	15,292011	Kering	13,9467765	11,2049972	7,21369467	16,8592058
Coach	21,2205521	50,8888944	6,5981718	19,075	Kering	12,7445022	8,74505298	6,93488395	14,1677337
Burberry	12,5104386	19,4089703	6,05918367	17,2190202	Ralph Lauren	6,45639574	12,5920084	6,08944878	20,1227437
Burberry	13,5185479	23,4998278	6,0850256	21,7842876	Ralph Lauren	9,61589056	17,9386503	6,40399118	22,7469287
Burberry	14,2630269	27,5082781	6,00374904	21,0263523	Ralph Lauren	10,381523	18,5969261	6,30240472	21,7718866
Burberry	13,2636214	25,1804711	5,78799895	21,5087719	Ralph Lauren	10,3575761	19,0253866	6,29870492	19,5973856
Burberry	11,1081198	23,14337	5,5098931	19,9831366	Ralph Lauren	9,90170331	18,6928068	6,23262184	20,0697674
Hugo Boss	11,371809	33,4214037	5,76644424	16,5442765	PVH Corp.	7,13689014	12,5738638	6,26758624	10,6894049
Hugo Boss	13,0074662	39,6365524	5,81263688	21,0559006	PVH Corp.	5,32568073	10,0565956	5,89384932	24,3206831
Hugo Boss	13,7083179	45,0359788	5,80934297	21,6981132	PVH Corp.	1,75290726	3,3101286	4,64839992	78,1724138
Hugo Boss	13,2784859	48,8315695	5,74139934	17,972973	PVH Corp.	7,1785537	13,3371498	5,79593378	18,911414
Hugo Boss	14,153876	55,6916738	5,67469689	13,3956311	PVH Corp.	4,68033817	7,54825462	5,3599984	18,6481481
TOD'S	8,78565296	10,6341093	4,52287494	24,1089109	Hermès	20,185912	26,0677035	6,88469134	33,6663067
TOD'S	9,91803279	11,8830015	4,57264699	22,7129338	Hermès	20,9610062	24,9616886	6,76076226	35,995116
TOD'S	13,630353	16,7269169	4,8978398	27,7803204	Hermès	21,2767657	28,1184007	6,68323578	34,9469496
TOD'S	14,7888754	19,0710051	4,98154971	20,1368421	Hermès	21,5407135	31,8237714	6,62073965	31,6548798
TOD'S	14,9186456	19,701301	4,91044657	14,2970522	Hermès	21,2375053	25,9471081	6,40258033	40,6978799

Table 1 Profitability statements, groups of study

According to Deloitte's report *Global Powers of Luxury Goods 2016: Disciplined innovation* (Deloitte, 2016) the top hundred luxury brands have a net profit margin of eleven-point four percent, a return on asset of nine percent and a year-over-year luxury goods sales growth of three-point six percent. These are all good numbers, especially in a time with economic challenges. It should be said that these numbers are somewhat higher for this study, as the firms included are only some of the most profitable of the hundred. In the figure below the year-over-year growth in the global personal luxury goods market is illustrated. The graph shows a steady growth over the last twenty years, but it is now predicted to enter what is called the 'new normal' where it looks like the growth is slowing down. The market is predicted to be less favourable, having a future characterised by winners and losers. The environment is also becoming more demanding, forcing companies to rethink their strategies. According to Bain & Co. they should revitalize domestic demand, focus on adapting to truism, tailor to local preferences, and increase productivity. It is therefore interesting to see

how the luxury companies manage the changes they are facing, as it has been an industry of little market development throughout the years.

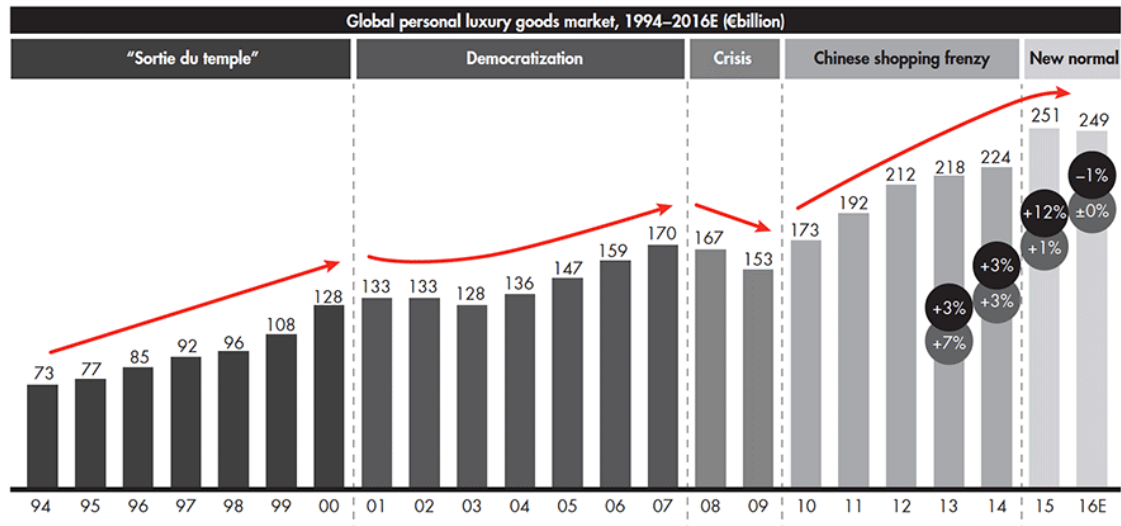


Figure 5 Global personal luxury goods market, 1994-2016 (D'Arpizio, Levato, Zito, Kamel, & de Montgolfier, 2016)

2.3 Sustainability and luxury

The scrutiny of the luxury industry

Sustainability has grown from a trend to an important issue for the entire planet. Accelerated economic growth and a population increase with no regards to ecological strains, puts the life of future generations at risk. Because of this, the consumers, our governments and many non-governmental organisations are requesting changes in businesses practices. The luxury sector has recently come under scrutiny, and in some cases, been criticized. They are accused of being too slow to embrace sustainable development (Kapferer & Michaut-Denizeau, 2014). Using some specific products and consumers as examples, the waste of resources for the one percent is highlighted by critics. And luxury is not only criticised for lack of sustainable development or environmental reasons, the industry is also accused of contributing to social inequality.

The reason for the focus of sustainable development within the luxury industry is their high visibility (Kapferer, All that glitters is not green: The challenge of sustainable luxury, 2010). With many high-profile consumers, such as the very wealthy and celebrities, luxury items are often on display in the media. This conspicuousness influences the middle class to emulate the luxurious lifestyle. But the scarcer resources of today's era are not caused by the luxury

industry. It is due to the growth of mass-consumption. There are three main reason for why the luxury sector is of focus for the critics. Luxury is a sign of human elevation, buying products for more than need-based functional reasons, and it can be seen as irrationality itself, paying thousands for a handbag with the same functionality as a much cheaper one. Secondly, luxury itself means excess, and opulence. This contrasts sustainable development's values of frugality and self-restraint. And lastly, the view of luxury as a symbol of inequality, is damning in the eyes of the critics (Kapferer, 2015).

Shared core values

However, the ideals of sustainable development, and corporate social responsibility, are congruent with the values of true luxury (Kapferer & Michaut-Denizeau, 2014). Rarity is an important concern in sustainable development as well as for luxury brands, and a qualification of true luxury is that it is durable. Luxury brands and their products may highlight society's inequalities, but they are not the source of them. As luxury is the epitome of quality, it would be beneficial if they were to be a frontrunner in sustainability. Though most of the major luxury brands have already incorporated sustainable development in their business models, in response to the consumers demands and expectations, this is not communicated much to the clients. The big luxury groups, such as LVMH and Kering to name a few, had sustainable development and corporate social responsibility as one of their main focus points on their agenda as early as 2001, but they did not publish this information (Kapferer, 2015).

The goal of sustainable development is to create a society that can endure for all generations, by using the planet's resources prudently. But sustainable development is also concerned with the depletion of natural resources and the earth's biodiversity. Many have criticised the luxury consumers, as their energy usage and consumption is disproportionate with those poorer. This has led to the creation of many conferences on luxury in regards to sustainable development (Hoffmann & Coste-Maniere, 2012).

Sustainable products and luxury are at odds in some ways. The world's most sustainable products should also be produced in a sustainable way, and be low consuming in all ways, it goes against luxury's defining characteristic of being *'the highest quality and creativity without constraint'*. If luxury brands were to become fully 'green' today, the quality of their products would decline. Many businesses have earlier tried 'greenwashing' to raise their reputation, giving monetary support to charities or preservation groups and seeking accolade

for it. But most luxury groups today have set themselves the goal of becoming sustainable luxury models, incorporating sustainable development in their entire value chain, though they do not advertise it. This lack of advertising their strategy for green concerns is most likely due to the fact that luxury groups wish to be seen as perfect and above reproach, and therefore will not boast of their sustainable measures until they have perfected their sustainable luxury business model (Kapferer, 2015).

Luxury is an industry which represents durability and lasting value. Ninety percent of all Porsches produced are still in use, and Ferraris of any age can be serviced by the Maranello Mechanics (Orlowski, 2015). Genuine Louis Vuitton products of any age will be provided after-sale service if one delivers them to their stores (Louis Vuitton). This shows the long-term view luxury brands have for their business and products. Heritage is part of intangible assets, along with reputation and brand image. They all are a part of the brands identity. Their brand and its products are built to endure; their beauty should remain and their functionality be present. This is why they choose to service their products long after their sale. And as the luxury sector is so concerned with durability, which is resource dependent, it would be prudent of them to preserve their resources, not overexploit them.

The importance of being environmentally responsible

Most businesses have realized the importance of brand image, and try to convey the message that they are contributing to saving the planet, rather than to ruining it. Be it through recycling programs, improving their value chain or producing ‘green products’, many brands are marketing how responsible they are towards the planet and its inhabitants (Hoffmann & Coste-Maniere, 2012). In 2008, the magazine Campaign published an article titled *Farewell to consumerism*. This was the advertising industry’s way of acknowledging the end of the consumer society, due to the rising sustainability values. Sir Martin Sorrell, the chief executive of WPP, the world’s second-largest marketing services company, was quoted saying: ‘*All of our instincts as clients, agencies and media owners are to encourage people to consume more*’ and this instinct has caused a consumer demand for more things, bigger objects and better possessions. ‘*Our view, counter to what you expect our industry to argue, is that conspicuous consumption is not productive, and should be discouraged*’ (Benady, 2008). Sorrell also put pressure on those companies who pretend like they are more green and socially responsible than they are, so called green-washing. ‘*It is increasingly common for companies to have targets to reduce their carbon footprint - but look closely, almost all of*

these are ex-growth... In other words, they will reduce the impact per unit of sales, or on the basis of like-for-like operations. Businesses that feel they know how to de-couple growth from increased climate impact are few indeed. Absolute targets are rare' (Benady, 2008). Sorell here criticizes both unrestrained mass consumption and unrestrained growth, which might seem to be an oxymoron from the chief executive of a marketing company.

Another perceived paradox may be the opinion that luxury fashion brands are more sustainable than the lowly mass-producing fashion brands. Many of the luxury fashion brands claim that they offer more sustainable products than the mass-produced ones, because of the quality materials and handcraft used in making them often makes them more durable and socially responsible (Tungate, 2009).

This view was visible at the *Sustainable Luxury*-conference in New Delhi in March 2009. The chairman and chief executive of the luxury group Kering (formerly known as PPR) was a guest of honour of the conference, and stated in his speech:

'Luxury and sustainable development share common values [...] Today, more than ever, people want to return to genuine values such as timelessness, sincerity and exemplary standards. And these are all qualities which - as we have seen - are inherent in sustainable luxury.[...] For a number of years now, sustainable development has been an underlying trend throughout the luxury industry. [...] But altering a ship's course takes time. Sustainable luxury can only be achieved in the long term through patience and perseverance, beginning with the little, sometimes almost invisible things.'

- François-Henri Pinault, 2009 (Pinault, 2009).

He concluded his speech by declaring that luxury has a duty not only to act according to sustainable development, but also to mobilize others. This, he stated, was the optimal method for luxury brands to not only be sustainable but also responsible.

Jem Bendell, an environmentalist that acts as an advisor for luxury brands on corporate responsibility, was also a speaker at the *Sustainable Luxury*-conference in 2009. He pointed to the dangers of luxury brands advertising luxury and consumerism at a time where consumption should be reduced. But he offered them a potential solution:

'The shirts on our backs each took a few thousand liters of water to create. If we cherished them more, we would use less water... The great thing about luxury brands is that the way consumers relate to them actually prefigures the way we need consumers to relate to all their products. To look after them, to repair them, to see them as becoming vintage not garbage.

Luxury brands have the margin and the mandate to create the most environmentally responsible products.'

-Jim Bendell, (Bendell, Deepening Luxury in Delhi, 2009)

For some, the concepts of luxury and sustainable development seem to be polar opposites. French consumers answered in a survey that their view of the connotations between luxury and sustainable development to be equal to their association of sustainable development and oil companies. For how could an industry which very name means opulence and excess be in any way associated with the frugal values of sustainable development? But luxury's core characteristics centre around its quality craftsmanship, its ability to adapt and its durability through the ages. Sustainable development involves rediscovering a lifestyle where quality trumps quantity (Hoffmann & Coste-Maniere, 2012).

2.3.1 Incentives to invest in sustainable development

Resource management

There are several reasons why luxury brands should have sustainable development as a priority on their agenda, and amongst them is resource management. Resources are essential to every business, and for an industry such as luxury that is dependent on quality resources which are sometimes scarce, resource management is a necessity. It is a common belief that the pressures humankind has had on the planet are not congruent for sustainable development. Resources such as; forests, minerals, water, fisheries, energy and farmable land, are overexploited at present, and more are in danger to follow suit. Rare resources are expensive, and as luxury products often require rare resources it could be cost beneficial to use the resources more efficiently. Sustainable resource management is important for luxury companies to inspire innovation and development of better technology, reduce cost, be more efficient and obtain supplies of raw materials that can be beneficial to the brands image and reputation whilst simultaneously reducing the corporations impact on the environment (Hoffmann & Coste-Maniere, 2012).

Reputation management

‘For the new generation, luxury brands that will not take environmental issues into consideration will lose most of their appeal. Modern brands must address these questions. Ignoring them would be old-fashioned and would equal a return to the previous century’
- Graydon Carter, editor-in-chief of Vanity Fair (Hoffmann & Coste-Maniere, 2012).

The new generations of consumers will likely be the first to engage in sustainable practices, and many are demanding the brands they purchase from to engage as well (Kapferer, 2015).

Luxury brands today know the value of their image and reputation, and the possible dangers of not showing concern towards sustainable issues. When a rumour was spread in 2012, by the European Economic Community in Brussels, that the iconic fragrance Chanel No5 held allergenic ingredients, Chanel acted quickly to hinder any damage toward their reputation (Kapferer, 2015). They realised they could no longer ignore sustainable issues, but needed to show their dedication to improving their operation. Most luxury groups and companies have done the same; prioritizing sustainable development, and scrutinizing their entire value chain, to find opportunities for sustainable improvements at the same time finding their opportunities for criticism. Subcontractors have received demands of compliance toward sustainable development from luxury groups, or risk losing their contracts. A result of this is that many printers of books and brochures for luxury brands now have to print more sustainably, using recycled paper and inks approved by the luxury brands themselves.

Due to luxury brand’s high dependence on their image and reputation, sustainable development is not just an altruistic choice, but a crucial need (Hoffmann & Coste-Maniere, 2012). Luxury is as mentioned highly visible in the media, largely due to celebrities. They are aware of their influence on the masses, and know the possible risks of not acting socially and environmentally responsible. They promote and endorse their favourite products, whilst shunning those which are not ‘organic’ or ‘sustainable’. As luxury brand’s high gross margins are largely due to the value of their brand’s image and reputation, they are highly susceptible to negative rumours or media attention. The luxury groups have therefore responded to society’s environmental and corporate responsibility concerns, by forming environmental committees or task forces that integrate sustainable development and social responsibilities in

their agenda. The largest luxury group LVMH created their environmental charter already in 2001 (Kapferer, 2015), prioritising sustainable development in their strategy. Their willingness to adapt to society's demands for sustainable products and practices have encouraged others to do similarly. Most luxury groups now audit their carbon footprints, and are actively looking for ways to renew, recycle, reduce and review.

Thus, it is because of luxury's high visibility and power of influence that so transcends their real economic weight, that the industry is so highly criticized by advocates for sustainability, not their actual impact on the planet's resources (Kapferer, 2015).

There are three main reasons for including environmental aspects to the luxury groups core strategy: the possible advantages, the reduction of risk, and the value of concern for environmental stewardship (Tungate, 2009).

2.3.2 Media

Social media is a key medium for many consumers to learn, research and share information on brands and products. Sixty percent of consumers using multiple online sites to research products, learned of the specific brand or retailer through social networking mediums.

Reviews and ratings of products by consumers, are the preferred mean of product information amongst users of social mediums. Today, brands can use social media as an advertising tool in many different ways. They can create their own social media accounts, sharing pictures and videos of their products, and allowing their fans to follow these accounts. Some fans of brands are now being recruited to share their appraisals of the brand and its products on social media, whilst many other fans promote the brand, sometimes unintentional, by sharing pictures and opinions of the brand or its products with their followers (Nielsen, 2011).

The introduction of the Internet has created a market for fast-moving players. New web-leaders can emerge overnight, and consumers have a higher degree of influence than before, especially over brands with social networks.

But the opportunities of the Internet and social media also come with potential pitfalls.

Forbes Magazine published a web-article in 2015, titled '*Protect Your Firm From The 12 Risks of Social Media*' (Belbey, 2015). Their conceived risks of Social Media that are most

congruent to luxury firms are; human error, legal issues concerning privacy laws and intellectual property infringement and not meeting the proper regulations in place for the collection, use and storage of data. Social media mistakes can influence share prices or result in fines from regulators or enforcement agencies for data protection, and in addition with hacks and false rumours can cause damage to the firm's reputation. This can result in the loss of customers, employees and investors' confidence. Though a danger of not utilizing social media is that it can reduce the firm's competitive advantage, and give the brand a negative perception amongst its customers, employees, partners and investors.

Due to the luxury industry's high visibility, and their gross margins high dependence on brand value, luxury brands are especially vulnerable to any backlash they may receive in the media (Hoffmann & Coste-Maniere, 2012).

2.3.3 The luxury consumer's attitude towards sustainability

Luxury consumers have been divided by their characteristics into five segments (Bellaïche, Mei-Pochtler, & Hanisch, 2010). Aspirational mass-market households are the first segment, accounting for thirty percent of the traditional global luxury sales. Though they have average jobs and backgrounds, they desire to have a higher quality lifestyle. Individually they are not high spending consumers, but as a group they become quite significant. The second segment, accounting for twenty-five percent of the global luxury sales, are the rising middle-class households. Though coming from a middle-class background, they have well-paying jobs. New-money consumers, consisting of high-net-worth household, are the third segment. These consumers have earned their own wealth and are the highest spenders on luxury goods, accounting for over thirty percent of the world's luxury revenues. The fourth segment also consists of high-net-worth households, but are the consumers with old-money. Their wealth has not been generated by themselves, but inherited instead. Aristocrats and heirs of family-owned businesses belong to this segment, and luxury goods match their lifestyle. However, as wealthy as the individual consumers are, as a group they only attain seven percent of the luxury sales. The last segment are the beyond-households, who have as much money as the old-money consumers but are indifferent to status. They avoid displays of opulence and have a remarked disdain toward conspicuous brands. The group as a whole only accounts for five

percent of the global luxury sales. A reason for the small percentage of old-money and beyond-money consumers may be that there are fewer people belonging to 'the one percent'.

The three first segments spending power and habits have altered significantly. Where they earlier regarded luxury products as status symbols, they are now shifting to a more critical viewpoint, questioning if purchasing luxury goods is rational. The financial crisis has caused further reluctance of irrational spending, and those purchasing luxury products are expecting them to have true value or offer exceptional experiences (Amatulli, De Angelis, Costabile, & Guido, 2017).

The question of sustainable developments suitability with luxury can be compared to the industry of fair trade products. Should one purchase products found lacking in performance or flavour, simply because they are perceived as the ethical choice. As such, labelling products fair trade, organic or 'green' is not viable as an excuse for producing less than satisfactory items. A luxury item would be required to uphold the same quality and standard as before if it is to be received well by its luxury consumers. In addition, if sustainable luxury products are to be more expensive, they have to meet the consumers taste and have an added value through its sustainability, whilst preferably also give a personal benefit to the consumer (Amatulli, De Angelis, Costabile, & Guido, 2017).

The sustainable luxury consumer:

Consumers today have an increased awareness and knowledge of environmental issues. Combined with the shock of the financial crisis, and the revelations of some unethical and unsustainable business practices this has caused a heightened social awareness, particularly amongst the high-end consumers.

The World Wildlife Fund's *Deeper Luxury Report* from 2007 suggested there is evidence of the affluent middle-classes in Eastern Europe, Latin America and Asia are also becoming more aware of ecological issues, same as their Western counterparts. Sustainable consumerism is a global phenomenon which is considered trendy and fashionable to be concerned with (Bendell & Kleanthous, *Deeper Luxury*, 2007).

Business-to-business consumers are adhering to this trend, as questions of corporations sustainable development policies are becoming an increasingly habitual. Suppliers,

subcontractors and service providers are not above the sustainable demands, and are often the first part of the value chain to be analysed for sustainable development improvements.

2.3.3.1 The behaviour challenge

The core consumers of luxury brands are the affluent buyers. Research done on the luxury consumers behaviour (Kapferer & Michaut-Denizeau, 2014) shows that they do not consider sustainability issues when purchasing luxury goods. There are two reasons for this:

1. The luxury consumers do not want to tarnish the pleasure of purchasing luxury items by thinking about any negative aspects connected to them.
2. Since the price of luxury items is so high, the luxury consumers often assume that they follow corporate social responsibility guidelines and do their utmost to be sustainable. In addition they believe laws civilized western countries prohibit bad CSR or unsustainable development.

However, there is a stronger sensitivity to green issues amongst the luxury consumers of the world than before. And they believe it an obligation of the luxury brands to follow adhere to these concerns. The buyers distance themselves from the issue, by putting the responsibility on the luxury brands, but if it were proved that their trust and assumptions of the brand were untrue, it could instigate severe backlash on social networks and lead to boycotts.

The two countries whose luxury consumers' sensitivity to sustainable development is the highest are Brazil and China (Kapferer, 2015). They are both countries who are new entrants to the luxury market, but represent the future of the luxury industry. The Chinese have experienced their country's pollution and wish for a change. This is a reason why sustainable development concerns are now a demand, shown in the business models of many luxury start-ups. New entrepreneurs are often more progressive than their Western competitors on sustainability criteria. They could create a new wave of luxury consumers, with such a sustainable standard seen as the norm, which would in turn discredit the more traditional brands.

Such 'green conspicuousness', where the new elite combine the luxury dream with being a pioneer who shows regard towards the planet, and are willing to pay for it, has been clearly illustrated by the success of the hybrid cars Lexus. With statements like '*High quality that pollutes is no quality at all*', Lexus in California gave the 'concerned consumer' a viable alternative to German brands, a high quality, luxurious and more sustainable car (Kapferer, 2015, pp. 38).

But consumers actions often contradict their words. Though many state a preference for sustainable products, their willingness to pay for them is much lower. Though organic cotton is viewed as more environmentally friendly, consumers do not feel this adequate a price premium (Riple, 2010). In addition, consumers may have a negative perception of recycled materials for clothing, as they perceive it of a lesser quality. Recycling is more accepted in other aspects of the brands value chain, such as packaging, as this does not affect the product itself (Achabou & Dekhili, 2013).

2.3.4 Progress and innovation - Environmental reporting

It has become a normal practise for many firms to publish annual updates on their social and environmental progress, through corporate social responsibility reports and sustainability reports. All the companies studied in this research give out a yearly documentation on their work on these areas. There is no standard for what the reports should be covering, leaving it up to the brands to choose which information they wish to share.

Having what Kering calls an environmental profit and loss report will help valuing the environmental impact the company does across the entire supply chain. This helps expressing the scale of impact in monetary terms from the environmental impacts alongside the ordinary business costs. With this tool firms can include sustainability as part of their core business decisions (Kering).

'By integrating natural capital into our business we deliver financial, social and environmental value' - François-Henri Pinault, Chairman and CEO of Kering.

By performing an investigation on environmental performances within a firm, new insights of the business can be revealed, helping to discover potential improvements and innovation that can give a real competitive advantages. The analysis helps to get a better insight into the value chain, giving a deeper understanding on the most significant impacts and what is their drivers. Discovering and understanding these impacts gives the opportunity to better address implications on trade-offs across processes, materials, products, and technologies. This also gives a better understanding of risks and opportunities within the firm. This helps the

company be better prepared to respond to threats and challenges. As the industry uses large shares of raw materials, it can be hard to maintain a good working relationship with all the suppliers. Through surveys and inspections, and managing the environmental challenges with the suppliers, the relationship can strengthen. It also helps identifying opportunities for improvement and innovation for the suppliers, creating a better transparency within the whole value chain. Finally, identifying environmental and corporate social responsibility challenges within the companies can help change and assess progress, that can lead to better performance. Through the whole process the groups get a broader understanding of their enterprises, showing how one area of business can have consequences for others. This helps them getting in front of changes, fluctuations and availability of raw material quality. The process also provides a clear base of evaluating the performance of already existing environmental investments and projects (Kering).

Many luxury brands, with the exception of some, like Stella McCartney and Tesla, do not talk about their sustainable development performances (Gardetti & Torres, 2014). This gives a lack of knowledge among the luxury consumers, of brands performance within environmental challenges. This might be one of the reasons why luxury brands are regarded as unsustainable. A different reason for not promoting their sustainability work, is to avoid the environmental spotlight. Wanting to avoid bad publicity, which can ruin brand value. With this in mind it should be mentioned that it looks like there is a change happening. The big groups are becoming more open about their work, and are initiating large projects of innovation that can challenge the changes that are coming (LVMH, 2017).

There are many individual differences in the reporting of the different groups. Some provide specific reports on the area, while others include it in their annual reports. There is also diversity in the quality of the reports. It should therefore be kept in mind that the groups are showing an improved picture of the reality, to make us believe that they are not doing anything wrong. External auditing of the environmental performance should therefore be emphasized. Looking at rankings from non-governmental companies can be a good additional backup to get a better picture of the reality (Essdras, 2016).

2.4 The resource-based view

The resource-based view grew as a consequence to the structure-conduct-performance paradigm of the industrial organization view of the firm (Bain, 1959) (Porter M. E., 2008). Early theory saw the industrial organization view of success being wholly determined by external environment as unrealistic. The resource based view was therefore built around firm's internal competence (Wernerfelt, 1984). Contributed to this the competitive advantage is rooted inside the firm as an inimitable and valuable asset. The competitive advantage is determined by these capabilities or competencies and management abilities to produce superior performance (Grant, 1991). To add breadth and depth to this view, theorist have noted a vague link to the external environment. Barney's (1986) addressed this problem by showcasing exactly how a firm's resources become valuable, by including the external environment in the resource-based view. While defining external factor markets, it became apparent that external resource analysis by itself, cannot yield a valuable resource. A viable strategy could only be created by developing internal capabilities and applying them with the fitting external environment. So, to gain resource value, a firm must first investigate the opportunities and risks in their environment. (*Barney, 1991: 106*). This link was made more explicit by Connor (1991) in her comparison of the industrial organization, the Chicago model and the resource-based view. She found that all three recognized the external constraints of public policy on strategy and demand conditions.

Currently the resource-based view addresses the fit between what a firm has the ability to do and its opportunities. *'Resources cannot be evaluated in isolation, because their value is determined in the interplay with market forces. One resource do not necessarily have the same value in a different industry, time or chronological context'*, (Collins & Montgomery, 1999). The resource based view operates from an understanding that resources are divided into tangible, intangible and personell-based. (Grant, 1991). Tangible resources are both physical resources such as raw materials, equipment and plants, and financial reserves. The intangible resources are less physic and consists of firm reputation and technology, human resources, as well as culture, training, employee expertise and firm loyalty. As these resources are not valid on their own, one must analyse the firms' capabilities combined. Russo and Fouts (Russo & Fouts, 1997) considered resources and capabilities in the following combinations:

1. Physical assets and the technologies and skills required to use them.

2. Human resources and organizational capabilities, which include culture, commitment, and capabilities for integration and communication
3. The intangible resources of reputation and political acumen.

Some of the first resource-based theory used to evaluate the environmental policies and strategies concentrated on the firm's internal analysis (Porter M. , 1991). Though in 1995, Hart expanded the resource-based view of the firm to also include the opportunities and constraints offered by the biophysical environment (Hart, 1995). He linked the imperative of capturing a competitive advantage with the goal of enhancing and securing the social justice. In his theory, external stakeholders play an important role in moving corporations towards sustainability, as social demand determines what will be valuable and inimitable. Put into the context of this study, it can be true when society is demanding a cleaner environment.

In context of the study, two modes of environmental policies advanced by Heart (1995), should be kept in mind. First, is the short termed based compliance strategy, which is an ‘end of pipe’ approach. This strategy often resist the enactment and enforcement of environmental legislation, with its short-term approach. The other mode goes beyond the compliance, and puts focus on prevention. This approach targets a source reduction and process innovation (Hart, 1995). In the position of this study, firms that lean towards the agreement mode will have a tendency to differ in their resource bases compared with those who lean towards prevention. This choice will affect the firms profit generation ability.

In our study we are using the same combinations of resources and capabilities as Russo and Fouts, as it is still applicable today, twenty years later. The main difference is that we are only focusing on one industry in our research.

2.4.1 Corporate environmental performance and profitability

2.4.1.1 Physical assets and technology

The resources and capabilities necessary to implement an environmental policy vary a lot, depending on whether a firm goes beyond compliance to embrace pollution prevention. The end-of-pipe’ strategy only affects physical asset resources, consisting of the firms ‘physical technology’, plant, equipment, geographic location, and its access to raw materials (Barney J.

, 1991). The approach is primarily achieved by filtering or pollution-removing devices (Sparepart, strømforbruk osv.). This does not require advanced skills or expertise in managing the firm. Said in other words, the technology is self-contained. This does not change the firm's production, leaving the firm with the same resources and capabilities as before (Groenewegen & Vergragt, 1991). The second approach goes beyond compliance, focusing on prevention. This model includes process innovation and source reduction. When a productive environmental policy is implemented in a firm, there is a likelihood of installation and acquisition of new technology implemented in the firm. Physical resources which surpass the competitors equivalent, can give a competitive advantage. From a resource-based perspective, a physical asset itself cannot produce premium profit when bought from a third party, as this technology presumably is available to competitors as well. But if advanced physical assets are used so they improve the firm's internal methods to reduce waste and provoke efficiency, these are less tangible advantages, and are therefore harder for the competitors to copy. These cryptic, internal methods are central to the resource based view of competitive advantage. (Reed & DeFillippi, 1990). Knowledge of this reduces the risk factor of environmental accident being connected to the corporation (Groenewegen & Vergragt, 1991). Russo and Fouts see that firms that leaning towards the compliance mode will differ in their resource base compared to those tending towards prevention, which again will affect a firm's ability to generate profit (Russo & Fouts, 1997).

2.4.1.2 Human resources and organizational capabilities

To ensure a good environmental performance for a firm, it requires a fundamental shift in the firm's culture, human resource and the organizational capabilities required to manage them. For a good and lasting effect from environmental performance, the whole firm; management, R&D, production and marketing must be involved and committed (Hart, 1995). The shift towards use of clean technology also requires increased skills and complexity to production (Groenewegen & Vergragt, 1991). This makes the prevention model more comprehensive than the compliance-model as it includes employee involvement, cross disciplinary coordination and integration, and a forward-thinking management (Shrivastava, 1995). If a firm has a big focus on the environment, it can be expected to become a part of the organizational image and identity. An example of this is Stella McCartney and her focus on being sustainable through refusing to use animal products and. A moral position such as that is expected to influence the policies in human resources, which can influence job design, recruitment and selection, and the systems for training and development. (Starik & Gordon,

1995). A challenge in the world of luxury design lies in the design process. Learning, and giving the designers enough resources and knowledge to design more sustainable products, at the same time as it does not affect the quality, uniqueness and characteristics of the brand.

2.4.1.3 Intangible resources

The most important intangible factor that will advocates a better environmental performance and improve company profits, is reputation. In the luxury sector reputation is alfa omega. It is a small industry measured in revenues, but one of the biggest by brand value (Kapferer & Bastien, 2012). A bad reputation can therefore ruin years of brand value for a corporation. For that reason, it is very important that they constantly manage their reputation.

Customers with knowledge regarding the environment and recycling, are influenced in their purchase of companies' products (Rodrigues & Borges, 2015). In most industries, a good reputation for environmental affairs will lead to increased sales among customers sensitive to these issues. Customers in the luxury sector have developed an expectation of sustainability as a quality when buying luxury products (Kapferer & Michaut, 2015). Findings suggests that sustainability has become an implicit need in luxury products without previously been expressed as one. Achabou and Dekhili's (2013) study on the match of sustainability and luxury found that the luxury consumer is reluctant towards buying recycled luxury products, as it is not associated with prestige. The customers are also only interested in buying environmental-friendly clothing if the intrinsic quality attributes, such as colour and style, are equal to those of conventional products. These are therefore elements that should be taken into consideration, within environmental management. It should also be said that customers do not always talk and act the same way. Most consumers are showing an increasing awareness in sustainability, but research has showed that when offered the alternative of sustainable products, they end up buying the cheapest, this is called the behavior challenge (Riple, 2010). The situation would be somewhat different in luxury purchase as they are already willing to pay a high price premium.

Kapferers (2015) result on customer's relationship with sustainability shows that there is a high risk for brands that ignore these requirements. This is very important for brands who are being increasingly subjected to criticism due to their visibility. Within the ages of social media there is a short distance from success to disaster (Belbey, 2015). It is therefore critical to tighten the gap between expectations and reality to preserve the reputation, or even maintaining their licence to operate. Many luxury brands do take environmental challenges

serious, and are taking many measures to become more sustainable, but they do not talk about their actions (Kapferer & Bastien, 2012). This shows that even if there is not as many benefits of being sustainable as in other industries, there are even larger pitfalls. As luxury brands are built on reputation, they have the risk of going under if they do not take actions of being sustainable. An overall good performance of corporate social responsibility performance, including environmental actions, could be associated with an even better profitability as more of the company's actions are taken into consideration

Summed up, a resource-based analysis of the link between environmental performance and economic performance leads to our first hypothesis:

Hypothesis 1: High levels of environmental performance will be associated with enhanced profitability.

Whilst a resource based analysis of the link between corporate social responsibility performance and economic performance lead to our second hypothesis.

Hypothesis 2: High levels of corporate social responsibility performance will be associated with enhanced profitability.

3 Data

3.1 Selection

In most industries, there is been a trend of concentrated sectors being able to benefit from size, through creating major groups. The luxury industry is no exception. In 1987 leather company Louis Vuitton merged with champagne and cognac house Moet Hennessy, creating LVMH. Today being the world's leading luxury conglomerate, consisting of more than seventy brands. Recently, wood and retail conglomerate, PPR, purchased the luxury brand Gucci Group, with the goal of becoming the second largest luxury group.

Because most of the largest brands are in groups, we have decided to use the largest groups in our research. Another reason to study the groups, is the lack of financial information on brand level (Kapferer & Bastien, 2012).

We selected luxury groups based on Deloitte's *Global Powers of Luxury Goods 2016 Disciplined innovation* report (Deloitte, 2016). In this report, they listed the top hundred luxury goods companies. Due to our limitation of the study, only looking at luxury fashion brands, we excluded groups licenced in fragrance, beauty and cosmetics, jewelry and watches. We wanted to focus on the largest groups, so we ended up with a list of twenty different luxury goods groups all performing in the personal luxury goods market. The size and ranking are showed in the table below, as well as their environmental ranking from CSRHUB. Due to missing information on the environmental rankings we had to exclude these from our analysis, leaving us with thirteen different luxury groups. A reason for this is either lack of transparency or not enough information to establish a good analyse and ranking. The missing information is also a reason why we did not want to include more groups.

We also had to exclude Christian Dior couture from our research. This because Dior is a part of the LVMH group. At the same time, Dior owns over one third of the stocks in LVMH through Frananciere Jean Goujon H, who again is owned by the Arnault Family Group (The Fashion Law, 2015). This leads to confusion reporting on group level, as both LVMH and Christian Dior couture both have a revenue close to 38 billions. We therefore choose to focus on LVMH, as they hold Christian Dior, and their revenues.

Nr.	Luxury goods sales ranking FY2014	Company name	Selection of luxury brand	Country of origin	FY 2014 luxury goods sales (US\$m)	CSRhub ranking
1.	1.	LVMH Moët Hennessy-Louis Vuitton SA	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Donna Karan, Loewe, Marc Jacobs	France	23,297	64
2.	2.	Compagnie Financiere Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, FWC, Piaget, Chloé, Of cize Panerai	Switzerland	13,217	63
3.	6.	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Botani, Pomellato, Girard-Perregaux, Ulysse Nardin	France	8,984	67
4.	9.	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Black Label, Double RL, RLX Ralph Lauren	US	7620	47
5.	10.	PVH Corp.	Calvin Klein, Tommy Hilfiter	US	6,441	58
6.	12.	Hermès International SCA	Hermès, John Lobb	France	5,475	54
7.	15.	Prada Group	Prada, Church's, Car Shoe, Miu Miu	Italy	4,662	55
8.	16.	Michael Kors Holdings Limited	Michael Kors, MICHAEL Michael Kors	Hong Kong	4,371	41
9.	18.	Coach, Inc.	Coach, Stuart Weitzman	US	4,192	55
10.	19.	Burberry Group plc	Burberry, Burberry Brit, Burberry London, Burberry Prorsum	UK	4,072	60
11.	20.	Hugo Boss AG	BOSS, HUGO, BOSS Green BOSS Orange	Germany	3,418	61
12.	21.	Giorgio Armani SpA	Giorgio Armani, Emporio Armani, Armani, A/X Armani Exchange	Italy	3,387	-
13.	24.	Puig, S.L.	Carolina Herrera, Nina Ricci, Paco Rabanne, Jean Paul Gaultier, Penhaligon's; Licensed fragrance brands	Spain	2,193	-
14.	27.	Christian Dior Couture SA	Christian Dior	France	2,124	61
15.	28.	ÖTB SpA	Diesel, Maison Martin Margiela, Viktor&Rolf, Marni	Italy	2,069	-
16.	33.	Max Mara Fashion Group Srl	MaxMara, SportMax, Marina Rinaldi, Max & Co, PennyBlack	Italy	1,778	-
17.	34.	Salvatore Ferragamo SpA	Salvatore Ferragamo	Italy	1,756	-
18.	35.	Ermenegildo Zegna Holditalia SpA	Ermenegildo Zegna, Z Zegna, Zegna Sport	Italy	1,709	-
19.	38.	Dolce&Gabbana S.r.l.	Dolce&Gabbana	Italy	1,381	-
20.	39.	TOD'S SpA	Tod's, Hogan, Fay	Italy	1,297	37

Table 2 Data selection

All financial data is collected from company reports, both annual and quarterly, published by the groups. We met some obstacles in the data collection due to different reporting standards. Most groups use standard year to year reporting (1. jan - 31. dec): LVMH, Kering, Hermès, Hugo Boss and TOD's. The American groups used the typical 52 or 53 week fiscal year, no standard end date. Due to this we calculated the revenue, net income and assets to 31 of December as end of the year for both Ralph Lauren and Coach. Except PVH corporation who used 31 of January. We choose to use this reporting, as there were no data available to calculate it backwards to December. We also had the same situation with Italian Prada group. Michael Kors fiscal year ended in march, so we calculated it backwards to December. Because of reporting standards there were no information to gain on quarterly reports in Swiss Compagnie Financiere Richemont SA and British Burberry group plc. We therefore had no

other choice than to use the end of March as their fiscal year ended. This will therefore be a minor error source in our data. We could choose to look away from it, but do not see it as a significant error as we use the data in ratios.

We collected the corporate social responsibility ratings from an internet based ranking site, called CSR Hub, providing sustainability management tools (CSRHub). This site is rates 17,267 companies from 133 different countries, driven by 525 industry-leading CSR/ESG data sources, providing a transparent rating system. This data provides a rating on environment, governance, community and employees, and together creating the corporate social responsibility rating. With full access, we were provided with information from 2008, for most firms. Prada had some missing information on 2011, which we calculated from the existing data. Michael Kors only have data from the last three years, so we used a mean calculation from the other firms with similar ranking and size.

We decided to use a data period of five years, so we could test for changes over time, and ended up with a dataset from 2011 to 2015. With this time period we could test for the effect in a period where environmental and CSR focus in the industry became more and more relevant. We chose to change the CSR ratings scale from 1 to 100 into 1 to 10, for more standardized data.

4 Methodology

4.1 CSRHub

4.1.1 The CSRHub Ratings Methodology

We used CSRHub for our environmental ranking (CSRHub, 2017). CSRHub is a tool providing access to governance, community, environmental and employee rating on the largest companies in Asia, Europe and North America. This web based tool, combines data from non governmental organizations, governmental agencies, social networks groups, and other analysis firms known as Environmental, Social and Governance. This results in an information pool of more than 113 million pieces of data, on sustainability and corporate

social responsibility. The hub was created to help customers, businesses, researchers and investors to discover company performance beyond the financials, on a sustainable, social responsible level.

When collecting data the hub has to tackle several different methodology challenges:

1. The sources track different topics in different ways
2. The sources have their own rating and measurement methodology
3. Each source track different universe of companies
4. Company performance challenges over time, long reflection time
5. Some sources rate company subsidiaries or individual products. While CSRHub gives ratings on parent level of a company.

To cope with the biases and inconsistencies listed above CSRHub:

1. Maps a central schema. The Corporate Social Responsibility performance is divided into twelve subcategories. If the information does not fit into the system it is listed as a *Special Issue*.
2. Convert to a numeric scale, 0 to 100.
3. Normalize. Adjust for variations between sources to create a more bias free and consistent rating.
4. Aggregate. Each source is weighted based on credibility and value, and aggregated on subcategory and category level.
5. Trim. Companies without enough information is dropped. Today this is about 100,000 potential companies. As listed below, there is missing information on some of our research firms, and we therefore had to exclude them.
6. Each rated company is researched and attempted determined in which industry it participates in. This is to create company and country averages.

The CSRHub Data Schema

When the data is analysed it is divided into different subgroups and categories. The four main categories is *Community, Employees, Environment* and *Governance* (CSRHub, 2014). These are again divided into three subcategories, making in total twelve subcategories. As this is described in the corporate social responsibility section in our theory, it will only be briefly explained in this section.

Community is divided into the subcategories of community development and philanthropy, human rights and supply chain, and product. Next, employees consists of compensation and benefits, diversity and labour rights, and training, safety and health. The third main category, environment, is split into energy and climate change, environmental policy and reporting, and resource management. Last is the governance category, consisting of board, leadership ethics and leadership and reporting.

4.1.2 How CSRHub generates a score:

1. Aggregate a wide variety of data sources
2. Normalize data
3. Run searches with CSRHub's tools.
4. Use the results
5. And dive deeper

The companies get ratings on all four levels, creating the final score. The four categories are weighted differently. An average user is weighted with community of 2.6, employees 2.8, environment 3.7 and governance 2.9. This makes the environmental rating the strongest, and most important.

4.2 Russo & Fouts

We are basing our methodology on Russo and Fouts study *A Resource-based Perspective on corporate environmental performance and profitability* from 1997 (Russo & Fouts, 1997). This study uses the theory of the resource-based view, explaining how firms internal and external resources can create competitive advantages. This tool can therefore be used to analyse how the corporate social policy can influence the bottom line. Primarily the resource-based view focus firmly on the performance, as a key outcome variable. It also recognizes the importance of intangibles such as; corporate culture, reputation and know how. This offer a significant opportunity, that this study might help us exploit, as we are trying to find a relationship between the environmental performance and economic performance.

Russo & Fouts made a model where they used return on assets as their dependent variable, and environmental ratings as their independent variable (Russo & Fouts, 1997). They based their control variables on seven variables, that have been the most used in previously studies of performance (Capon, Farley, & Hoenig, 1990). These were; industry concentration, firm growth rate, firm size, capital intensity, research and development intensity, advertising intensity, and market share. The final variable being used was industry growth rate, working as a moderating variable with environment.

We are basing our analysis on Russo and Fouts' study, and are working from their variables (Russo & Fouts, 1997). In the original study they used return on asset as their dependent variable, and environment performance as their independent variable. As there are other variables affecting the performance of the companies, they also use control variables. They ended up using industry concentration, based on the four-firms concentration ratio; firm growth rate, using change in sales, firm size, as the natural logarithm of sales volume, capital intensity, asset over sales, and advertising intensity (annual expense over firm size). In their second hypothesis they stated the moderating effect of industry growth, and therefore used industry growth rate as a moderating variable.

We had to do some testing before we ended up with our final dependent variable. First we tested for the same variables as Russo and Fouts. This did not give good results as the financials of the industry were are studying did not apply with the variables. As explained earlier, is the luxury industry extremely volatile. Some of the variables therefor do not move as expected or as we want them to. There are also big differences in total assets for the firms, giving new established successful firms a very high return on asset, as their asset values are considerably low. For this reason, we had to do some tests to find a fitting variable for this industry. We tried for different profitability measures to find a solution for this, and experienced that we had the same error for both profit margin and return on equity. Next we tried for the price-earnings ratio as the dependent variable for profitability. This is the only profitability measure that catches the entire firm value as most of its assets, brand value, is not listed in the balance sheets. We used the price at 31st of December, as this was the end of our fiscal years. By using this profitability measure as our dependent variable, we did not get a good result, as this was the most volatile variable so far. We therefore ended up with using net income as our base for the profitability measure. In the reports published by Deloitte and Bain

& company, sales numbers and net income were used when ranking the most profitable luxury brands. Operationally, this variable was defined as the natural logarithm of the net profit.

In the first hypotheses are we using the environmental rankings as our dependent variable. For the second hypothesis are we including other aspects than only the environmental factor, and are using corporate social responsibility ranking as the independent variable. Data from both variables are collected from the CSRHub.

We also had to do some adaptations to the original control variables. In our study, we are only focusing on the luxury fashion industry. Using industry concentration as a control variable will therefore have little effect as it is constant for all the brands, this variable is therefore excluded. We are also excluding industry growth, as this variable is also a constant. Additionally, this variable is not of interest for us as we are not testing for the moderating effect between industry growth and environmental performance.

We choose to keep some of the original control variables, but had to do some adjustments due to the movement in the industry and the use of a different dependent variable. The purpose of using control variables in a regression analysis is to rule out the possibility that the relationship is due to a third variable excluded from the analysis. When choosing our control variables, we therefore had to focus on variables that could possibly explain the dependent variable, profitability. Firm growth rate would therefore still be a good variable as it explains partly the reason for a higher or lower profit. This variable is defined as the percentage yearly change in sales. We excluded capital intensity as this variable was not significant, and therefore had little meaning for the dependent variable. We choose to keep advertising intensity, as it is an important part of the strategy, building a luxury brand. This variable is defined as annual advertising expense over firm size. Instead of using firm size (ln sales volume) as a control variable, we choose to use profit margin as a control variable explaining the relationship between net income and sales.

In their original list of control variables, they were also including research and development intensity and market share, but excluded them due to missing data. We had access to the market share information for our firms, and decided to use this as a variable as it helps explaining the dependent variable, as well as being significant in the trial regression. Research

and development numbers were not available, and this variable was therefore not included in our study. The multiple regression can be viewed in the formula below.

$$Y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \beta_3 x_{i3} + \beta_4 x_{i4} + \beta_5 x_{i5} + \varepsilon$$

Formula 1

Dependent variable (Y_i) – Profitability

Independent variable (x_{i1}) – CSR / Environment

Control variable (x_{i2}) – Firm growth rate

Control variable (x_{i3}) – Market share

Control variable (x_{i4}) – Advertising intensity

Control variable (x_{i5}) – Profit margin

Explain that we tested for stepwise in SPSS to find the most fitting variables.

5 Results

In this section of the paper the results are presented. All tables are from the output of the multiple regressions are done in SPSS.

5.1 Environmental Performance

Descriptive statistics for hypothesis number one appear in the table below (Table 3). The fourth table shows the correlation matrix, consisting of the correlation between all the variables. For this study the first two columns are the most interesting as they show us the correlation between the dependent variable, profitability, and the other variables. Looking at the correlation we can see that firm growth rate has a negative relationship with the profitability. Before we did the test we expected the variable to be weighted positively, as it did in the study of Russo and Fouts. But in our results, firm growth rate has a negative impact on the dependent variable. Looking closer on the dataset we can see that the numbers are shifting a lot from year to year (Appendix). This together with the general volatility in the industry might be the reason for this result. The value of the correlation is not high enough for there to be a correlation between the two variables. Market share, on the other hand, has the highest correlation of all the variables, with a value of 0,788. Profit margin shows the lowest

value of the variables, which can be viewed as statistically correlated, with only 0,375. This level of correlation can be viewed as low to moderate, meaning that the control variable only has a small effect on the dependent variable. The last control variable, advertising intensity, also has a correlation with profitability with a strongly moderating value of 0,476. Finally, we can see that there is a correlation between the profitability variable and the environment variable. The results show a strongly moderate correlation of 0,457 supporting the first hypothesis.

Descriptive Statistics

	Mean	Std. Deviation	N
Profitability	6,32333310	,945980693	60
Firm growth rate	11,9349369	15,2625089	60
Market share	3,04482523	3,37984160	60
Advertising intensity	5,10837056	2,29395736	60
Profit Margin	13,6812581	5,01054167	60
Environment	5,150	,8516	60

Table 3 Environment: Descriptive Statistics

Correlations

		Profitability	Firm growth rate	Market share	Advertising intensity	Profit Margin	Environment
Pearson Correlation	Profitability	1,000	-,145	,788	,476	,375	,457
	Firm growth rate	-,145	1,000	-,082	-,155	,210	-,149
	Market share	,788	-,082	1,000	,795	-,069	,496
	Advertising intensity	,476	-,155	,795	1,000	-,163	,513
	Profit Margin	,375	,210	-,069	-,163	1,000	-,207
	Environment	,457	-,149	,496	,513	-,207	1,000
Sig. (1-tailed)	Profitability	.	,134	,000	,000	,002	,000
	Firm growth rate	,134	.	,266	,119	,053	,128
	Market share	,000	,266	.	,000	,300	,000
	Advertising intensity	,000	,119	,000	.	,106	,000
	Profit Margin	,002	,053	,300	,106	.	,057
	Environment	,000	,128	,000	,000	,057	.
N	Profitability	60	60	60	60	60	60
	Firm growth rate	60	60	60	60	60	60
	Market share	60	60	60	60	60	60
	Advertising intensity	60	60	60	60	60	60
	Profit Margin	60	60	60	60	60	60
	Environment	60	60	60	60	60	60

Table 4 Environment: Correlation Matrix

When we did the linear regression analysis we used SPSS's enter option for the variables. This means that all the variables were included when doing the analysis. In Table 5 below we can see the R². This number explains how much of the dependent variables is explained by the independent variable and the control variables. Here we can see that the number is very

high as it is close to 1. Most of this might be explained by the control variable market share, as it had such a high correlation. When we did the stepwise entering of the models in the trial analysis's, we could see that this number got higher the more variables the model included. Here all the variables are included in the R².

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,954 ^a	,910	,901	,297174281

a. Predictors: (Constant), Environment, Firm growth rate, Profit Margin, Market share , Advertising intensity

Table 5 Environment: Model Summary

In the last table of the analysis of hypothesis 1, table 6, we can see the constant, beta values for all the variables and the significance level. This table shows us that the analysis is significant for all the control variables and the independent variable, with a significant level below 0,001. This is good results for our study. Together all the tables show good results that has a significant correlation for three of the four control variables and the independent variable, supporting our first Hypothesis.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,911	,311		12,563	,000
	Firm growth rate	-,012	,003	-,187	-4,427	,000
	Market share	,280	,019	1,000	14,468	,000
	Advertising intensity	-,160	,029	-,389	-5,539	,000
	Profit Margin	,088	,008	,467	10,894	,000
	Environment	,255	,055	,229	4,668	,000

a. Dependent Variable: Profitability

Table 6 Environment: Coefficients

5.2 Corporate social responsibility performance

To test for hypothesis 2, we had to do a new multiple regression analysis. As it is only the independent variable that is different in this analysis most of the descriptive in Table 7 are the same as in table 3. The mean of the CSR performance is somewhat lower than the environmental performance, 5,150 < 5,220. We can also see that the standard deviation for the environmental performance is higher than for CSR, 0,8516 > 0,7772. This means that there is a bigger leap between the performances on environment than it is on corporate social

responsibility. This might be because the corporate social responsibility performance is more complexly put together, as it also considers the impact on community, employees and government, not only environment.

Descriptive Statistics

	Mean	Std. Deviation	N
Profitability	6,32333310	,945980693	60
Firm growth rate	11,9349369	15,2625089	60
Market share	3,04482523	3,37984160	60
Advertising intensity	5,10837056	2,29395736	60
Profit Margin	13,6812581	5,01054167	60
CSR	5,220	,7772	60

Table 7 CSR: Descriptive Statistics

In table 8 we can view the correlation matrix for Hypothesis 2. We can see that the control variables are the same as for the analysis on hypothesis 1. It is therefore most interesting to look at the correlation between the dependent profitability variable and the independent corporate social responsibility variable. The table shows a correlation of 0,467, which means that the two variables have a strong moderate correlation. This finding supports the second hypothesis, that there is a link between the two variables. It should be stated that this correlation is somewhat higher than the first analysis, where environment was used as the independent variable.

Correlations

		Profitability	Firm growth rate	Market share	Advertising intensity	Profit Margin	CSR
Pearson Correlation	Profitability	1,000	-,145	,788	,476	,375	,467
	Firm growth rate	-,145	1,000	-,082	-,155	,210	-,186
	Market share	,788	-,082	1,000	,795	-,069	,511
	Advertising intensity	,476	-,155	,795	1,000	-,163	,479
	Profit Margin	,375	,210	-,069	-,163	1,000	-,264
	CSR	,467	-,186	,511	,479	-,264	1,000
Sig. (1-tailed)	Profitability	.	,134	,000	,000	,002	,000
	Firm growth rate	,134	.	,266	,119	,053	,077
	Market share	,000	,266	.	,000	,300	,000
	Advertising intensity	,000	,119	,000	.	,106	,000
	Profit Margin	,002	,053	,300	,106	.	,021
	CSR	,000	,077	,000	,000	,021	.
N	Profitability	60	60	60	60	60	60
	Firm growth rate	60	60	60	60	60	60
	Market share	60	60	60	60	60	60
	Advertising intensity	60	60	60	60	60	60
	Profit Margin	60	60	60	60	60	60
	CSR	60	60	60	60	60	60

Table 8 CSR: Correlation Matrix

In table 9 we can see the R² for the environment analysis. Because the correlation between profitability and environmental rankings was somewhat lower than for the corporate social responsibility performance, the R² is higher for this analysis. There is a very little difference between the two R²'s, 0,911 > 0,910.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,954 ^a	,911	,903	,295059278

a. Predictors: (Constant), CSR, Firm growth rate, Profit Margin, Advertising intensity, Market share

Table 9 CSR: Model Summary

In the final table from the analysis we can see the constant, beta values and the significance level for hypothesis 2. We can see that there are some changes in both the constants and the beta values compared with the analysis for hypothesis 1. The most important thing we draw out of this table is that this test also shows good significant values, with all variables having a significance of under 0,001. This means that the analysis also supports for the second hypothesis.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,623	,357		10,144	,000
	Firm growth rate	-,011	,003	-,178	-4,226	,000
	Market share	,271	,020	,967	13,778	,000
	Advertising intensity	-,146	,028	-,355	-5,162	,000
	Profit Margin	,091	,008	,484	11,194	,000
	CSR	,289	,060	,237	4,783	,000

a. Dependent Variable: Profitability

Table 10 CSR: Coefficients

The test was also done using dummy variables, but as it had not significant effect it was not included in the results.

6 Discussion

Our motivation for this study was at first the interesting dynamics of the luxury industry. It is a complex sector which stands out from others with its anti-marketing laws, business model and strategy. Whilst doing research on the luxury industry, we came across many articles of luxury in regards to sustainability, with both negative and positive outlooks. As sustainable

development is such an important topic in the world today, with more and more businesses prioritizing it, we thought it would be a relevant topic for our thesis. And it would be interesting to write about its connection to the luxury industry.

Results from our analysis found there was a positive link between our dependent and independent variables. In the first part of the analysis, testing the effect a firm's environmental performance had on its profitability, results showed a good to moderate correlation between the two. This indicates a positive relationship between the environmental performance and the bottom line. As this study has had a positive result on profitability and environmental performance in other industries before, it was interesting to see that it also was relevant within the luxury fashion industry. From qualitative theory we found studies stating that luxury was perceived as quite remote from sustainable. However, we also found literature stating that sustainability and luxury were a good match. It was therefore interesting find that our quantitative study showed a positive link.

Luxury expert Kapferer has written many books and articles on how luxury and sustainability can coexist (Kapferer, 2015). He states that even if luxury is associated with an indulgent and opulent lifestyle, there are many similarities between the luxury strategy and a sustainable way of living. Being sustainable means that you should buy long lasting, durable products and not exploit resources. The luxury industry focuses on producing high quality timeless products, and to avoid loss of rarity they should be sold in low quantities (Kapferer & Bastien, 2012). This belief makes luxury and sustainability compatible. It is important to understand that there is a difference between a luxury lifestyle and luxury products. It is the lifestyle that is incompatible with sustainability, not the products. This supports our findings, and might be a reasons for why environment engagement can lead to profitability, as they already coexist.

Next, many surveys have found that customers do not think that luxury products should be sustainable. (Achabou & Dekhili, 2013). The reason for this can be that they do not want to ruin their dream of luxury, by thinking of the environment (Kapferer & Michaut-Denizeau, 2014). A different aspect is that quality is seen as the essence of luxury. Customers have a way of believing that sustainable products cannot be of extraordinary quality, as most products that being presented to us as sustainable are drab and nondescript, made of recycled materials which is considered to reduce their quality (Achabou & Dekhili, 2013). But sustainability is much more than recycled clothing and organic materials. A company which

takes sustainability seriously needs to be sustainable throughout their whole value chain. Many luxury brands choose not to advertise their environmental work, as they wish the focus on their brand to be directed towards their quality and rarity, and not sustainability. However, looking at global rankings of environmental companies (Essdras, 2016) we find many of the big luxury conglomerates to be quite well ranked. Studies are also revealing that customers take sustainability for granted when they buy luxury products, due to their high price premiums. This translates that even if sustainability is not a big topic in luxury, it is important for the companies to include it in their strategies to avoid tarnishing their reputations, and the harm it can cause their brand image.

As explained above, luxury companies consist of very high brand values. A bad reputation can therefore do great damage to their values and further existence (Chevalier & Mazzalovo, 2008). Our findings from the analysis support this, as a bad performance on environmental issues could harm the brand and affect their profit margins. This can give competitive advantages for the groups that perform better on sustainability, reducing their risk of destructing brand value. It is also important for the brands to consider future changes in customer preferences (LVMH, 2017) in regards to sustainability engagement. Being ahead of the situation gives the company the opportunity of being innovative, and gaining first move advantages. This way they can secure their reputations and resources.

The second part of our analysis, consisted of testing for the effects corporate social responsibility performance could have on the performance of the studied groups. The results showed an even higher significant correlation than for the first test, which only used environmental performance. It should be mentioned that it was only marginally higher, and for that reason we should not put as weight on it.

This finding suggests the importance of focusing on all the aspects of corporate social responsibility performance, not only the environment. This means that brands focusing on all the aspects can gain a higher advantage than those who only focus on one or a few. Performing well on environmental ratings is of little worth if working conditions are revealed to be of poor standards. Firms wanting to score high on sustainability matters should therefore focus on more than just environmental performances. Most groups in this study have generated similar scores on both performances. This might be an indicator that firms who

perform well in on one aspect of sustainability, often generate high scores on the other. This is of course not guaranteed, but can be an interesting factor to consider further.

6.1 Limitations

This study can be viewed as somewhat narrow, as it only looks at the luxury fashion industry. As some of the companies did not have enough data on their sustainability performance for us to include them in our study, we ended up with a small sample size. Using more data could therefore increase the validity of the study, and reduce the chance of coincidences.

We had some problems finding control variables that measured what we wanted to control for. As the luxury industry is quite volatile, we had problems with getting the variables to measured the same thing at the same time. We therefore did not end up with the variables we at first wanted to use, as they resulted in errored results.

A different limitation to the study could be that we did not use enough control variables. Including all possible impacts that can affect the dependent variable is difficult. If we could control for more influencing factors, we could get a better quality of our analysis

6.2 Further research

We would like to point out some interesting topics that could be of further study within this research. As stated in limitations, we had a small sample size. It would therefore be interesting to not only include more companies of the luxury fashion industry, but include the luxury industry in its entirety. It would also be interesting to look at the single effects on performance the different sustainability components had.

We had some problems with some of our variables due to volatility, an idea of further research could therefore be to correct for these inconsistencies when performing the study by using more variables.

A different approach conduct the study would be to use the ISO 14000 standard as a basis, instead of the corporate social responsibility performance criteria from CSRHub.

7 Conclusion

The purpose of this study was to investigate if there are any benefits to being sustainable for luxury fashion brands. We found that the study was of relatively new interest, as the sustainability focus on luxury products has been of latent interest. There has been written some literature on the topic, arguing its relevance. We found that it was mostly qualitative studies done, and wished to carry out a more quantitative study of the concept. As there have been found positive effects from being sustainable in other industries, we wanted to perform a similar explorative study on the effects, focusing on the luxury fashion industry. We decided to base our study on Russo and Fouts analysis from 1997, using multiple regression to test for the effects of sustainability performance on the research groups performance. All data was collected from financial statements, for the period 2010-2015. As the luxury brands are gathered in groups, we ended up with a relatively small sample of twelve luxury fashion groups. We also had to take precautions for the differences in the luxury industry compared to the general market when constructing our variables. Part of the analysis was therefore composed of testing for the right variables.

In our analysis, we found that there was a positive significant correlation between the groups environmental performance and their profitability. This indicate a positive relation between the two variables. Discussing this in context with our theory of the subjects, we found that our results corresponded with much of the literature written, arguing that luxury and sustainability are a good match.

From our findings, we conclude that luxury fashion groups have nothing to lose from adopting environmental and sustainable practices. As the results show a positive relation between both environmental and corporate social responsibility performance, and profitability, there can be reason to believe that there is a competitive advantage of focusing on sustainability in the luxury fashion industry.

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Appendix

Reflection Note 1

By: Ida Charlotte Tyborgnes

We have written a master thesis on sustainability and luxury. Analysing if there were any positive relations between luxury fashion groups performance on sustainability, and their profits. We analysed for the effects by using the resource-based view to come up with variables for doing a multiple regression analysis. The results showed a positive correlation between our sustainability variables and the profitability variable. This indicated that there is competitive advantage of being sustainable, for luxury fashion brand.

Our topic can be viewed as relevant in context with international trends, as sustainability and luxury both separate and together actual in an international perspective. We chose to study this topic as it has a high actuality factor, in contrast with the climate changes we are facing, together with a society with higher demands. Studying how companies can benefit from taking sustainable actions can give us competitive advantages in future job contexts, as it is most likely an issue we will meet in our future careers. Every company have to deal with how they want to manage their environmental impact, as it concerns all aspects of the business industry. This means that even luxury must act. The luxury industry consists of some of the world's most known brands, making them role models for the whole world. It is therefore important that they can contribute of showing the way. Together with facing environmental changes, are we also living in a world who keeps increasing its consumption. These are important international trends that our thesis study.

The problems we are facing as a result to our environmental crisis, needs innovation. We need innovation to tackle the future challenges we are facings. Businesses can no longer operate by using old traditions. A god indicator of this happening, is the fact that luxury is managing is environmental impact. As it is known to be of little innovation, using the same strategies today as they did for over a hundred years ago. Luxury is experiencing a strategic shift in their management, forcing them to be innovative to stay relevant.

Our thesis topic has a direct relation to responsibility as it is part of it. It is a paradox that we are living in a world of environmental problems, but at the same time acts as if nothing is wrong. As our standards of living are rising, more of the population is requesting conditions leading to higher use of resources, damaging the earth further. It is therefore of high importance and time that we start taking our environment seriously. We need to take responsibility for our actions before it is too late. If we continue at the same pace, clean air and water will become a luxury for the average man, and not only the few unlucky. And this needs to start at a business level. No company can any longer ignore its impact and responsibility. It is therefore important that even when we want to be swept away by luxury, we are taking sustainable choices. The only way for this to work is if we are all in this together.

Thanks for my five years of education!

Best wishes,

Ida Charlotte

Reflection Note 2

By: Christina Lucy Farstad Cherrie

The title of my master thesis was *A resource-based view on corporate environmental performance and profitability in the luxury fashion industry*. The purpose was to analyse if there is a positive relation between environmental performance and profitability performance and of corporate social responsibility (CSR) performance and profitability performance, and if this could be applicable in the luxury fashion industry. The luxury fashion companies we chose, were the highest ranked for sustainability, in Global Newsweeks' *Top Green Companies of the world*. We chose to use the luxury groups in personal luxury goods instead of brands, as most luxury brands are owned by a larger group. Financial data is also mostly available for the groups. The chosen groups were then compared on CSRHub. An independent, global ranking tool, critiquing in regards to, community, governance, employee and environmental performance. Some brands needed to be excluded, due to a lack of information. Because the luxury groups are from different countries, many had different fiscal years. Their financials needed to be made compatible, but the Swiss companies proved difficult. We used a multiple regression analysis in SPSS, which concluded with a significant correlation between the performances. And though there is not any concrete data of luxury fashion's compatibility in regards to sustainability, there is much theory research stating they are a compatible subject.

The luxury industry is a world-wide sector, with a high growth. This is due to fast media powers, increased accessibility of luxury and the growing middle-class. The BRIC-countries of; Brazil, Russia, India and China, and the CIVETS-countries; of Columbia, Indonesia, Vietnam, Egypt, Turkey and South-Africa, are the source of luxury's growth. Though luxury brands production and main operation are closely tied to their country of origin, they are required to have shops all over the world. Sustainability itself is a world-spread trend, which is of importance to all the worlds populace. There are numerous international conventions in place to ensure sustainable management, showing its relevance.

Sustainable development can be innovative in numerous ways. It is a driving force behind new business practices, strategies and models, and the inclusion of it in a business value chain can give innovative opportunities cut costs and increase value. New technology is constantly being made, inspired by innovative sustainable solutions. It is a common belief that all

industries must adapt to sustainable development measures, if perceived environmental problems continue worsen, and mankind need to develop lasting strategies. Also, luxury is a industry dependant on rare resources, and will need to develop innovative strategies for the future to secure them, utilize them more efficiently, and alternatives.

Our thesis literally about environmental and corporate social performance. Measuring if incorporating these concepts into a business can yield a quantifiable value. Proving this gives businesses, not just those in the luxury fashion industry, incentives to adhere to the concepts, which would hopefully result in an increase of business incorporating these issues in their strategic agenda. There are some businesses in the world who ignore these issues. However, with the continued awareness due to media attention, most industries will hopefully realise the importance of the ethical need to be sustainable. The importance of sustainable development as an ethical choice and a tool for resource and reputation management, could be a relevant topic to teach at the business school of the University of Agder.

Thanks for my five years of education!

Best wishes,

Christina

Dataset

Company	Year	ROA	CSR	Environment	Firm growth rate	Advertising intensity	Firm size	Capital intensity	Industry concentration	Market share
LVMH	2015	6,4399845	6,3	6,5	16,40446504	11,26345895	10,4818971	1,615102064	26,974032	14,09644269
LVMH	2014	10,312403	6,1	6,7	5,5900193	11,37149945	10,3299963	1,741693322	26,852634	13,67767857
LVMH	2013	6,48142908	6	6,1	3,73972113	11,40749931	10,2756027	1,936035291	27,431789	13,31009174
LVMH	2012	7,0645504	5,9	5,3	18,22139566	11,71612442	10,2388878	1,782266714	26,048915	13,19339623
LVMH	2011	13,0112708	5,9	5,7	16,43208661	11,45864153	10,0714989	1,991335221	24,682604	12,32239583
Richemont	2015	10,9772027	6,1	6,4	6,397694524	5,3203155	9,31253588	1,816991694	26,974032	4,377865613
Richemont	2014	7,33611967	5,7	6	-2,244342192	5,2810581	9,25052216	1,964457253	26,852634	4,647321429
Richemont	2013	13,5919776	6,1	5,9	4,916256158	5,0529554	9,27322127	1,494788243	27,431789	4,884862385
Richemont	2012	15,2761905	5,5	5,3	14,46938085	4,8338879	9,22522898	1,428275862	26,048915	4,787735849
Richemont	2011	14,3616525	5,5	5,5	28,65641323	5,1967235	9,0900918	1,325476486	24,682604	4,618229167
Kering	2015	2,88803453	6,6	6,9	15,40921544	5,150981509	9,35739738	2,058907823	26,974032	4,578735178
Kering	2014	4,46372168	6,3	6,5	2,96561487	6,20373599	9,21408336	2,316702366	26,852634	4,481026786
Kering	2013	3,58455749	6,2	5,7	0,124277189	5,505518854	9,18485845	2,339953223	27,431789	4,471743119
Kering	2012	5,40885038	6	5,5	20,76330576	3,330834095	9,18361645	2,594055237	26,048915	4,59259434
Kering	2011	4,13911453	6,3	6,4	-26,7582987	5,168500304	8,99495415	3,095121739	24,682604	4,199114583
Ralph Laure	2015	7,55341796	4,3	4,9	-2,407261247	3,706699016	8,82954774	0,854697399	26,974032	2,700867889
Ralph Laure	2014	11,7884212	4,3	4,7	5,199064528	3,367534859	8,74574437	0,834254144	26,852634	2,805307688
Ralph Laure	2013	12,991376	4,6	4,8	4,359944544	3,00291989	8,56754731	0,838603435	27,431789	2,412026236
Ralph Laure	2012	13,2622022	4,3	4	3,915359796	3,076078794	8,56615687	0,792732944	26,048915	2,476844815
Ralph Laure	2011	12,7681396	4,3	4,1	19,62121892	2,88136865	8,54508523	0,799354693	24,682604	2,677824651
PVH Corp.	2015	5,31938126	5,8	5,6	-2,680434888	4,695584953	8,90747929	1,333665823	26,974032	2,919769609
PVH Corp.	2014	3,91866253	5,9	5,4	0,669402912	4,666796098	8,82647896	1,313510168	26,852634	3,041186755
PVH Corp.	2013	1,48648439	6,2	5,9	35,46913785	4,794537284	8,6922944	1,414003713	27,431789	2,732492642
PVH Corp.	2012	5,99001664	5,9	5,3	2,587172784	5,801754096	8,43000604	1,279447294	26,048915	2,161569698
PVH Corp.	2011	4,08816922	6,1	5,1	27,04020014	6,284589006	8,42179822	1,146300886	24,682604	2,367223515
Hermès	2015	19,630768	5	5,6	17,53994076	4,432968395	8,48487659	1,071596778	26,974032	1,913438735
Hermès	2014	19,8327552	4,7	4,5	9,688931501	5,06569174	8,32326858	1,157723498	26,852634	1,838660714
Hermès	2013	21,7583136	5,1	4,3	7,769581815	5,624800256	8,2307903	1,048684351	27,431789	1,722385321
Hermès	2012	22,5571819	5,1	5,1	22,62776292	5,200769209	8,15596504	0,977526477	26,048915	1,643443396
Hermès	2011	19,568672	4,7	5,1	18,34388537	5,216105871	7,95198178	1,143319724	24,682604	1,479791667
Company	Year	ROA	CSR	Environment	Firm growth rate	Advertising intensity	Firm size	Capital intensity	Industry concentration	Market share
Prada	2015	7,02016745	4,8	4,8	-0,109806572	5,403348554	8,17408297	1,340718192	26,974032	1,40229249
Prada	2014	10,4483494	5,2	5,1	-0,99238982	4,803333615	8,17518164	1,334262466	26,852634	1,585580357
Prada	2013	17,5373955	4,7	4,9	8,798374378	4,794692387	8,18515511	1,083907117	27,431789	1,645550459
Prada	2012	20,0129564	4,5	5,6	29,01862576	4,567511828	8,31008289	1,026719641	26,048915	1,555283019
Prada	2011	16,4381498	4,4	4,6	24,86441589	5,055564251	7,84604231	1,151823447	24,682604	1,331041667
Michael Kors	2015	32,7098506	4,3	4,2	9,184144154	2,26144872	8,35034164	0,551588238	26,974032	1,672579516
Michael Kors	2014	37,0634846	4,7	4,8	40,70803148	2,462014046	8,1543055	0,625149093	26,852634	1,55282268
Michael Kors	2013	37,6599717	4,7	4,7	52,22405129	2,196923972	7,68527581	0,671102759	27,431789	0,998197279
Michael Kors	2012	38,2574138	4,5	4,4	69,02897527	2,132784409	7,30637783	0,604542576	26,048915	0,702722267
Michael Kors	2011	19,4299541	4,4	4,5	44,67951886	2,701616754	6,79881277	0,507937505	24,682604	0,467073944
Coach	2015	8,91143305	5,5	5,6	-5,707945855	3,797050147	8,26947694	1,086418879	26,974032	1,542650988
Coach	2014	15,8798394	5,1	4,7	-9,770672963	2,894960766	8,22007973	0,80489255	26,852634	1,658392217
Coach	2013	28,5956567	5,1	4,3	1,041604961	2,061975722	8,19538258	0,711515542	27,431789	1,662466628
Coach	2012	32,931514	4,7	3,8	9,99544337	1,809581694	8,2263057	0,665290884	26,048915	1,763207033
Coach	2011	32,2607062	4,4	3,6	13,24388141	1,67359087	8,14837184	0,691948377	24,682604	1,80090871
Burberry	2015	14,0211699	6,1	6,1	-0,336873811	5,3203155	8,13779047	0,920308586	26,974032	1,352312228
Burberry	2014	16,4834368	5,9	6	8,301141729	5,2810581	8,08613313	0,861287254	26,852634	1,450490807
Burberry	2013	17,9055419	6	5,1	16,56576775	5,0529554	7,95124857	0,843634647	27,431789	1,302347513
Burberry	2012	15,7948046	5,5	4,6	7,618996339	4,8338879	7,80814408	0,873667884	26,048915	1,160641319
Burberry	2011	13,8689076	5,9	5,7	23,70612136	5,1967235	7,70738693	0,86721947	24,682604	1,158709015
Hugo Boss	2015	18,451229	5,9	6,3	9,219940893	6,782497241	7,94047702	0,640972692	26,974032	1,110158103
Hugo Boss	2014	21,1501375	5,1	5,8	5,73578389	6,338466324	7,85228355	0,646212475	26,852634	1,148035714
Hugo Boss	2013	21,608659	5,9	5,8	3,674495929	5,65355043	7,79651036	0,617285473	27,431789	1,115642202
Hugo Boss	2012	20,6949243	4,5	3,8	13,94501651	5,78029754	7,7604244	0,675433735	26,048915	1,106556604
Hugo Boss	2011	20,95423	4,2	4,6	19,04706835	5,911210414	7,62987857	0,692587915	24,682604	1,072291667
TOD'S	2015	7,8074005	4	3,9	7,407786885	5,3203155	6,95492508	1,162739674	26,974032	0,414347826
TOD'S	2014	8,61516554	4,1	4,1	-0,722205269	5,2810581	6,88346259	1,168442623	26,852634	0,435714286
TOD'S	2013	12,29527	4,3	3,6	-0,213154689	5,0529554	6,89071084	1,125826467	27,431789	0,450963303
TOD'S	2012	13,7628111	3,6	3,6	8,311345646	4,8338879	6,89284467	1,089017458	26,048915	0,464716981
TOD'S	2011	13,8462323	4,4	5,6	12,79761905	5,1967235	6,81300494	1,14819701	24,682604	0,47375