

# Chapter 7

## How Luxury Fashion Brands Contribute Efficiently to Sustainable Development

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### **ABSTRACT**

*This chapter explores how luxury fashion and accessories firms are adapting their CSR strategies to be more sustainable considering that the firms have been impacted by the COVID-19 pandemic. In this context, the authors explore how companies are communicating their efforts and how they engage consumers according to sustainable development. The methodology followed in this study is based on case studies analyzing the activities of luxury fashion and accessories brands operating in different countries, such as LVMH, Kering, Richemont, Chanel, EssilorLuxottica, Chow Tai Fook, PVH, and Swatch Group. The results show that almost all luxury fashion and accessories firms include the SDGs in their CSR/sustainability strategies and communicate how their efforts contribute to achieving the 17 SDGs. Nearly all these companies set long-term objectives including areas, such as 1) environmental protection as a key axis of their strategy, 2) support for the communities where they operate, and 3) promotion of equality and inclusion of their employees.*

### **INTRODUCTION**

In recent years, sustainability has become an essential area for companies in all industries. Specifically, the current global context is also characterized by profound changes since the global pandemic caused by COVID-19, accelerating the need to know how companies contribute in a positive way through their activities (Barnett et al., 2020) and how firms create value for their stakeholders (Porter & Kramer, 2011;

DOI: 10.4018/978-1-7998-8065-3.ch007

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Carroll & Buchholtz, 2014). Furthermore, researchers identify consumer demands as the key driver of sustainability (Belz & Schmidt-Riediger, 2010) by requesting sustainable solutions from brands (Charter et al., 2006). Moreover, luxury brands face pressure to make their business more sustainable today (Karaosman et al., 2019; Li & Leonas, 2019). Thus, scholars also found the need for luxury brands to become more sustainable (Thomas, 2018) when considering consumer expectations (Cervellon, 2013). Today, luxury is associated with sustainability since luxury brands can positively impact society and the environment (Gardetti & Justo, 2017). Likewise, luxury focuses on obtaining transparency by including new sustainable trends in its Corporate Social Responsibility (CSR) strategies and according to the consumer expectations.

The luxury industry has been hit by COVID-19 with sales falling by around 20% in 2020, going back to 2015 levels (Bain & Co, 2020). Although the luxury fashion sector is expected to recover by the end of 2023 (McKinsey & Company, 2020), a radical change is expected in the luxury industry in 2030 accelerated by COVID-19, to meet the 2030 agenda targets and remain relevant to the new generations who are expected to make 180% of global purchases and who are interested in diversity and inclusion, in addition to sustainability and environmental issues (Bain & Co, 2020). The mobility restrictions that will remain in place because of COVID-19 have made luxury brands want to attract the local shopper and other stakeholders who are also concerned about issues such as social justice, dignity, and the working conditions of luxury fashion brand workers (McKinsey & Company, 2020).

The current study on sustainable luxury focuses on some aspects, which also analyze its effect on consumer behaviour (Kunz et al., 2020). Consequently, luxury brands work towards a more ethical luxury (Deloitte, 2020) following the United Nations Agenda 2030 and considering the new expectations of consumers. These firms communicate their activities and impacts on SDGs in CSR/Sustainability reports and on corporate websites showing how luxury fashion and accessories companies are accelerating towards more sustainable business. However, there is scarce literature that explores the contribution of luxury brands to sustainable development and how this affects their relationship with consumers, who demand information on the social and environmental commitments of these brands.

The purpose of this chapter is to analyze how luxury fashion and accessories brands contribute better to sustainable development through their CSR strategies considering the global challenges for business caused by COVID-19. Moreover, the pandemic crisis could act as an accelerator for brands adopting strategies of value creation with sustainable activities in the luxury fashion industry and considering that the fashion industry is the second largest cause of pollution worldwide (Woodside & Fine, 2019). As a consequence, luxury companies are reporting their medium-term sustainability strategies, reducing their environmental impact and making a positive contribution to society in different areas of their business.

The objectives set out in this chapter concerning CSR and the sustainability of luxury fashion and accessories brands are to analyze how firms become sustainable and how they measure and report their results following the sustainable development goals promoted by the United Nations; all this considering that luxury brands in the fashion industry have a big opportunity to attend to consumers' demands for responsible and sustainable brands.

In all cases, we analyze how these firms integrate sustainable activities in accordance with their CSR strategy and considering the interest of consumers concerned about some elements, such as materials, supply chain, emissions, among others. In addition, these companies communicate the impacts in different annual reports providing information about their commitments with society in the long term and in the fight against climate change.

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