Key Determinants of Luxury Marketing Accordant with Sustainability-Oriented Value Perspectives

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Abstract: Thus far, Luxury as Usual has rested on conventual forms of value, such as rarity, excellence, and uniqueness. Nevertheless, today, luxury value perceptions have been changing dramatically, with the emergence of new luxury consumption patterns as well as sustainability-oriented value perspectives. The overarching aim of the current study is to guide tradition-bound luxury brands in attaining competitive advantage by tapping into the key determinants of sustainable luxury. In tackling the key determinants, the paper aspires to provide a theoretical lens by building on the “Four-Stage Model of Value Creation for Sustainability-Oriented Marketing”. This paper also offers a roadmap for luxury brands in transforming their traditional-oriented marketing strategies by providing a “4 × 6 Matrix for the Key Determinants of Sustainable Luxury”, which codifies and systematizes sustainability-oriented luxury marketing.

Keywords: sustainability marketing; sustainable luxury; sustainability-oriented luxury; luxury branding

1. Introduction

Hitherto, traditional luxury, or Luxury as Usual (LaU), which rested on conventual forms of value, such as value-in-exchange and value-in-possession, primarily stimulated the consumption of first-hand luxury goods. Nevertheless, today, new forms of luxury consumption (e.g., access-based luxury, co-ownership) have been gaining traction [1] due to the rise of online second-hand and luxury rental platforms (e.g., Vestiaire Collective, Luxury Closet) together with changing luxury value perceptions. Changing luxury values are linked to the rise of mindful or sustainability-oriented consumers. Furthermore, Gen Z’s and millennials’ values concerning luxury are dissimilar to those of previous generations, particularly in the West [2]. Gen Z emerges as the “sustainability generation” and is shaping a new luxury [3]. Although emerging markets, such as China and India, are considered to be high-growth markets for traditional luxury [4], plummeting luxury sales in the developed markets (e.g., Japan and South Korea) as well as pressures from external stakeholders have been driving the LaU to redefine its codes, strengthen, and reposition itself in alignment with sustainability-oriented value types. Reports have already criticized the luxury industry falling behind other sectors in its approach to sustainability, giving low grades to luxury corporations on sustainability [5]. Under these circumstances, it is being evident that, today, the traditional luxury cannot rely solely on its reputation or core values of conventional luxury (rarity, excellence, uniqueness, etc.) to thrive in the age of sustainability [6]. Furthermore, sustainability appears a competitive edge for luxury firms to differentiate their offerings from those of competitors. In essence, the luxury market battle has been transcending beyond traditional forms of value creation to sustainable forms of value creation to acquire new customers as well as to meet the changing needs of existing consumers [7].

The present paper has two key aims. First of all, it seeks to answer the following specific research question: “How could tradition-bound luxury firms attain competitive advantage by tapping into key determinants of sustainable luxury?” In addressing the
research question, the author draws on the “Four-Stage Model of Value Creation for Sustainability-Oriented Marketing” [8] as well as the key determinants of sustainable luxury based on recent sustainability practices in the luxury industry. In tackling the key determinants, concurrently, the paper aspires to provide a theoretical model. A model paper introduces new constructs or explains why elements of a process lead to a particular outcome, in this case, to sustainable luxury [9,10]. The model paper contributes to extant knowledge by delineating an entity: its goal is “to detail, chart, describe, or depict an entity and its relationship to other entities.” [11] The author also uses deductive reasoning to explain determinants of sustainable luxury, facilitated by theories in use [11], such as Hedonistic Theory, Social Network Theory, and Organizational Ecology Theory, as seen in Table 1. What is distinctive about this model paper is that it also provides a “4 × 6 Matrix for the Key Determinants of Sustainable Luxury”, which codifies and systematizes sustainable luxury by means of a tabular presentation, as illustrated in Table 2. Tabulation facilitates comparison by bringing related pieces of information (i.e., key determinants of sustainable luxury) close to each other and presenting the comparison in a better way than the textual form. Taken together, the 4 × 6 Matrix for Sustainable Luxury aims to (i) guide tradition-bound luxury firms in transforming their traditional-oriented marketing strategies into sustainable ones, and (ii) broaden their perspectives beyond the scope of conventional luxury.

Table 1. Grounding Theories for Determinants of Sustainable Luxury.

<table>
<thead>
<tr>
<th>Determinants of Sustainable Luxury</th>
<th>Grounding Theory</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Resaleability</td>
<td>Social Network Theory</td>
<td>Diffusion of second-hand luxury goods sales occurs through networks of interconnected partners or firms.</td>
</tr>
<tr>
<td>Emotional Durability</td>
<td>Hedonistic Theory</td>
<td>The value of experiences only depends on their duration and the intensity of pleasure.</td>
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<tr>
<td>Recyclability</td>
<td>Social Network Theory</td>
<td>Recyclability rests on Circular Economy, which calls for networks of interconnected partners, such as Prada and Aquafil.</td>
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<tr>
<td>Localization</td>
<td>Resource-Based View</td>
<td>Localization is grounded in RBV as local craftsmanship, unique regional know-how, and methods are not easily replicated.</td>
</tr>
<tr>
<td>Reportability</td>
<td>Signaling Theory</td>
<td>Highly observable and costly signals, such as GRI reporting, communicate a commitment to sustainability.</td>
</tr>
<tr>
<td>Traceability</td>
<td>Organizational Ecology Theory</td>
<td>Organizations that do not adapt latest technologies, such as blockchain, may be selected out of the population.</td>
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Table 2. The 4 × 6 Matrix for the Key Determinants of Sustainable Luxury.

<table>
<thead>
<tr>
<th>Level A</th>
<th>Level B</th>
<th>Level C</th>
<th>Level D</th>
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<tbody>
<tr>
<td>Resaleability</td>
<td>Resaleability</td>
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<tr>
<td>Emotional Durability</td>
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<td>Recyclability</td>
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<tr>
<td>Localization</td>
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<td>Reportability</td>
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<td>Traceability</td>
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Secondly, this paper seeks to make a definition of sustainable luxury given the need to determine or identify essential qualities of these two contradictory groups of words. There is a lack of consensus concerning what sustainability means in the luxury context [12]. Today,
even a widely accepted definition of luxury brand does not exist, and the AMA’s dictionary of terms does not entail a definition of “luxury”, “luxury brand”, and “luxury branding”. Added to this, there exist opposing views with regard to the reconcilement of sustainability and luxury. Detractors of sustainable luxury contend that there is a weak association between the two concepts. Luxury is often linked to extravagance, ostentatiousness, and superficiality, while sustainable development is attributed to moderation and temperance in consumption patterns, altruism, and ethics [13]. On the other hand, proponents of sustainable luxury argue that the two concepts are in sync with each other as luxury accentuates durability given that luxury products are durable by nature since they are made from the highest-quality materials.

Following this introduction, Section 2 explains how tradition-bound luxury has been classified on different dimensions and how core values of conventional luxury have been evolving into new forms of luxury, and, consequently, sustainable luxury. Section 3 describes the key determinants of sustainable luxury based on the emerging sustainability-oriented value types (value-in-reuse, value-in-access, and value-in-participation). Each key determinant comprises the recent sustainability practices in the luxury industry. Section 4 proposes the “4 × 6 Matrix for Sustainable Luxury”, which is built on the convergence of sustainability-oriented value types (Figure 1). This section also explores the implications of the framework in theory and practice. Finally, it concludes by making a definition of sustainable luxury by offering new insights that build upon what we know about sustainable luxury.

**Figure 1.** Convergence of Sustainability-Oriented Value Types.

2. Luxury Transformation: From Tradition-Bound Luxury to Sustainable Luxury

Thus far, traditional luxury has been classified on various dimensions. As an illustration, Alleres [14] categorized three different levels of luxury (e.g., inaccessible luxury, intermediate luxury, and accessible luxury) based on the degree of consumer accessibility. While inaccessible luxury is related to an elite class, intermediate luxury is identified with professional social class. The third one, accessible luxury, is associated with middle class, who seek to achieve a higher social status through their purchase behavior [14].
Another typology rests on the dimensions of Functionalism, Experientialism, and Symbolic Interactionism, using the luxury product categories of cars in China [15].

In addition to the above-mentioned luxury classifications, luxury has been categorized on the basis of luxury value perceptions. As an illustration, Vigneron and Johnson [16] developed a five-dimension framework of luxury that comprised of personal perceptions (perceived extended self, perceived hedonism) and non-personal perceptions (perceived conspicuousness, perceived uniqueness, perceived quality). Their model explains the luxury consumer’s decision-making process that occurs when assessing luxury brands. Furthermore, in consideration of the dynamic growth in the luxury market and a change in the way consumers define luxury, Wiedmann et al. [17] developed a multi-dimensional model that integrated consumers’ luxury value perceptions from different perspectives. The model encompasses a broadened view of luxury value which lies in financial, functional, individual, and social aspects. The financial dimension of luxury refers to the value of the product expressed in monetary currency, and to what is sacrificed to obtain a product. The functional dimension of luxury denotes the quality, uniqueness, usability, reliability, and durability of the luxury product. The individual dimension of luxury value focuses on personal matters, such as hedonistic and self-identity value. The social dimension of luxury value, which may significantly affect the evaluation and the propensity to consume luxury brands, refers to prestige value and conspicuousness that individuals seek to impress their own social group(s).

Even though the above-mentioned luxury value perceptions or core values of luxury (e.g., rarity, excellence, uniqueness, etc.) still prevail today, these values transform over time to embrace new forms of luxury. In other words, value is not a permanent state, and it evolves as the market or environment changes [18]. By way of illustration, today, as (a) the sustainability paradigm establish stronger roots, (b) conscientious consumption is gaining traction, (c) new luxury consumers are becoming more value-driven, and (d) post-materialistic values rise in the West, the luxury industry strives to reframe its existing approach to value creation. As Cristini et al. [1] noted, “Yet, sustainable steps are being taken within that luxury industry, which was acknowledged as a sector in its own right 2013 having long-term as a key driver”. New forms of luxury, such as transformative luxury or sustainable luxury, “present unique, yet significant, challenges for the luxury sector, where quality and rarity, which result in the highest pricing in a sector, are considered key components of luxury” [19]. Christodoulides et al. [19] examined new forms of luxury consumption and they emphasized the escalating trend of accessibility, convenience, and flexibility in a sharing-economy context. Taken together, these developments denote that core values of luxury (rarity, excellence, and uniqueness) are sufficient to define traditional luxury, but they are not necessary to characterize sustainable luxury, given that luxury value perceptions have been changing dramatically. In other words, in contrast to the prevailing characteristics of traditional luxury, today, sustainable luxury is no longer too inapproachable or inaccessible, and it is neither too exclusive nor unique [20].

3. Key Determinants of Sustainable Luxury

This section enumerates and explains determinants of sustainable luxury based on Kelleci’s [8] “Four-Stage Model of Value Creation for Sustainability-Oriented Marketing”. The four-stage model consists of value-in-utility, value-in-reuse, value-in-access, and value-in-participation perspectives. The value-in-utility perspective is a transitional phase from traditional value creation to sustainable value creation. Thus, it is omitted in this context and the remaining sustainability-oriented value perspectives are factored in this study. The value-in-reuse perspective comprises the determinants of resaleability, emotional durability, and recyclability. It focuses on secondary markets and second-hand consumption for economic, ecological, and nostalgic and social reasons. This perspective is firmly en rapport with Sustainable Development Goal 12 (SDG 12), which seeks to ensure sustainable consumption and production patterns [21]. The value-in-access perspective entails the determinant of traceability. It provides access to stakeholders to background information,
such as the proof of authenticity and the impact of materials used on the environment. Thus, this perspective aligns with Sustainable Development Goal 9 (SDG 9), which aims to foster innovation [21], as in the case of the Aura blockchain platform that shall be discussed under traceability. The value-in-participation perspective encompasses the determinants of localization and reportability. It emphasizes the involvement and participation of local artisans, given that localization is pivotal from a sustainability standpoint. Consequently, this perspective agrees with Sustainable Development Goal 11 (SDG 11), which aspires to make human settlements inclusive by preserving local activities [21]. It also stresses the involvement and participation of suppliers and other value chain partners in disclosing as well as publicizing and reporting information concerning environmental, social, and governance (ESG) issues.

3.1. Resaleability, Emotional Durability, and Recyclability Based on Value-in-Reuse Perspective

Resaleability

Until recently, LaU has ignored secondary market or second-hand luxury to maintain the exclusivity and trustworthiness associated with its image [22]. Thus, most luxury brands have not considered reselling pre-owned luxury items. Additionally, until the onset of the new millennium, reusing consumer goods was associated with backwardness and marketers had been promoting a throwaway culture or throwaway society [23]. Nevertheless, today, the perception of millennials and Gen Z toward using second-hand items is more positive and the secondary market for luxury goods is one of the fastest-growing areas of luxury [24]. In addition to this, luxury in the secondary market is one of the biggest-growing consumer segments, given (a) the durable and timeless nature of luxury goods, (b) increasing consciousness towards more stylishness, and (c) the disappearance of the shame and stigma associated with second-hand consumption [25].

Besides, second-hand luxury business is challenging the traditional first-hand luxury market, as the number of brands moving into resale and rental business has also been increasing markedly. According to McKinsey’s The State of Fashion 2019 Report, “more consumers will see a growing proportion of their wardrobes made up of pre-owned or rented products, especially for high-value items and accessories” [26]. Reinforcing McKinsey’s report, Bain & Company pointed out that booming demand for second-hand luxury goods was one of the major trends in 2021. As estimated by Bain, the secondhand luxury market thrived throughout the crisis and topped USD 37 billion in 2021. As a comparison, while the first-hand luxury market has grown only 12% between 2017 and 2021, the growth rate for the second-hand luxury market has been 65% over the same period [27].

In conjunction with the soaring demand for second-hand luxury goods, French luxury group Kering invested in resale platform Vestiaire Collective in 2021, which is a Paris-based leading platform for second-hand clothes and handbags. According to Kering, the growth in the second-hand luxury market has been predominantly triggered by younger consumers’ focus on sustainability and a growing trend for social shopping and online communities. The group estimates that the value of the luxury market will be over USD 60 billion by 2025 [28]. Even before the investment in Vestiaire Collective, Kering had announced a multi-prong partnership with the RealReal (TRR), which is an online and brick-and-mortar marketplace for authenticated luxury consignment [29]. TRR’s founder and CEO, Julie Wainwright, described the partnership as being rooted in sustainability by putting forward that, “By encouraging their community to shop resale, Gucci will help us bring more people into the circular economy and show that resale is complementary to their brands” [29]. In the context of luxury resale business, Alexander McQueen could be illustrated as yet another example. McQueen boutiques contact their best clients and offer a store credit for garments, accessories, and shoes from previous collections via their “Brand Approved” program. Once the collection items are inspected and authenticated, they are placed for sale on the Vestiaire Collective web site and app with the denotation that the pieces are McQueen-approved [30]. The collaborative practices between luxury firms and external
partners (e.g., second-hand online platforms, luxury fashion authenticators) nurture Social Network Theory, which postulates that firm outcomes are largely a function of social networks, and thus diffusion of novel practices occurs through networks of interconnected partners or firms [31].

Aside from the second-hand luxury ownership model, today, the luxury industry is running in the direction of “pay-to-use” [32] or a rentable luxury business model, as consumers are less concerned with ownership than ever [33]. The young generation, especially millennials, are more disposed to life experiences and personal enrichment rather than ownership of luxury goods [34], and “experience their ‘Cinderella moment’ by renting these formerly unattainable luxury products for a short period of time” [35]. The experiential or de-materialized view of luxury is not only constrained to the young generation; it also extends to include contemporary consumers from all walks of life [19]. This de-materialized type of luxury consumption has been termed as “moments of luxury” [36] or “everyday luxury” [37]. In conjunction with consumers’ changing needs due to economic, environmental, and hedonistic reasons, Burberry launched a rental business model in partnership with My Wardrobe HQ (MWHQ), which is the leading marketplace for renting and buying contemporary and luxury womenswear fashion in the UK [38]. MWHQ believes that luxury rental is the solution to consuming luxury fashion in a sustainable way [39]. MWHQ enables users and customers to select size as well as rental period on its web site. For instance, a Burberry trench coat could be rented at approximately 20 USD per day. The items users find on the MWHQ platform are a mix of both new and past seasons. The minimum rental period is four days, and the rental period could be extended to fourteen days. MWHQ’s business model allows consumers to buy items following the rental period. Furthermore, they have the option to list items back on the platform. Yet another example for rentable luxury is Kering’s investment in Cocoon, which provides a membership subscription service for luxury bags [40]. Cocoon has three different membership plans (premium, deluxe, and flexi), which allow users to choose from different collections. Kering sees the subscription business model as a pivotal strategy as it resonates well with the luxury group’s sustainability ambition [41].

Taken together, new types of sustainability-oriented value creation, as in the forms of “value-in-reuse” via second-hand luxury platforms, are providing an alternative to consuming first-hand luxury goods. Making second-hand luxury goods accessible will contribute to sustainability as this would enable making use of underutilized luxurious goods in contrast to having new goods. Most people possess luxury items they do not need, and these goods sit idle in their closets, and thus they are not fully utilized. Consequently, “value-in-reuse” has altered luxury value perceptions among contemporary luxury consumers, particularly among younger consumers. It has also contributed to a new wave of luxury democratization. Furthermore, the “value-in-reuse” perspective helps luxury companies to grow by recruiting newcomers who are not primary-market buyers.

3.2. Emotional Durability

Sustainable luxury is not trend-led and it disagrees with planned obsolescence, which aims to make a product less desirable over time or after a certain amount of use. Emotional durability based on “value-in-reuse” enjoys an easy relationship with sustainable luxury, given that its design philosophy is rested on emotionally durable design (EDD). Haines-Gadd et al. [42] provides a guiding framework for new product developers—The Emotional Durability Design Nine. The framework consists of nine themes, which are complemented by thirty-eight strategies that provide brand managers a service in the development of more emotionally engaging product experiences [42]. EDD also focalizes on creating processes that are slower and more contemplative. Emotional durability, which is linked to slow design, is “a unique and vital form of creative activism that is delivering new values for design and contributing to the shift toward sustainability.” [43]. Consequently, this helps to engender a surge in positive well-being for economies, societies, and individuals [43].
Today, goods are often replaced due to a failed subject-object relationship [44]. In other words, the usefulness of a “luxury-fashion” good is “uneconomically short” and perceived durability of it is often less than its physical durability. Sustainable luxury continuously provides meaning and value to the user over time, which is closely linked to emotional durability and inheritability. For example, Patek Philippe’s iconic ad campaign in 1996, “You never actually own a Patek Philippe, you merely look after it for the next generation”, is very much compatible with emotional durability, and consequently sustainable luxury. In a similar fashion, Porsche 911 has a timeless minimalism and even if Porsche AG launches a new 911, previous versions have not lost their fascination in over 50 years. EDD and slow fashion are linked to hedonistic theories, which postulate that the value of experiences only depends on their duration and the intensity of pleasure present in them [45].

3.3. Recyclability

“Recycling is the action or process of converting waste into reusable material” [46]. Recycling has been a challenge for designer brands for a long while given that traditional manufacturing methods were not set up with the environment in mind. For example, in the textile industry, everything from dyeing processes to how fabrics have been grown proved problematic. Nevertheless, today, as recycling methods have improved, so has fabric technology. Over the last few years, there has been a noticeable rise in the luxury garment industry expanding their recycled collections. As an illustration, Prada decided to convert all of its virgin nylon products into Re-nylon by the end of 2021 [47]. Choosing nylon as its primary “up-cycle material”, Prada re-imagined its 2000 Mini Bag by drawing on the baguette bag, which was a cultural icon in the 1990s [48]. Prada Re-Nylon is a collaborative project between Prada and the textile yarn producer Aquafil, which developed an innovative regenerated nylon yarn called Econyl [49]. Aquafil is a leader in the research and development of sustainable materials, producing new from old [50]. In a similar fashion, Emporio Armani emphasized recyclability by communicating “I’m saying yes to recycling” at Milan Women’s Fashion Week 20/21. The R-EA (Recycled Emporio Armani) collection marks the first time Giorgio Armani has created a sustainable line for womenswear, made using regenerated wool, organic cotton, and recycled nylon and padding [51]. R-EA packaging is also sustainable and made from compostable materials. Furthermore, Gucci launched its first sustainable collection, called “Off the Grid”, in 2020. The collection consists of sneakers, bags, accessories, and ready-to-wear items, which are made using recycled, organic, bio-based, and sustainably sourced materials such as Econyl, similar to that of Prada [52]. Similar to resaleability, recyclability falls in within Social Network Theory, which necessitates co-creation networks, such as Prada and Aquafil or Gucci and Aquafil.

3.4. Localization and Reportability Based on Value-in-Participation Perspective Localization

Localization is also referred to as provenance. Localization is one of the most peculiar faculties of sustainability since it promotes the transmission of ancestral skills to subsequent generations and, more importantly, the preservation of local activities [53]. The value-in-participation perspective encourages the involvement and participation of local artisans, given that localization is pivotal from a sustainability standpoint. Local craftsmanship adds uniqueness, non-comparability, as well as art de vivre. As an illustration, Ferrari engines are cast in an in-house foundry and then constructed by hand in Maranello. In a similar manner, to be entitled to be named ‘champagne’ a sparkling wine must be made in Champagne, France, and must be produced using the méthode champenoise. Localization is grounded in a Resource-Based View [54], given that local craftsmanship, unique regional know-how, and methods are not easily replicated. In other words, local uniqueness is inimitable and provides enormous leverage to outstrip the competition.

According to Seymour and Oldfield [55], today, “localization is the new globalization, and many factors are disrupting the equilibrium multinationals have enjoyed for decades.” Reinforcing Seymour and Oldfield’s statement about localization, Collins and
Weiss’s (2015) [56] research on luxury textile brands revealed that established Western luxury textile brands have been embedding spiritual birthplaces, local artisanship, and re-localization to leverage their branding. Furthermore, finding it increasingly difficult to find qualified artisans in France, the largest luxury brands have been taking measures by opening their own training schools [57]. Although localization is a re-emerging industry trend, the luxury industry is stigmatized with exploiting undocumented foreign workers, who work for luxury contracting manufacturers in Naples, Italy [58]. Sadly, the scandal of sweatshops in China was associated with luxury brands who have all delocalized their production to the Far East. Added to this, many premium brand companies, such as Ralph Lauren, Burberry, and Audi, have been delocalizing their production to developing countries due the pressures of growth and profitability. After all, delocalization dilutes the unique country know-how that is peculiar to a particular region. Sustainable luxury strives against exploiting unskilled labor forces in developing countries and focuses on creating a narrative behind a product, its authenticity, and provenance.

3.5. Reportability

Today, sustainability is the critical first step for luxury companies as they receive extensive attention and scrutiny from various stakeholders. As mentioned in the introductory section, reports have criticized this industry for falling behind other sectors in its approach to sustainability, giving low grades to luxury corporations on sustainability [5]. Therefore, as sustainability-conscious customers are growing in number and pressures from external stakeholders are intensifying, luxury companies need to disclose information in a manner consistent with the value-in-participation perspective. This perspective underlines the involvement and participation of suppliers and other value chain partners in disclosing as well as publicizing and reporting information concerning environmental, social, and governance (ESG) issues.

Sustainability reporting allows greater transparency regarding non-financial performance. As an illustration, the French luxury group, Kering, which owns a number of luxury brands, including Gucci, Yves Saint Laurent and Bottega Veneta, initiated an extensive set of requirements to ensure their actions go beyond compliance and guide the luxury industry move toward higher environmental, ethical, and social standards. The group developed the “Environmental Profit & Loss account” (EP&L) accounting method to track its progress [59]. In 2017, Kering was ranked the most sustainable company in the luxury industry by the Dow Jones Sustainability Index [60].

Reportability falls in with Signaling Theory, which aims to reduce information asymmetry by signaling highly observable and costly credentials [61]. To be effective, signals must be perceptible and should communicate a commitment to sustainability, such as GRI sustainability reporting. “The success of a particular signal depends on the extent to which receivers (e.g., consumers) are attuned to looking for the signal.” [62]. Today, pressures from stakeholders, consumers, NGOs, as well as government regulations are pointing to the fact that sustainability reporting is more important than ever [63].

3.6. Traceability Based on Value-in-Access Perspective Traceability

According to the United Nations Global Compact, traceability is defined as “The ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labor (including health and safety), the environment and anti-corruption.” [64].

Today, consumers pay more and more attention to the origin of the products, manufacturing, and impact on the environment. Particularly, luxury customers are sensible to all “background” information on the luxury goods that they buy. To date, mega-luxury companies ensured quality and authenticity of components through acquisitions of smaller family-owned firms. For example, Chanel has been acquiring partners “to guarantee long-term supplies and control quality from plant growers for its Chanel No.5 perfume to embroiderers such as Lesage for its couture collections” [65]. In 2021, responding to
consumers’ sensibilities as well as the industry’s shortcoming and deficiency concerning luxury goods’ authenticity, traceability, and sustainability across the whole lifecycle, a consortium of luxury megabrands (i.e., LVMH, Prada Group, Richemont) announced a digital platform or a technological hub named as “Aura”. It is a blockchain-based platform that matches product ID with a client ID. In this manner, customers could access information about the product history and proof of authenticity of luxury goods—from sourcing to sales, all the way to second-hand markets. Aura has additional benefits, such as prevention of counterfeiting, which is a serious issue for both luxury companies as well as states. Counterfeiting results in the loss of revenue for both companies and states. For example, “in the European luxury goods market, about 10% of all items for sale are counterfeited, representing approximately $28 billion in lost value” [66]. More importantly, states lose tax revenues that could be used for public purposes, such as health care and schooling. According to the UN, education enables upward socioeconomic mobility and is a key to escaping poverty (SDG 4). The sales of counterfeit luxury goods are also related to the funding of terrorist acts, as in the case of Al-Qaeda [67].

Technological novelties that enable the traceability of luxury goods, such as blockchain, comply with organizational ecology. According to Organizational Ecology Theory, business entities emerge, evolve, and go extinct in response to changes in their environment [68]. Thus, “organizations that do not adapt their processes to become more sustainable may be selected out of the population” [62].

4. Implications and Conclusion

4.1. Social and Theoretical Implications

Value creation is temporal and it has constantly changed from the Industrial Revolution to the present day in congruence with economic, societal, and ecological developments. As an illustration, Adam Smith’s “discussion of the (economic value) of slaves is repugnant to all right-minded people in the 21st century. Smith may well have been a “moral” philosopher of his time, but societal values and attitudes to slavery have rightly changed.” [18]. In a similar fashion, there is a breakdown in luxury’s meaning and societal values and attitudes to luxury are shifting. By way of illustration, in the past, traditional luxury rested on rarity, excellence, and uniqueness. Nevertheless, today, contemporary consumers’ luxury value perceptions have been changing and sustainable luxury is predicated on resaleability, emotional durability, recyclability, localization, reportability, and traceability. Furthermore, the luxury industry has been facing intense scrutiny and pressure from within, from its customers, as well as from non-governmental organizations, concerning environmental and social sustainability. Consequently, as the tide for the luxury industry seems to be turning, and sustainable luxury is projected to be consumers’ driving force in the future [69], luxury brands seek to transform from conventional forms of luxury to more sustainability-oriented approaches in order to future-proof their businesses.

Considering the value shift from traditional forms of value (e.g., value-in-exchange, value-in-possession, value-in-use), the author provides a “4 × 6 Matrix for the Key Determinants of Sustainable Luxury” (Table 2) based on the “Four-Stage Model of Value Creation for Sustainability-Oriented Marketing” [8]. The matrix is drawn from the convergence of value-in-reuse, value-in-participation, and value-in-access perspectives in the Four-Stage lens, as could be seen in the Venn diagram in Figure 1. The diagram is comprised of three overlapping circles. Each circle represents a different value perspective (Circle VR: value-in-reuse, Circle VP: value-in-participation, Circle VA: value-in-access)—and each circle comprises different determinants of sustainable luxury (Circle VR: Resaleability, Emotional Durability, Recyclability; Circle VP: Localization, Reportability; Circle VA: Traceability). The Matrix (Table 2) incorporates the intersection point of all value types in the diagram (Figure 1) via a tabular presentation. The aim is to put in order varying levels (Level A, Level B, Level C, Level D) of sustainable luxury by incorporating the intersection point of all value perspectives in the diagram (Figure 1). As could be seen in Table 2, Level A
comprises six key determinants of sustainable luxury. Levels B, C, and D comprise five, four, and three key determinants, respectively.

4.2. Managerial Implications

Drawing upon the key determinants of sustainable luxury (Table 2), the following suggestions are proposed for tradition-bound luxury firms. First of all, luxury brands which aspire to grow via second-hand luxury business should establish strong partnerships and collaborations with external service providers or luxury fashion authenticators, as in the case of Gucci and TRR. By way of explanation, TRR “employs an in-house staff of experts including horologists, gemologists, art curators and luxury fashion authenticators who inspect items for authenticity and value” [70]. Secondly, luxury brands should provide enduring meaning and value via emotional durability or emotionally durable design in the context of sustainability. Emotionally durable design reduces the consumption and waste of natural resources by increasing the bond between consumers and products [44]. Thirdly, in consideration of sustainability, even though recycling and luxury seemed incompatible in earlier times, today, luxury firms should underline recyclability in a small selection of their product ranges, as in the case of Prada and Armani. In addition to top luxury brands, numerous luxury fashion designers who dwell on recyclability could be listed as follows: Stella McCartney (recycled textiles), Eileen Fisher (recycled and sustainable garments), Rag & Bone (denim recycling program), Mara Hoffman (recycled fabrics), and Coclico (recycled materials) [71]. Fourthly, luxury brands should bring localization to the fore, given that it resonates with the current turn towards sustainability and ethical consumerism. Burberry’s renowned trench coat owes its longevity both to its iconic design and provenance, as the coats have been made in the Northern English town of Castleford. Research suggests that “sense of place” has become increasingly appealing to buyers [72]. Fifthly, it is important for luxury brands to distinguish themselves by documenting their sustainability initiatives via sustainability reporting. In the context of luxury reporting, the author suggests that four important metrics be disclosed: (i) sustainable species ration (sustainable product species/all goods species), (ii) number of refurbished luxury goods sold/number of primary luxury goods sold, (iii) sales of pre-owned luxury goods.sales of primary luxury goods, (iv) number of customers for pre-owned luxury goods/number of customers for primary luxury goods. These metrics offer a measurement format to assess a luxury company’s sustainability efforts beyond ESG. Finally, in relation to traceability and sustainability, luxury firms should tap into novel technologies, such as blockchain technologies, given that they could provide immense value in tracing transparency of supply chain actors and practices as well as information about the product history and proof of authenticity. Furthermore, one of the desired outcomes of blockchain is to prevent counterfeiting of first-hand and pre-owned luxury goods.

4.3. Conclusions

Today, sustainability is considered as a megatrend [73] and megatrends are larger in immensity, longer in duration, and more impactful than normal trends. In line with the sustainability megatrend as well as changing luxury value perceptions, today, we need a new definition of sustainable luxury. Thus, resting on the key determinants that have been discussed above, the author makes the definition of sustainable luxury as: A repurposed branded product that mindful consumers perceive to: (a) be accessible through second-hand markets, (b) be emotionally durable, recyclable, and decomposable, (c) be unique through local craftsmanship, (d) be traceable along the value chain via blockchain technologies, and (e) have transparency through observable credentials, such as sustainability reporting. The components of sustainable luxury in the definition have the capability to save luxury’s position from the gridlock it faces and elevate its position to higher levels to extend its long-standing success in the post-recession age.
5. Limitations and Future Research Directions

A full discussion of sustainable luxury lies beyond the scope of this study. Since the scope of luxury is too broad, this paper is unable to encompass the entire luxury industry and it largely focuses on the sustainability practices of luxury brand goods. Thus, further research should be undertaken to include other industries, such as hotels, travel, and food, given that they are important and growing markets and have dramatic consequences on climate change.

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