

POLITECNICO DI TORINO

MASTER OF SCIENCE IN ENGINEERING AND MANAGEMENT

MASTER's DEGREE THESIS

**THE IMPACT OF ADVERTISING AND MARKETING
IN THE LUXURY BRAND INDUSTRY**



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Acknowledgment:

This precious journey could not be possible without countless love and endless support of my parents, Pouran & Mansour, and my brother, Ali. I would like to dedicate my thesis to them who taught me how to have persistence in order to challenge myself, pursuing my dreams to come true and constantly motivating me to work harder.

I express my deep appreciation to my academic supervisor Professor Luigi Benfratello for his invaluable guidance throughout this path; and extend my sincere thanks to my family and friends.

Abstract:

This thesis provides a brief outline on the impact of advertising and marketing strategies in the luxury brand industry, then it examines a novel sustainable marketing strategy to be adopted. Moreover, empirical research was done on GUCCI's activities and assessment of their novel sustainable marketing strategy among its supply chain, operation process, policies and management. The case study determines successful marketing strategy dedicated to sustainable green marketing approach which is considered as a novel method to CSR policy (Corporate Sustainable & Responsibility).

Keywords: Green Marketing Strategy, Luxury Brand Industry, Business Model, Sustainability, Gucci.

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CHAPTER 1

INTRODUCTION

A lot of luxury brand companies tend to have sustainable operations and propose eco-friendly goods as a novel strategy which require transformation of their mindset from traditional marketing strategy to innovative strategy. Moreover, they understood that sustainability in luxury marketing strategy involves a variety of long-term process towards its supply chain, defining environmental policies, changing their CSR (Corporate Sustainable Responsibility) policies and improving awareness to all generation of clients which lead to gain high differentiated products, effective economic values and superior profitability ratio.

Indeed, marketing strategy face its development during 21st century, evolving by corporate citizenship on sustainable luxury so it entails defining new values to their clients and luxury brand companies. It leads to their substantial attention toward defining environmental strategy in the heart of their activities. However, some luxury brand companies may still face some problems of switching to the novel marketing strategies including, old luxury clients have low awareness to environmental benefits since there are no compatible communications between luxury companies and clients' layout toward environmental matters in the past. As well as, they have perceived that peculiar indication and terms in sustainable marketing are recognized by expressing the effective green content as the innovative item toward marketing strategy.

In fact, Emerging green marketing strategies in the luxury brand industry distinguish the impact on Millennials' knowledge to the environmental-friendly superior goods, affecting their consumption behavior increasingly. It specifies that millennials are remarking luxury brand company's renown, goods labels, product packaging to perceive if a modern luxury product is more desirable in terms of eco-friendly and sustainability.

Thus, in this thesis have aimed to assess the aspects of procedures in sustainable green marketing strategy in the case of Gucci as one of the best successful fashion luxury brand company in pursuing sustainable marketing strategy. Gucci boosts its houses toward enhancing and renovating their operating processes

environmental friendly marketing strategy. Thereby, helping them to expand their sales, brand values, superior profitability and differentiated goods continuously.

At Kering integrated report 2018, Francois-Henri Pinault, Chairman and CEO OF Kering said “we are convinced that the Group’s responsible business approach is an integral part of our vision of modern luxury”.

Indeed, by taking step in Gucci procedures into following innovative marketing strategy, it provides its CSR policy (Corporate Sustainable & Responsibility) policy as the development commitment among its high attention to the environment according to their standards internationally. As well as, Gucci is engaged in implementation of sustainable culture eco-friendly, improving awareness into their system. So, there are high intertwined relations between the impacts of their actions and clients, suppliers, stakeholders, commercials and financial associations which entails a vast number of functions followed consistent business management: agreements between regulations and innovative standards, up-to-dated knowledge of environmental impact, decreasing environmental effects by protecting flora and fauna, responsibility and high awareness of its supply chain.

Therefore, acquiring to those mentioned steps adopted toward the entire Gucci’s offices universally. So, Gucci’s group pursued sustainable marketing strategy “Gucci Equilibrium” and CSR management system by high emphasis on business ethics, considering human rights, planet conservation and integrity across its high quality and novel eco-friendly goods which are produced among innovative technology and raw materials.

Moreover, Gucci defined an innovative digital tool, EP&L platform (Environmental Profit and Loss,) in order to investigate the environmental impacts of their process to the planet which can be bring tangible values to their group and clients, leading to the high dependency of clients, environment and luxury brand. Thus, creating sustainable profit and satisfaction throughout them require a long-term sustainable marketing strategy which is aimed in my thesis to assess.

In nutshell, as can be seen, there is a procedure of improving Gucci’s green marketing strategy:

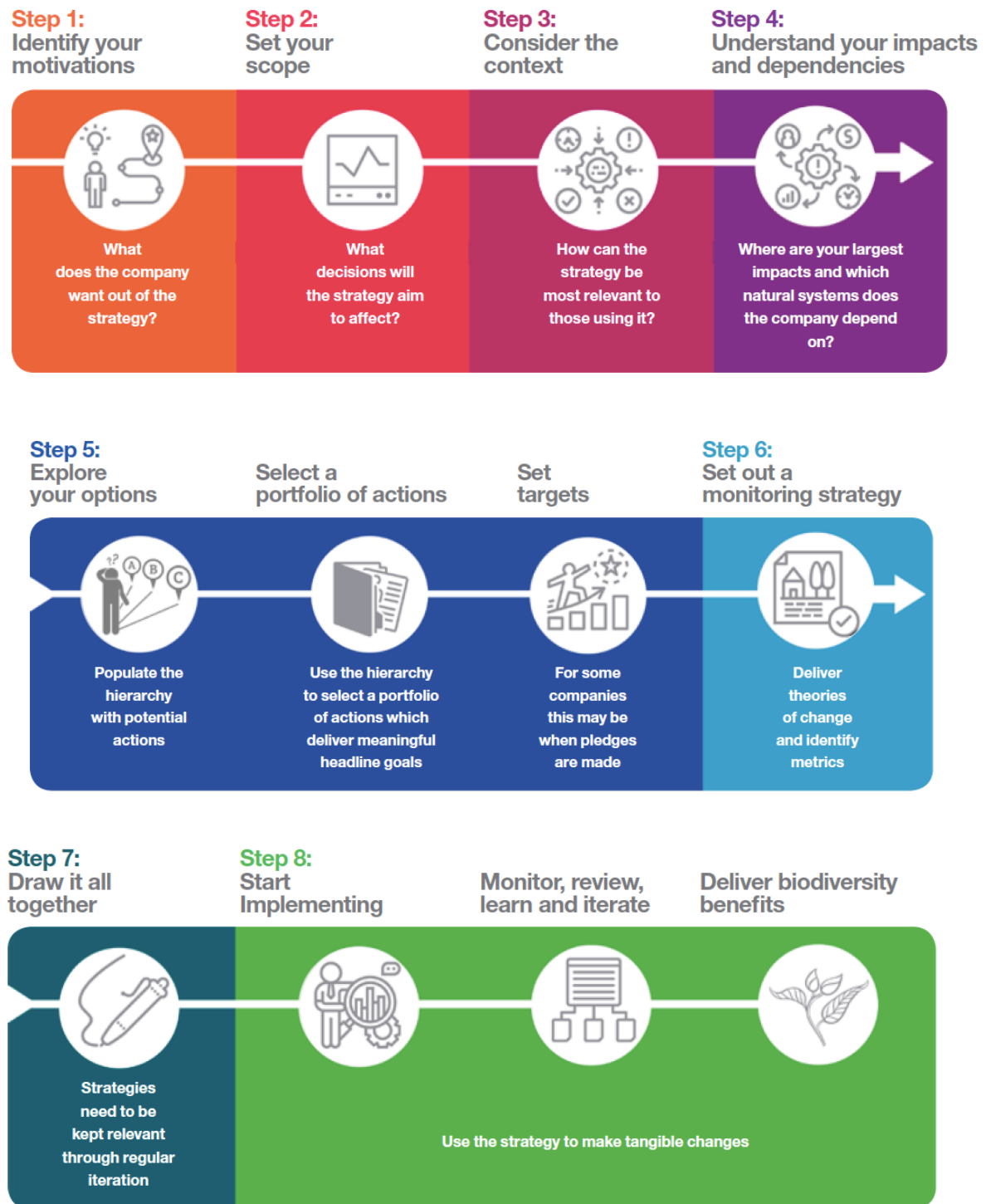


FIGURE 1: SUMMARY OF THE PROCESS TO BOOST THE GREEN MARKETING STRATEGY – SOURCE: GUCCI

“While these steps are highly iterative processes. besides, it may be necessary to revisit earlier steps as development progresses”. (Source: Gucci)

CHAPTER 2

RESEARCH METHODOLOGY

2.1. Motivations:

As a matter of fact, marketing strategy has significant role in order to fostering sales for luxury brands. Moreover, it can create a substantial relation between luxury notion, positive values economically, socially and environmentally.

The new marketing strategy contains the ventures and advantages results which are tracked to recognize their significance in achieving global sustainable expansion. The complexity of managing luxury fashion brand needs consistency to applying new marketing strategies to raise exclusivity namely, limited edition goods, environmental friendly goods and so on.

Basically, luxury related to extravagancy, wealth, and posing, usually has remarked inconsistent with Corporate Social Responsibility (CSR), that is affiliated with awareness, moral principle and mean value. In spite of that, a lot of luxury firms has attracted to gain sustainability by:

- 1- Corporate Sustainable Responsibility (CSR) policies
- 2- Eco-friendly luxury brand
- 3- Defining code of ethics
- 4- Socially responsibility

The younger luxury buyers and more wealthy consumers are more considered with the CSR activities compare to the traditional older ones. Therefore, luxury brands after defending with respect to the environmental policies, they have convinced to strengthen themselves for it which is linked to the brand worth.

This indicates that sustainability research contains a variety of terms, such as green and eco (Cervellon and Wernerfelt,2012).

Therefore, this thesis aims to emphasize on sustainability in luxury brands by using sustainable marketing strategies that can definitely affect purchase intent in the economic perspective. Then, by boosting the idea of sustainable marketing strategy, the luxury brand companies have to specify the positive actions among their business, supply chain, alignment between environment, clients and employees in order to develop all aspects of sustainability, creating right relationship between them. At the end, it brings high sustainable profit and values to them. This thesis tried to deliver the importance of sustainability, innovation and environment amidst the luxury brand companies in the green marketing strategy.

2.2. Objectives:

The objectives of this research are to examine and reevaluate the green marketing strategy for luxury brands for the purposes:

- 1- generating new strategies for luxury brands to attract eco-friendly consumers
- 2- assessing the effectiveness of digital marketing in the luxury brand industry
- 3- creating effective relation between consumption theory and luxury image environmental friendly
- 4- the effectiveness of green marketing strategy for reinforcing eco-luxury behavior

For this aim, consumption theory can be investigated in terms of sustainable marketing and raising awareness by green marketing, digital marketing or mixed marketing strategies.

Therefore, this research was intended to assess the impact of modern marketing strategies in order to investigate the innovative green strategy on case study of

Gucci, thereby considering beneficial insight of those to gain sustainable competitive advantages. However, luxury consumers are looking for new experience rather than just materialism while purchasing a luxury product (Danziger,2005).

(Kapfer,2010), Provided an insight to the fact that how sustainability can be an imperative business model for luxury thus enhancing its reputation, he emphasized the role of celebrity and high-end consumer of luxury who can act as an opinion leader and should act responsibility by demonstrating ethical concerns and substituting an ethical stratification to power stratification.

Price is one of the most crucial item of green marketing mix. Actually, the luxury brand's consumers are always ready to pay further value if there are distinctly various series of benefits which is foster the brand value directly.

In fact, acquiring sustainable enhancement drives to economic progress while permit nature to prosper which is both the challenge and great opportunities simultaneously. Therefore, today, a vast number of luxury brand industry are understanding that biodiversity sustainable strategy of marketing is a crucial tool of evolving rapidly across the world.

This research targets to follow the idea of sustainability in green marketing strategy in luxury brand companies by transforming their connection with nature in order to increasing their sales and marketing continuously. Also, it leads to tangible changes in green marketing.

2.3. Research Questions:

Among entire thesis is attempted to assess the motives behind the sustainable green marketing strategy, enhancing the corporate biodiversity strategy which is

more focused on the successful case of Gucci, to respond the mentioned objectives, some main research questions determined below:

- 1- How to make crucial decisions in order to improve biodiversity strategy within a luxury brand company?
- 2- What kind of actions and tools are available to achieve the sustainable green marketing strategy?
- 3- How to structure the supply chain, management strategy and innovative manufacturing process to gain superior profit through sustainable green marketing?
- 4- Which approaches are required to foster the sustainable green marketing strategy?
- 5- How green sustainable marketing strategy can generate value to luxury brand companies?

In order to exert the research in an organization and methodology of sustainable marketing strategy, the case of Gucci was defined as a substantial company in achieving sustainable profit by this methodology.

This research applied to the following steps:

- 1) Starting point is concentrated to the traditional marketing strategy
- 2) the transformation of luxury brand companies to be sustainable by performing the green marketing strategy
- 3) Interpreting the improving methods of Gucci's sustainable strategy
- 4) Assessing the environmental impacts by the innovative tool of EP&L
- 5) Conclusion which are derived by considering the entire investigation of the research

In the case of Gucci, the overall procedures of strategic corporate relations with biodiversity in the case of Gucci, "it is necessary to understand how business activities lead to impact on biodiversity" (source: Gucci)

- 1- Realizing impacts: understanding the pathways which lead to decreasing biodiversity can be a fruitful method to evaluate the impacts.

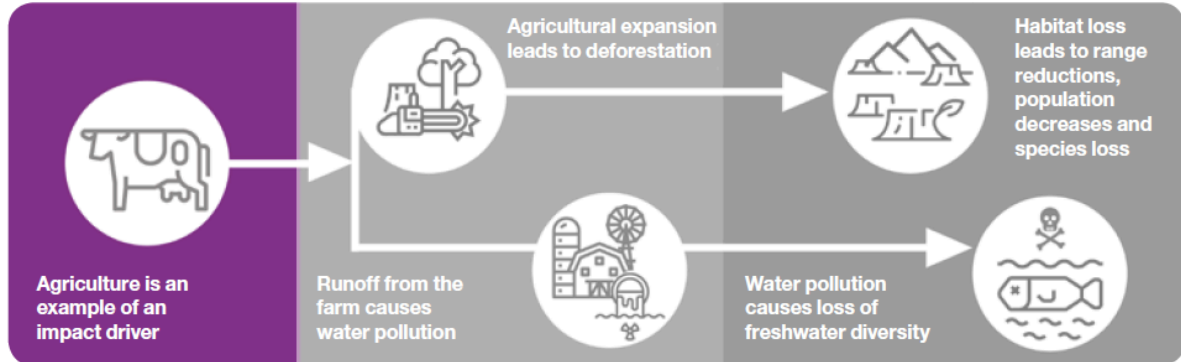


FIGURE 2: REALIZING IMPACT PATHWAYS – (SOURCE: GUCCI)

- 2- Realizing dependencies

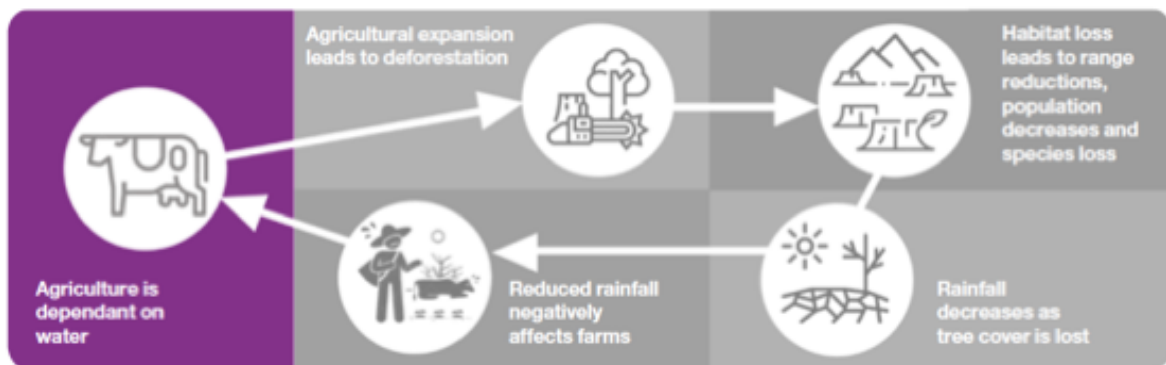


FIGURE 3: REALIZING DEPENDENCY PATHWAYS – (SOURCE:GUCCI)

- 3- Creating an image as the company environmental effects is the following approach, Environmental Profit and Loss (EP&L) platform

CHAPTER 3

KEY CONCEPTS

3.1. The World of Luxury:

“Luxury defines beauty; it is art applied to functional items” (Kapferer, 2008).

In fact, the intrinsic value of luxury is a great deal an operation inelastic standards of its designers, who have persistence on supreme figure and manufacturing, can support to create their brand inimitable and trustworthy. Therefore, it leads to store the glamour of luxury.

Luxury can be defined in many ways and perceived differently depending on location, culture and even on one's background. One traditional way of defining luxury is as “a way of life that satisfies all material desires regardless of expense; something agreeable but not necessary or self-indulgence in material pleasure” (G. N. Garmonsway, 1969).

Despite this, over the past 30 years the notion of luxury has evolved: from a restricted elite of “happy few” to a more democratic idea of luxury, accessible to some not affluent by seldom consumers of luxury (Dubois, Czellar and Laurent, 2005).

According to Collins English Dictionary, luxury can be defined as being “indulgence and enjoyment of rich, comfortable, and sumptuous living; something that is considered an indulgence and not a necessity”.

In the new world of luxury, purchasers particularly tend to a more thoughtful and different kind of utilization that it seems more to “treat” than to “necessity” which depicted progressively more complex to interpret.

While luxury companies consider exclusivity as the main aspect of the brand, they have to embrace the progress of new media in terms of revolutionary matter in their strategy.

They focus on boosting its brand foundation as a core target by evaluating the percentage of customers who increase within following oncoming steps, brand cognition, observation, primacy, experiment, procure, repurchase. As a matter of fact, the necessity of seeking new methods to sustain the brand is an issue in the luxury markets:

1) The luxury companies will require to be more innovative and contemplative in their strategy to the online network.

2) It entails to search for the creative approaches to differentiate their brand and reputation.

Therefore, luxury companies by enforcing their moral values can distinguish their reputation through philanthropic and environmental motivation. Moreover, balancing between the logical and aesthetic specifications is crucial.

There is a difference in their provisional focus and level of contradiction to regular life that established among portioned experimental qualities which apply instants of luxury, independent of other delightful moments due to complementary, pleasant, flawless, scarce, attentive and breathtaking moments of luxury. This concept helps clarify the nature of empirical luxury and displays in context of enhancement and progress, delight and euphoria, uniqueness with the other, esteem and self-superiority. Therefore, it leads to augmentation, perceive the meaning of luxury in flowing times.

3.2. Luxury Product Consumption:

Analyzing the luxury product consumption among consumers' behavior were carried out by (Rae,1834. Veblen,1899. Keasbey,1903). After that, they have pursued marketing literature, concentrated on luxurious brands, particularly in growth of brands (Roux, 1995).

Hence, luxury brands have supposed to preserve rate of sales and consumer allegiance. likewise, a luxury brand model established by (Beverland,2004) with the underneath aspects: product robustness, the value of the product for the consumer, culture, history of the product, marketing and support.

(Moor and Birtwistle,2006) are criticizing this model, evoking further points which are required to create a modern luxury brand.

(Vigneron and Johnson,1999) identified five merits of esteem behavior which are merged with 'five favorable incentives' through these, recognized five individual classified reputation consumers. According to this model, price has less importance than quality, product attributes and consumption proficiency. Hence, they describe luxury consumption correspond to the following effects:

- 1- The Veblen Effect (realized conspicuous value): consumers confirm price as an index of prestige and consider it substantial value due to the initial target of Veblen consumers. Thus, as the price of the product develops, their demand will be enhanced.
- 2- The Snob Effect (realized unique value): The price has been perceived as an index of excellence in insight of these consumers who are reluctant to reputable brands in order to just provide their needs to use products
- 3- The Bandwagon Effect (realized social value): these consumers alike Snob consumers consider less emphasis to price as an index of esteem, however include higher importance on affecting others while an index of prestige is consuming reputation brands.
- 4- The Hedonic Effect (realized emotional value): they are more fond of their impression and gratification, so less relevant to price as an index of esteem.
- 5- The Perfectionist Effect (realized quality value): These consumers attach to their own cognition of product quality and would exert price as an additional evidence of quality.

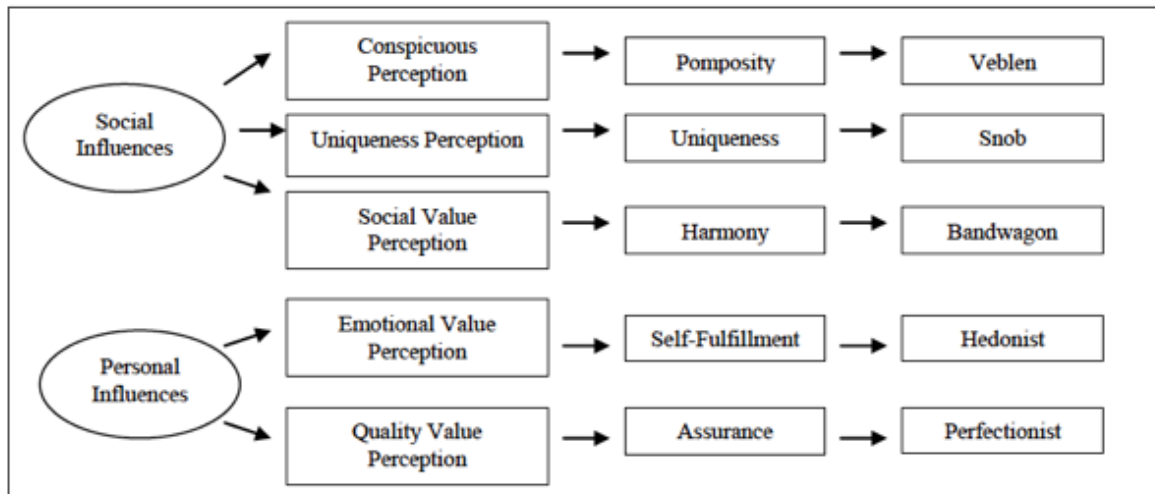


FIGURE 4: SOCIAL AND PERSONAL INFLUENCES IN LUXURY CONSUMPTION (VIGNERON AND JOHNSON,1999)

The following figure illustrates the kind of behavior through realization and price which influence luxury consumption.

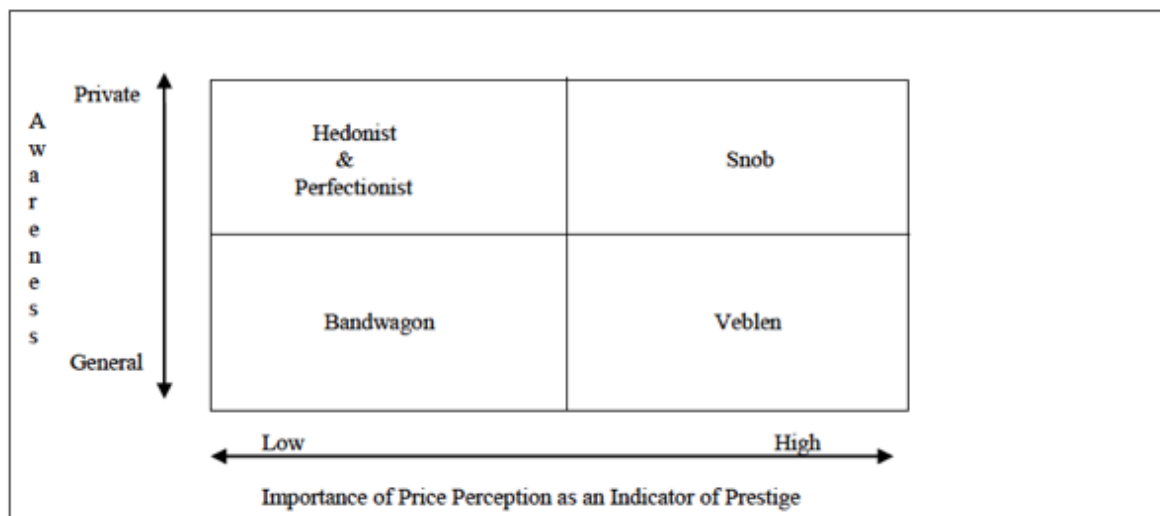


FIGURE 5: PRESTIGE CONSUMER BEHAVIOR (VIGNERON AND JOHNSON,1999)

As can be seen from the figure , in Snob effect the emphasis attributed to the price is high likewise in Veblen, however incentive for being distinguished is depend on distinction between other persons and being the unique possessor of the products. Hence, when other consumers possess specific high priced products as well, the demand of snob person will diminish for those products.

Meanwhile, by decreasing the price of the goods which being purchased further in the society may snob individuals dislike it. So, each reduction in price, growing in the level of goods demanded will remain under the expected increment in demand which should have been an outcome for the demand of snob individuals. There are two items as an outcome for occurrence of snob effect:

- 1- Since a modern luxury product is revealed, snob individual considers buying such prestige product at that time may leads to hinder other consumers from buying that goods.
- 2- When a purchaser that puts significance on her situation does not look like as a specific product and rejects it.

Moreover, a “snob effect” amidst luxury consumers who purchase flawless items in the aim of identifying themselves indicate as a powerful guardian status. Therefore, scarce products demonstrate honor and glory among the undertakers.

Executed investigation have indicated that product supply limitation enhances the esteem of the product by consumers and impact their brand choices (Verhallen,1982; Lynn,1991; Pantzalis,1995). Thus, it was shown that the most substantial impact on customer demand is scarcity in order to make products reputable, costly and unique individuals’ insight.

Therefore, the ‘snob individuals’ interest for existing the unique possessor of the products entails that the costly luxury products just bought by those. Therefore, in this thesis, the goal is that concentrate to the impact of choosing proper marketing strategy in luxury brands in order to increasing sales and sustainable profits.

3.3. Advertising and Marketing:

Suzy Menkes, the head fashion editor for the international Herald Tribune, said in January 2010 interview, “the world changed when fashion instead of becoming monologue, become a conversation.”

They focus on boosting its brand foundation as a core target by evaluating the percentage of customers who increase within following oncoming steps, brand cognition, observation, primacy, experiment, procure, repurchase. As a matter of fact, the necessity of seeking new methods to sustain the brand is an issue in the luxury markets:

Indeed, as the definition of advertising is any kind of the prearranged transmission which uses in a cost-efficient way to attract audiences in order to gain marketers' targets, the way of establishing fictional universe prospects in advertising debate that are evaluating linguistic selections and specifications of contents which are substantial in defining peculiar relevance between transmitter(s) and objective audience(s).

Advertising is a manifest specification of modern economic life which is such a precise subject in order to consider the four roles of advertising that performs in the society and business, including, marketing, communication, economic and sociocultural.

3.4. Types of Advertising:

In fact, advertising has various roles in industry which determines in terms of marketing, communication, economic and societal.

In this thesis, it aimed to focus on the advertising role in terms of marketing. Indeed, in the case of luxury brand industry, we can consider both Business-to-Business (B2B) and Business-to-Customer (B2C) advertising which are both contain as marketing mix in order to perceive the relation between brand improvement and marketing communications procedure.

- B2B advertising: entails the enterprise between firms rather than firms and individual consumers.
- B2C advertising: explains the commercial relation managed by firms with consumers per se.

In fact, due to the high dependence of business on clients among the luxury brand industry, is more concentrated on the B2C advertising in order to empower their sales and marketing.

3.5. The Economic Analysis of Luxury:

From an economic point of view, luxury is explained as overpriced for the functionality it offers, which means that people are somehow buying more than just a product that fulfils a necessity (Yeoman,2011).

It is possible to understand, now two of the factors that explain luxury is: Distinction (it is for refined people who want to prove their high social status) and Elitism (very few people can have it, because it is really expensive, but everyone knows about it and desire it) (Barnier et al,2012). The essence of luxury derives from these factors: awareness and desire should be higher than accessibility (Kapferer and Bastien,2009). So, luxury needs a constant equilibrium of exclusivity and accessibility, thus supply should be below demand. When this equilibrium is not respected, the business' success will start to decrease (kapferer,2014). Luxury needs a constant equilibrium of exclusivity and accessibility, thus supply should be below demand. When this equilibrium is not respected, the business success will start to decrease (Kapfer,2014).

The highest quality and refinement are other factors that characterize luxury (Barnier et al,2012). All these factors are long-term non comparable between brands, just like art (Kapferer,2014). Thus, luxury is about uniqueness, creativity and (brand) power (Barnier et al,2012).

3.5.1 The Economic Visions on Advertising:

we specified the three various types of visions on advertising, as following:

The Persuasive Vision:

This context is given as a primary significance of advertising which affirm a role of scale economies that may demonstrate a price-subtractive impact, however the importance of anti-competitive advertising as a consequence appears.

For gaining this conclusion, this view displays while advertising constructs brand loyalty, it makes an obstacle to entry as well, as long as the settled firms are capable of assigning costly prices and obtain remarkable efficiency without encountering entry.

Furthermore, another advocates of persuasive view in light of the prospective anti-competitive hints of advertising (Robinson,1933) declares that if “a firm finds the market becoming more competitive, it can turn to advertisement or other devices which attach customers more firmly to itself.” Totally, he recommends that advertising has deep anti-competitive outcomes with deterring entry and supporting monopoly power in a market which is the aim of established firms, in any other way would be appropriately managed by competitive constraint. Then, (Braithwait,1997) mentioned that “advertising modify a consumer’s demand for the advertised product”. Hence, it replicates the consumer’s intentions unlike to those that send back their “accurate” preferences. On the other hand, he distinguishes that advertising may further persuade a scale impact which represent a falling pressure on price. Moreover, she claims that an official firm for its brand creates a “reputation” among consumers by advertising.

So beginners can thrive just by advancing their reputation through advertising. Eventually, advertising arise in the formation of “reputational monopolies”. Also, this effect propose support additionally for the opinion that advertising entails lower welfare and forceful prices. At the end, she clarifies one possibility: “Advertisers must guarantee the quality in order to sustain their reputation.”

(Kaldor,1950) has boosted the persuasive view of advertising, thereby drawing a gap between direct and indirect traces of advertising on social welfare. While the direct one is identified by its purpose in the condition of cost and information of excellent product to consumers, the indirect ones contain any resulting scale economies in distribution and production. (Kaldor,1950) achieves the result that the main social conclusion of advertising can not only be determined on the foundation of economic theory. Thus, persuasive advertising generates brand loyalty and is anticipated to indicate an effect on other market variables indirectly which related to entry barriers, profit rates, pricing levels and concentration ratios. At the end we can consider that this view alters the utility function.

The Informative Vision:

Under a significant concept of this view, advertising may have competitive effects professionally. Actually, the formal basis of this view is set by (Ozga,1960) and (Stigler,1961) who explicates price dispersal as a replication of consumer ignorance which proceeds from the expenses to consumers of gaining information. After that, he creates a model of optimal search behavior client which indicates that advertising diminishes consumer's search expenditures impressively as it extends this kind of information. Hence he claims that "advertising as a precious origin of information for consumers arises from a decline in price dispersion".

Then, due to persuasive attempt of (Telser,1964), the basis of this view are enhanced significantly. He derives in that "Advertising is frequently a means of entry and a sign of competition. This agrees with the view that advertising is an important source of information". (Telser,1964)

So we can say that price is defined to counterpart average cost (AC), including advertising expenses, considering as the cost effect.

However, there are two sakes which are explaining the identification of advertising with monopoly power:

- 1) (Telser,1964) notices that "firms with some monopoly power are likely tend to have advertisement as the growth sales can be acquired which are motivated by their advertising".
- 2) (Telser,1964) recognizes that "some advertising has more influential, increasing monopoly power".

Moreover, due to the loss of the theoretical accuracy, he traces an empirical appraisal of the cross-sectional relation between advertising intensity and other market variables. He presents two types of indirect clues:

- 1) He figures out the correlation between advertising and concentration. His appearance is that "if advertising brings up monopoly, then concentration supposed to be correlated by advertising definitely. Finally, he derives that the relation between advertising and concentration is positive but weakly.
- 2) Then, he evaluates the link between advertising and market-share stability. Applying several criterions, he assesses that market-share

stability emerges reversely relevant to advertising intensity. Therefore, his argument indicates that his intuition declines the perspective that advertising fixes market share. The certain notion is that advertising simplifies entry and new-product introduction.

Apart from that, (Nelson,1970) generates discrimination between search and experience goods. While the quality can be characterized former to procure as a search good (but possibly after expensive seek), the modality of an experience good can be measured just behind consumption arises. Indeed, he argues that advertising has indirect information role to consumers which is particularly substantial for experience goods.

He depicts three main proofs about this intuition:

- 1) signaling efficiency effect.
- 2) match-products-to-buyers effect.
- 3) repeat business effect.

Unlike experience goods, search goods present greater prospective for direct information spread through advertising. Therefore, (Nelson,1970) pursues the assumption that “advertising has prevailing indirect information for experience qualities and for search qualities is direct information dominantly”. He demonstrates different kinds of evidences empirically in emphasis of that:

- 1) he suggests that advertising intensity is higher for experience goods.
- 2) He introduces clue that the coefficient with respect to magazine advertising is remarkably greater for experience goods.
- 3) He outlines proof for experience goods that advertising intensity is higher for lower priced and non-durable commodities.

However, there are two main constraints:

- 1) As he represents that the empirical difference between search and experience goods is conventional. So, his empirical intuitions are not crucial.
- 2) He argues that demand-extending advertising has fascinated exclusively by high-quality firms, however he does not issue an official paradigm which conveys this prediction.

Taking everything into consideration, we can evolve that his efforts boost significantly the informative view of advertising. As a conclusion, in this view, the utility function has affected by advertising just if considers information.

The Complementary Vision:

Under this view, consumers own constant preferences which have entered directly in procedure by advertising that is corresponding to the utilization of advertised goods. (Stigler and Becker,1977) suggest the central regulations through complete declaration. According to their manner, the consumer utility obtains from utilization of different products which are generated through a household production technology, besides, as inputs have taken market products, advertising and other variables. For instance, if Y indicates the level of some compound commodity then relations have followed like this:

$$\begin{cases} U = U(Z, Y) \\ Z = g(A) X \end{cases} \quad \text{Where } (U_z, U_y, g(A), g'(A), X, Y) > 0$$

Significantly, this formation specifies complementary between A and X in the production of Z. they argue that, when a firm has advertisements iteratively its yield seems to be more striking to the consumer, “as the household have been convinced -accurately or inaccurately- by that stated input of advertised commodity have taken a higher outcome of the product”. By linking the informative and complementary views, (Verma,1980) presents that “when consumers’ time expense is costly and/or substitute information collecting procedures are reasonably unproductive, the advertising should be highest”.

With this method, they represent that rather a perfectly competitive firm tend to advertise. Inherently, a price-taking firm have a tendency to entail an advertising cost, as the taken demand move upward for its good, authorizing it to “hold” higher price. A notion is that firms probably have competition with each other in the same merchandise (e.g., reputation) market although

they generate various market products (e.g., jewelry and fashion) thereby advertising in several levels.

Actually, (Nicolas,1985) has investigated the welfare concept of the complementary view. He clarifies the level of an enjoyed specification with “Z”. Then, consumer welfare (U) is presented by:

$$U = U(g(A)X, Y) \quad \text{w.r.t} \quad I = P_x X + P_y Y \quad (\text{Budget Constraint})$$

“For maximizing U, the consumer selects X and Y for any given A with respect to Budget Constraint”

- ‘X’ the market good is consumed
- ‘A’ the market good is advertised
- ‘Y’ a compound non-advertised good
- ‘I’ is income
- ‘P_y’ is the price of good Y

Therefore, according to above descriptions of economic views on advertising, it can be distinguished that luxury brand industry has persuasive views in marketing.

3.6. The Essentials of Luxury Strategy:

Luxury followed by a path which can luster authority and social situation. Luxury helped signaling social hierarchy (Kapferer and Bastein,2009). So, the supreme classification of society, aristocracy and royalty would enhance themselves via sparking objects which other classes of people could not possess.

“The happy few” who are able to enjoy luxury are also able to portray their power and to influence taste in society (Kapferer and Batien,2009), although not every person can purchase it. Thus, the value of luxury is demonstrated by two principles: the strength it has to please the individual and to give him/her the dream of exception (self-elevation); and the way it portrays a social positioning to others, creating distinction (Kapferer,2015). Consequently, it entails the superior price of luxury which is much higher than it should be.

The brand should be affiliated with its worthiness, reputation and glorious people. So,

- 1- Exclusivity must be a crucial part of the brand individually.
- 2- willingness to pay by the one who can afford the price financially

the essence of luxury derives from these factors: awareness and desire should be higher than accessibility (Kapferer and Bastien,2009).

3.7. Traditional Marketing in Luxury Brand Industry:

In traditional marketing, there is fantasy to driving away of customers from other brands including, management's essential assessment of success considers as sales progress and managers' efficiency. This steers companies to enhance with new goods in order to expand market influence and grab an advance on competitive brands.

The mass growth is the initial target of traditional marketing. It aims its view points at gaining supervision in market share to achieve strength with volume distributors, branch stores. Moreover, it can be introduced itself as a power to be accounted with its layouts. By having adequate volume, the enterprise can function with small deals that create money. It is the nature of mass marketing model. Therefore, progress in annual outcomes are the only criteria for product managers.

Luxury brands are both a premium and a symbol of continuous advancement. So, the luxury brands should always control its customers in order to be maintained this status. On the other words, the luxury brand should have the role to advise, train and steer socio-logically. By this statement, it actually should be dominated. Thus, the logic behind the traditional marketing is doing everything to simplify the immediate disposal to the goods per mass distribution. In addition, business model depends on licensing positioning and the accessories sales.

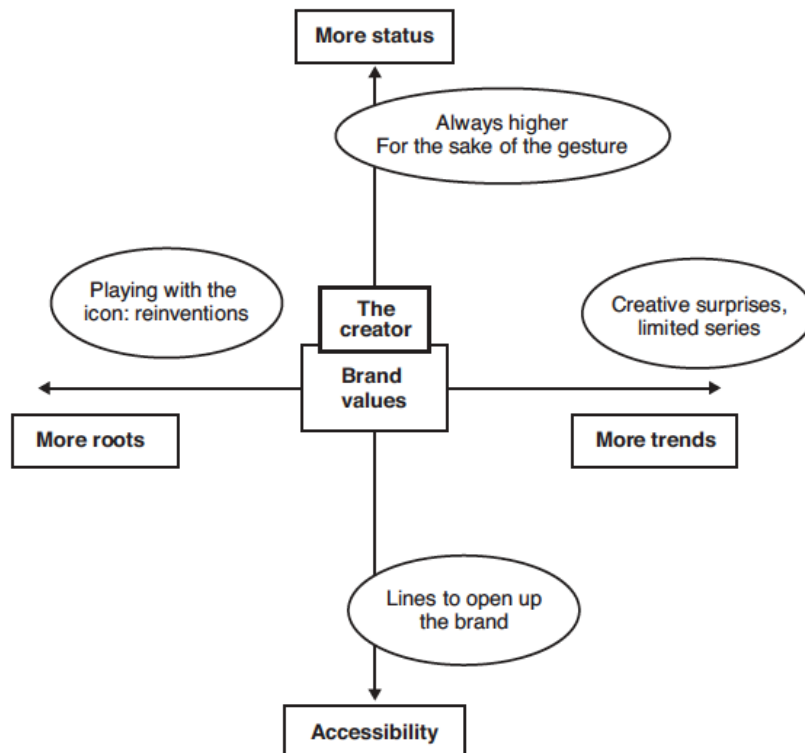


FIGURE 6: LUXURY BRAND ARCHITECTURE-POLES AND PRODUCT ROLES (KAPFERER AND BASTEIN,2009)

3.7.1. Stretching Strategy:

As a matter of fact, the authenticity brand stretching is associated in traditional marketing to determined know-how or observed the intangible notion of the brand.

This strategy has expanded by end of the end of Second World War substantially with the rapid incremental of the market at the same time. Indeed, brand stretching has reshaped the luxury. After that, many luxury brands tried to stretch their brand in the aim of enhancing the commercial consequences of their glory which is named the adolescent phase of luxury market. indeed, stretching consider as the regulation in mass-consumption.

Those rules are (Kepferer,2008): each brand is characterized by know-how, a territory of competence, which defines a zone of legitimacy for its stretching and limits them to variants that seem to derive from the same know-how. In order to be legal, it should be a “compatible relationship” between the original commerce and the intended stretch. So, luxury brand stretching has the limitless feature.

3.7.2. Evolution of Luxury Stretching:

Stretching created this opportunity for luxury houses to foster immediately. Many brands started to proceeding into the licensing system.

In fact, I desire to describe the acceleration of this strategy in the financial facet:

- 1- Creating a luxury brand is a lengthy and prohibitive practice, the necessity of money can be directed by an agile stretching of licensing systems.
- 2- In order to progressing the return on equity which is really considerable, the worth of luxury should be supported by the valuable goods.

Actually, in this strategy which is so tempting, it is essential to divide what is brand stretching and what is stretching above luxury. In this model:

- The financial capital is not needed, just creative reputation which is considered as the powerful brand capital
- Capability to preserve the creativity in their fame
- Licenses without investment can improve the progress.

3.7.3. Types of Models in Stretching Strategy:

This practice reveals two strategies, namely, vertical stretching (PYRAMID MODEL) and horizontal stretching (GALAXY MODEL).

Vertical Stretching (PYRAMID MODEL):

In fact, the luxury brand attempts to have higher access in cost, so let its absolute price low by accessories, thereby enticing the worldwide luxury clients like ‘day trippers’. this model may inspire both downward like numerous haute couture brands and upwards alike formation of a couture design of Italy by the American Ralph Lauren. So, this business model is considered as short term strategy.

In PYRAMID MODEL, there is a possibility that the whole of goods can be demonstrated in one shop by representing the association of the brand. Most of brands reveal from ‘haute couture’ to place on the peak of pyramid, however the trade-off is created chiefly by much available goods, like Dior.

Taking everything into consideration, this model is seducing a lot of brands as it presents sharp growth in turnover and benefits throughout tiers which have slight

production expense by industrialization while they gain from the renown of luxury brand by high price on the top of pyramid. However, powerful luxury brands do not pursue this model as they prefer to have long-term strategy to substation their glory.

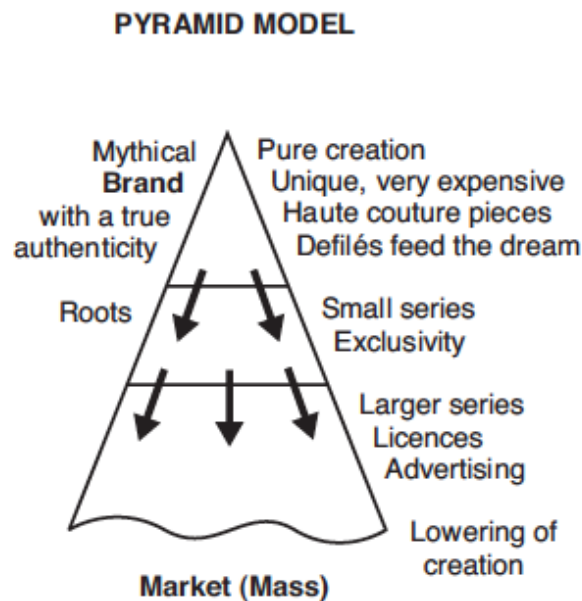


FIGURE 7: PYRAMID MODEL (KAPFERER AND BASTEIN,2009)

Horizontal Stretching (GALAXY MODEL):

In this type of stretching, the brand's measure of relative price is not modifying, displaying its culture according to other domain of customers' life. This model revolves on a center which is the brand's soul. The brand is expanded by differentiated brand's worth that is defined by the living creator. This model is remarked as a long term strategy (the GALAXY MODEL) which incorporates in various universes, certifying the association of their creators.

Actually, this business model is illustrated by Ralph Lauren that all the alternatives orbit around an individual concept in the heart of GALAXY according to the instants, circumstances or gender will be varied. In addition, all of the points around a center are named sub-brands by equal features.

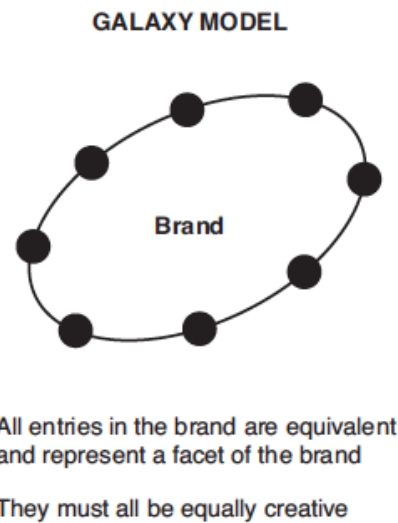


FIGURE 8: GALAXY MODEL (KAPFERER AND BASTEIN,2009)

Consequently, the luxury brand stretching has the main risks including (Kapferer and Bastien,2009):

- 1- Eroding the nature of luxury itself leads to shrinking the brand's creativity to be challenging.
- 2- Lack of brand control, connected to the internal infrastructure through the brand.
- 3- Qualitative risk due to the relocations of organization
- 4- Assigned risk to the connected stretching of distribution.
- 5- Risk of fragmenting the advertising statement and the brand's debate.

Thus, competitive management in mass marketing, luxury goods principles (Bechtold,1991; Roux,1994; Roux and Floch,1996), and measurement of reactions against the idea of luxury goods (Dubois and Duguesne,1993; Dubois and Laurent,1994) have appeared.

3.8. Sustainable Green Luxury Marketing Strategy:

Indeed, in 21st century, new marketing concepts convert to the effect of high-end technology, goods and services. Moreover, the growth of digital technologies and social media perform effective role on dynamic improvement of digital marketing in luxury brand industry which create communication with customers, improving sales. In addition, as the luxury consumers who are elect, wealthy and involved

themselves about environmental matters, want to know more about the process of manufacturing goods and high interested to the pro social activities rather than pro self.

Actually, new marketing strategy leads to following items:

- 1- Technologies change the perspective of marketing
- 2- New challenges of luxury industry to face with digital transformation and e-commerce concepts in order to assort into changeable consumer preferences
- 3- Possess the sustainable future in worldwide by pursuing new marketing strategies
- 4- Figure to gain superior profit by opting the new effective marketing strategy
- 5- Green technology to manufacture eco-friendly products
- 6- To enhance the significance of sustainable luxury
- 7- Investigate the relation of valuable new marketing strategy and consumers' behaviors of the luxury industry in order to increasing sales

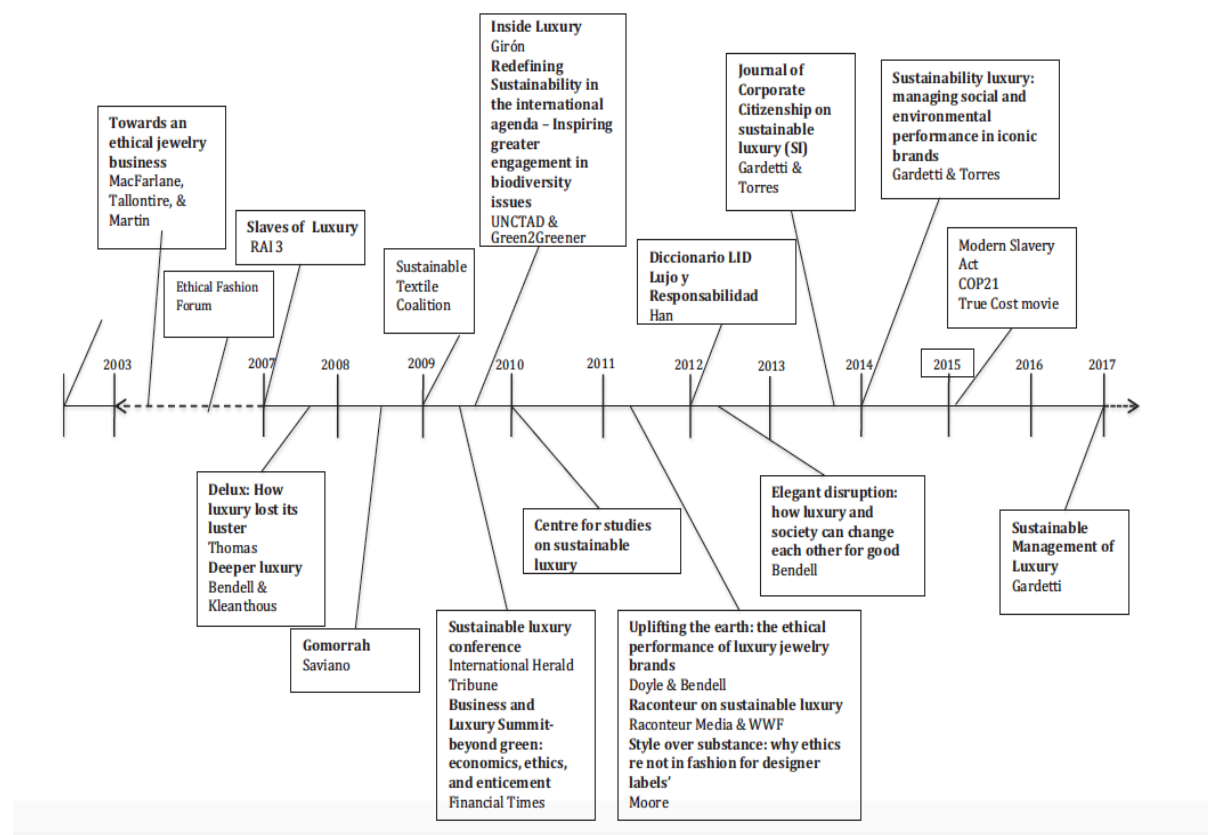


FIGURE 9: EVALUATION OF SUSTAINABILITY LUXURY (TORRES AND GARDETTI,2013)

“The overarching view is that the ideology of marketing, driven by a mantra of ‘more’ consumption, is contradictory to the goals of sustainability and responsibility (Harper and Peattie,2011). However, “In the world of luxury brand industry, brands have firmly diffused into all levels of our everyday as glimpse through the new channels, magazines and social media shows” (Levy and Luedick,2013). While evaluation of luxury brand management to have a wider attention to address a contemporary relationship between consumers, stakeholders and environment may lead to the social and technological changes. Furthermore, this concept alters the luxury brand’s perspectives toward the environment, climate, sustainability, ethics and creating the proper relations through their supply chain in order to give adequate right to environment, people and employees to have great superior profit and values.

Reframing luxury brand into sustainable luxury is appeared as new era of luxury brand industry from end of 2013. They have perceived that the younger buyers have more sympathy about the ecological products than traditional luxury brand consumers. Thus, luxury brands companies redefine their brand image by transforming their marketing strategy to green marketing strategy as (Kapferer,2010) noticed that “it is a momentum toward ‘going green’ as more luxury customers prefers to use those products which are more environmental friendly”. Besides, some largest luxury brands such as ‘Gucci’ relieving their firms on ESG function (Environmental, Social and Governance) which is ranked by World Wide Fund for Nature (WWF). Recently, luxury brands understand that adaptation to eco-friendly policies make augmentation to their brand value. As (Mishra and sharma,2010) that “green products as the ones which are manufactured through green technology that causes no environmental hazards.” This considerable changing in luxury brands just would be possible by determining long-term strategy on green marketing which indicate changing in their entire supply chain and CSR (Corporate Sustainable Responsibility) Policy in order to have sustainable value and increasing their sales continuously. In the next chapter targeted to the case of Gucci as one of the effective luxury brand companies in green marketing strategy.

CHAPTER 4

CASE STUDY: GUCCI

4.1. History:

‘Influential-Innovative-Progressive’

Gucci is illustrated as a global-outstanding fashion luxury brand which incorporates into the Kering Luxury Group. Kering inspires its Gucci luxury brand by ‘authorizing vision’ to gain their potential in the most sustainable procedure. Kering leads the growth of a classes of glory Houses in Fashion, Leather Goods, Jewelry and Watches.

Indeed, François-Henri Pinault, the CEO of Kering declared that “luxury and sustainability are one and the same” and Gucci as the part of this house is following this idea in the heart of its novel strategies.

Gucci is the first entirely regenerated modern approach to fashion. Under the novel perspective of creative director Alessandro Michele, the House has determined luxury for the 21st century, one of the most world’s favorable fashion houses is its circumstances as additional strength.

Extensive, contemporary, fashionable—Gucci goods demonstrate the peak of Italian craftsmanship which are peerless due to their high quality and consideration to particularity.

Gucci president and CEO, Marco Bizzarri, from a fireside chat with Marc Benioff, Chairman and Co-CEO of salesforces said “Creativity is the center of everything, the best way to foster it is to create an ambiance in the company that is inclusive and gives the possibility to talents to spread joy and freedom of expression”.

4.2. GUCCI's Novel Marketing Strategies:

- A World in Equilibrium:

“This is the heart of Gucci’s mission to bring positive change in order to secure our collective future”.

In fact, ‘Gucci Equilibrium’, is a set of their worthiness, positive natures and aspirations. It’s the parity of their aesthetic goods with their ethics. Gucci defines a ‘Culture of Purpose’ which can be provided the expectation of their clients, employees, suppliers and each single persons in the broad Gucci group. However, Integrity is the high valuable item which is needed to represent at Gucci to follow real purpose. thus, this is the state of equilibrium in order to innovate, establish and improve.

If we focus on this purpose of Gucci profoundly which indicates the importance of innovation and pioneering ways to manage the right effect on people and the nature in order to have sustainable values.

The definition of equilibrium is that they are directed to have very high quality for their clients by preserving both favorable environmental and social effect.

Indeed, the “Culture of Purpose” qualified by three main following foundations:

- The environment
- People
- Novel models

which determine as sustainable innovation are altogether in ‘Gucci Equilibrium’. Thereby, inspiring all the Gucci’s actions in relation to those chief foundations by scheduling its target.

Moreover, the ‘Culture of Purpose’ is fruitful to support in managing time and setting their capabilities. Therefore, they assign time progressively to maintaining the planet and further sustainability.

In the other word, ‘Gucci Equilibrium’ express an advanced and aspirant perspective of transform according to inspiring statements, affecting investigation, experiment and proof. Thus, a bright highlight on Gucci’s actions in this direction leads to reinforce change and encourage essential worldwide discussion and work in order to secure future ages.

Gucci is considering crucial rules as a delegate of transformation which means you may never be fulfilled, pursuing to preserve challenging for major targets. Therefore, Gucci persistently apply goals, investigate their works and assessment where they define their peculiar story.



FIGURE 10: GUCCI'S MARKETING STRATEGY (SOURCE: GUCCI)

- **CSR (Corporate Sustainable & Responsibility):**

Gucci in the aim of managing their sustainability through their business profoundly, defines their Corporate Sustainability & Responsibility Policy.

Gucci defines sustainability as the tool of increasing action constantly related to empowering economic performance, supervise, reduction of business risks. Gucci believes in fostering sustainability mainly through the supply chain and within the organization and marketing function.

Gucci remarks a business progress model which is the incorporation of supreme craftsmanship and the conception of ‘Sustainable Value’ that is over the substantial regulation of adoption with each international

agreement, law, economic, environmental and social profits of all stakeholders. Gucci's Policy which cherishes the following fundamentals:

- Business Ethics
- Respect for human rights
- Elevation of a quality working environment through people's welfare, the protection and advancement of health and safety, employment standards, the progress of professional dexterities and the improvement of variety.
- Socio-cultural improvement
- Conservation of environment
- Relevance of stakeholders
- Supplier involvement
- Client care

This research is aimed to focus on the "Gucci Equilibrium" strategy in order to investigate the impact of that in three aspects of environment, people and novel models as a sustainable way of marketing in Gucci which they have tried to focus on green digital marketing in order to capture the significant sustainable values, sales and profits.

4.3. The Environmental Foundation of 'Gucci Equilibrium':

Today the 'Culture of Purpose' helps Gucci to allocate time to protecting the planet and improving sustainability so their mission is committed to accomplishing a Culture of Environmental Sustainability, being aware increasingly within the Gucci structure.

- They boost their knowledge profoundly to assess their impact on the environment among the life cycle of their good both directly and indirectly, measuring the economic and social trace of their effect environmentally and confirming an environmental assessment system that displays all striking environmental outcome.
- They decrease energy consumption, the liberation of detrimental stuffs to the nature, consumption of water and redundant vintage in their shops, offices, production firms and distribution

- The usage of sustainable packaging is elevated among mitigating the amount used, raising the re-use of substances/or the substances that has alleviated effect on ecosystems and climate change, and the use of raw materials from sustainable sources. The removed chemicals from their goods and production procedure that are peril to people health and the planet.

4.4. Gucci's Fundamental Environmental Policies:

4.4.1 Environmental Implementation:

Gucci create and use an ecological footprint that is the considered condition whenever they measure the whole of used resources in each goods and likely affected outcome which is included invisible in formal businesses. However, the brilliance of their EP &L (Environmental Profit & Loss) platform convert their effect to visible. It will be calculated, if it existed the expense/saving for the environment.

The procedure of evaluating Gucci's products among the whole of supply chain: Carbon emissions, Water consumption, Air and water pollution, Land use and. Waste production. According to that, they may create business decisions on the basis on the most remarkable motivations of effects in their trade. The result of this approach authorize them to enhance strong patterns and business policies to direct the ventures and occasions which demonstrated challenges environmentally, creating the largest diversity and address tangible, favorable change. In the same vein with their 'Culture of Purpose', they have facilitated cooperation among segments and their equivalent together by introducing this open source platform in order to achieve a sustainable future. After that, I will focus on this Gucci's platform as a successful tool of innovated marketing to have more sustainable future.

4.4.2 Carbon Neutral:

Gucci put their prevailing attempts to diminish environmental impacts, switching to efficient change. Now, Gucci is balancing the entire

Greenhouse Gas (GHG) emissions each year among its supply chain and functions by means of four following crucial REDD+ projects which refer to “Reducing Emissions from deforestation and forests and degradation in developing countries and the role of conservation, sustainable management of forest, and enhancement of forest carbon stocks in developing countries” ((+) emphasis added) that support biodiversity and forest conservation around the world:

- Alto Mayo REDD+ Projects developer: conservation international location: Peru
- Chyulu Hills REDD+ Project developer: conservation international location: Kenya
- Rimba Raya REED+ Project Developer: Infinite earth location: Indonesia
- Southern Cardamom REED+ Project Developer: wildlife alliance location: Cambodia

Gucci’s supply chain transformed to carbon neutral due to the revolutionary allegiance to sustainability leadership in fashion luxury industry. Recently, Gucci had been derived their sustainable operational long-term strategy, going through the next enthusiasm step to be completely carbon neutral. As the diagnosis of climate change entails to have immediate actions of environmental friendly.

Gucci has directed an extended method to consider their entire GHG emissions linked with business activities. Thus, they have fulfilled its structure of operation to shirk, decrease, reorganize and neutralize its residual GHG emissions into domain one, two and three of Green House service.

Gucci is not only underlining a novel direction of carbon neutrality as the importance of its businesses to put an accountability through their supply chain for the entire emissions but also Marco Bizzarri the CEO of Gucci is declared that “As a solution for urgent climate action, the CEO Carbon Neutral Challenge redefines carbon neutrality to encompass the entire supply chain and holds companies accountable to address the total

Greenhouse Gas (GHG) emissions generated by their business activities in the immediate”.

4.4.3. Sustainable Raw Materials:

Gucci has consistency in using sustainable materials in order to foster the quality of their goods that have less environmental impact. In addition the put the generated Kering’s standard to assign their entire chief raw materials and producing function document.

Gucci has set up objectives to certify the trace of their raw materials (95%) which have recorded by 2018. And aim to increasing by 2025 (100%). Also, their creative and goods improvement teams are following Gucci’s introduced list of raw materials and producing functions, innovative and renewable materials and having great attention to eco-dictionary.

Raw material sourcing milestones	
Year	Improvements
2015	Starting point: Gucci was 73% aligned with the Kering Standards for minimum requirements
2016	Gucci was 80% aligned with the Kering Standards for minimum requirements
2017	A Supplier Index of Sustainability was created to ensure 100% of Kering Standards were implemented by suppliers of key raw materials and processes by 2025. This has raised the bar on social welfare, environmental protection, traceability, animal welfare and chemical use.

FIGURE 11: RAW MATERIAL SOURCING MILESTONES (SOURCE: GUCCI)

Raw material sourcing milestones		
Year	Improvements	
2018	We developed a first draft for the Best Practice of the tanning process for our suppliers and will be released in 2019.	Updated analysis of leather-based articles have been carried out to evaluate the alignment with the Kering Standards.

FIGURE 12: RAW MATERIAL SOURCING MILESTONES (SOURCE: GUCCI)

4.4.4 Chemistry & Environment:

Gucci pursued to be more conscious about investigation of the chemical goods to forbid using damaging chemical in their entire goods

Gucci recently represents that they will expand solvent-free fabric and utilization of water-based glue amidst whole of its supply chain. Furthermore, the have considered two key following activities to capture their long-term purpose:

- (MRSI) Manufacturing Restricted Substances List in order to remove the utilization of hazardous chemicals in manufacturing process.

- Partnership with CNMI (Committee at Camera Nazionale della Moda Italiana) in alliance the development of sustainability in luxury brand industry by eliminating dangerous chemicals in the fashion luxury

4.4.5 Waste Management:

Gucci's team have conceived that decrease wasting crucially create the proper sense of trade including, 'scarp-less leather' and Gucci as the 'circular economy'.

4.4.6 System of Packaging:

Gucci attain the system of Paper and packaging as a considerable section of their luxury products. As they provide all of their goods effectively and spread for the source of sustainability, Gucci has consistency to define sustainable integrity along their entire supply chain including packaging their goods. Thus, they are using 100% paper packaging by assigning the innovative FSC® certification (The Forest Stewardship Council's)

4.4.7 Fur Free Products:



In October 2017, Gucci presented the announcement of its CEO Marco Bizzarri: "we would no longer use animal fur in our products. This prompted speculation. Why would a luxury brand of Gucci's stature take such a dramatic decision?? The answer was simple: attitudes have changed towards fur and as a material it no longer reflects the values that we hold".

Gucci's group provide their fur production form the "fur farm model" in order to reduce the danger of improper behavior with animals. As well as they assign "animal welfare principles" to pursue their environmental long-term strategy of luxury marketing as Gucci declared that: "Gucci's fur-free future, however, reflects exactly our values of Equilibrium".

Thus, by starting 2018, Gucci ceased utilization of fur from animals by killing them. So, 'Gucci stopped using Kangaroo fur in its loafer line, from early 2017. This was replaced with lambs' wool. At the end of 2017 Gucci

also took the decision to stop using angora in its collections'. As can be seen Gucci have associated step-by step actions of changing by putting environment and preserving the planet in the heart of their procedures continuously as it associated as a sustainable green marketing strategy.

4.5. Gucci's Green Sustainable Marketing Approach:

In this section, I have attempted to investigate the procedures of the sustainable green marketing method which is included in Gucci:

- Investigation of Gucci's Environmental Impact
- Environmental Report of Consumption
- The Constructed Environment
- The Relevance of Transportation and Emissions

After describing these steps, we will concentrate on expressing the EP&L platform as a sustainable marketing tool in Gucci which make optimistic value for their clients and the planet.

4.5.1 Investigation of Gucci's Environmental Impact:

As I mentioned before in the Gucci's environmental policy about their EP&L platform which is used to measure in economic terms the environmental effect of the manufactured goods, evaluating the Greenhouse Gas Emissions, air contamination, water pollution, water consumption, waste disposal, land use among their procedures and whole supply chain. This platform indicates that tracing values leads to financial value, creating favorable profit for following trade, the planet, society and stakeholders.

An enthusiastic aim of Gucci has been generated in order to diminish their EP&L footprint related to trade progress around 40% by 2025.

Moreover, the EP&L Intensity (related to revenue) illustrated a decline about 8% in 2018. In overall, their outcomes were favorable for 2018.

	2015	2016	2017	2018
EP&L Value (€ million)	163	214	235	289
Revenue (€ million)	3.898	4.378	6.211	8.285
EP&L Intensity (€ EP&L/k€ Revenue)	41,8	48,8	37,9	34,8
Var 2018/2017			.	-8,2%
Var 2018/2015 (baseline)			.	-16,69%

FIGURE 13: EP&L VALUES (SOURCE: GUCCI)

4.5.2 Environmental Report of Consumption:

They always evaluate and detect the environmental implementation of their sectors throughout the world annually.

Their assessment of their efficiency environmentally, accomplished during the last ten years, has demonstrated energy and water use relevant to their offices and stores as the highest remarkable effects on.

In Gucci's offices, they have gained the considerable outcome in reducing paper consumption over many years. However, they are still trying to enhance their practices additional development.

Furthermore, they pursue to managing the garbage disposal accurately by improving their road map to becoming more expert by passing time.

Particularly in 2018, by considering Gucci's energy consumption, it can be seen that they have changed their criterion to green electricity (+146% green energy among 2016 and 2018). Since they have used electricity which is supplied from renewable sources leads to substantial decline of CO2 emissions.

Moreover, their energy consumption has shrink for each region of their stores continuously (-10%) from 2016. Therefore, refer to the range of their

functions in 2018, they gained a steady decline of CO2 emissions. (-30% in 2016).

2018 vs 2017
WATER: -30% water consumption/employee
ENERGY: -15% energy consumption/employee
2017 vs 2016
WATER: -29% water consumption/employee
ENERGY: -23% energy consumption/employee

FIGURE 14: ENVIRONMENTAL REPORT OF GUCCI'S CONSUMPTION (SOURCE: GUCCI)

4.5.3 The Constructed Environment:

Gucci's group have enthusiasm of the constructed environment. So we can see their worthiness and allegiances in each idiosyncratic details of their stores.

Gucci follows its "Green Book", their "building bible" which attempts to concentrate on energy and water consumption, thereby underrating waste and carbon footprint, having 'air quality management' as well.

On the basis of reducing energy consumption and attaining green electricity, particularly in 2018, Gucci reached to substantial decrease of CO2 emissions.

'Gucci have recycling programmed in place at 200 stores and are busy retrofitting LED lighting.' (Source: Gucci)

Thus, Gucci's constructions contain among the Leadership Energy and Environmental Design (LEED) verification action which referred to broadly green construction rating system universally.

Universally, LEED certification as a symptom of sustainable gaining which defines a structure of favorably effective, health-giving and reducible expenses green buildings.

Taking into consideration Gucci have gained LEED certification in 2009 as the first successful luxury brand in this aim. Interestingly, today, their Milan and Shanghai corporate spaces and seven other stores amid Hong Kong, USA and China have LEED verification.

Gucci's future program is pursuing to expanding this certification to other ten more stores and corporate spaces in the USA.

4.5.4 The Relevance of Transportation and Emissions:

The Gucci 's group have noticed the importance of reducing greenhouse gas emissions, using hybrid vehicles in their shipping.

For this aim, 'carpooling service' assigned to their Italian employees has installed in order to have effective time and expenses decrease the environmental effect of their transportation and decrease the environmental effect of their daily journey.

4.6. Gucci's Digital EP&L Platform:

In fact, we want to perceive better about the open source platform, Gucci's Environmental Profit & Loss (EP&L) which is expanded by Kering. Gucci is the first family of Kering that affiliate the digital EP&L. In addition, the whole essential data can be measured the environmental effect of their procedures by this innovative tool which is passed by raw materials, processed and country.

This tool is aimed to share the information for their product research, design, sourcing decisions and entire business improvement. Per se, the EP&L is steering efficient and tangible evaluation to a more sustainable future.

This platform is an evidence to their fundamental abstraction, complementing entire kinds of synergy with their aristocrats among the industry. Actually, it manages high perception of their sustainability manner, allowing various stakeholders among fundamental data collections in their industry to reinforce the EP&L.

In other words, EP&L statement enable a chief sustainable business model. As can be seen, the following image illustrates the EP&L's rules and procedures in general. Thereby, we can perceive a novel direction to improve their actions although maintaining natural resources.



FIGURE 15: A BRIEF PROCEDURES OF EP&L (SOURCE: GUCCI)

4.7. The Sustainable Methodology of EP&L:

We can define three total steps for that:

- 1- Measuring the environmental footprint. The six effect domains group among 62 indexes which deal with various kinds of emissions and resource consumption.
- 2- Appraising the possible variations environmentally which trigger from resource consumption or different emissions has been assessed according to the environmental issue locally.
- 3- Evaluating the conversion in healthiness. After that, the outcomes of these changes environmentally are measured in economic terms for client's wellbeing. There is compatibility between this assessment approach and policy recommendations of European Commission. The measuring methodologies improved by PWC UK containing main hypothesis and sensitivity investigation.







	EMISSIONS AND RESOURCE USE	ENVIRONMENTAL CHANGE	CHANGE IN WELLBEING
AIR POLLUTION 	Emissions of pollutants (PM _{2.5} , PM ₁₀ , NO _x , SO _x , VOCs, NH ₃) in kg	Increase in concentration of pollution	Respiratory disease, agricultural losses, reduced visibility
GREENHOUSE GAS EMISSIONS 	Emissions of greenhouse gases (CO ₂ , N ₂ O, CH ₄ , CFC's etc) in kg	Climate change	Health impacts, economic losses, change in natural environment
LAND USE 	Area of tropical forest, temperate forest, inland wetland etc in hectares	Reduced ecosystem services	Health impacts, economic losses, reduced recreational and cultural benefits
WASTE 	Hazardous and non-hazardous waste in kg	Climate change, disamenity and contamination	Reduced enjoyment of local environment, decontamination costs
WATER CONSUMPTION 	Water consumption in m ³	Increasing water scarcity	Malnutrition and disease
WATER POLLUTION 	Release of specific heavy metals, nutrients, toxic compounds in kg	Reduced water quality	Health impacts, eutrophication, economic losses

FIGURE 16: THE METHODOLOGY OF GUCCI'S EP&L PLATFORM (SOURCE: GUCCI)

This innovative platform, encourages luxury industry to evolve continuously by decision of what to evaluate, directing the supply chain,

determining priority data, gathering primary data, gathering secondary data, identifying the economic value of the data and finally measuring the outcomes.

4.7.1. Summary of Valuation Methodology:

These following tables illustrated to describe the road maps of each six indicators including, Air Pollution, Green House Gas Emissions, Land Use, Waste, Water Consumption, Water Pollution based on analysis of PwC source.

- Air Pollution

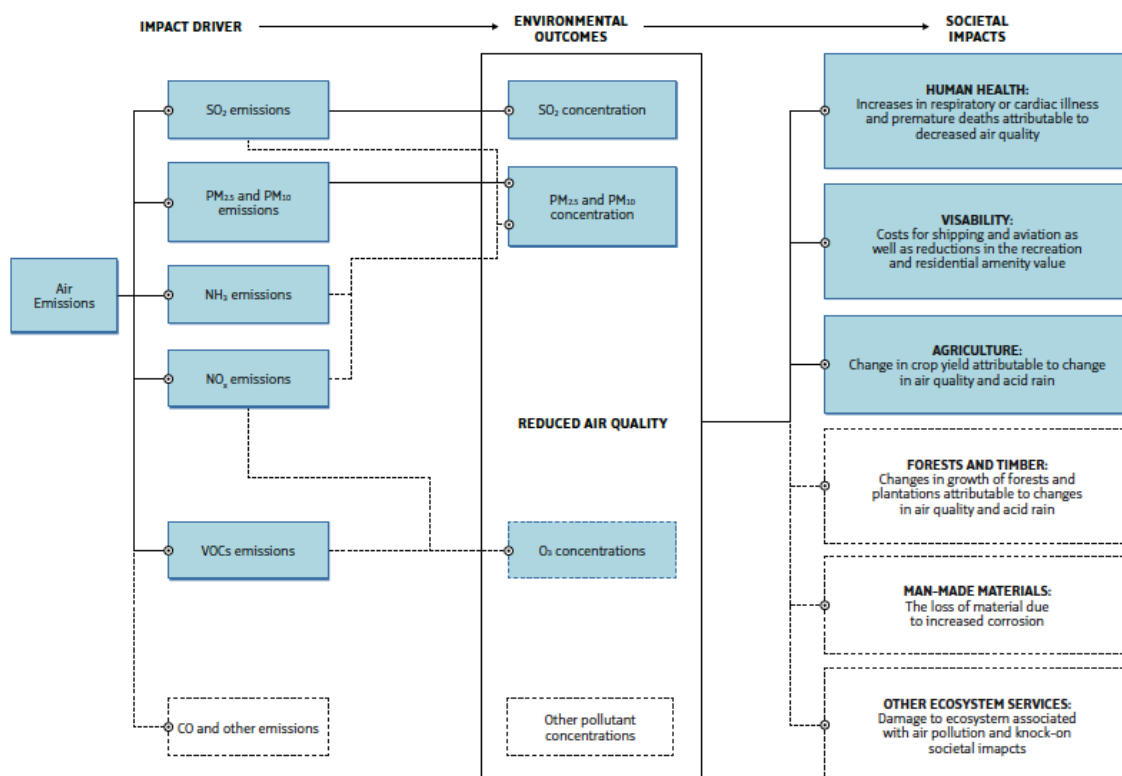


FIGURE 17: IMPACT PATHWAY FOR AIR POLLUTION (SOURCE: PWC)

- **Green House Gases:**

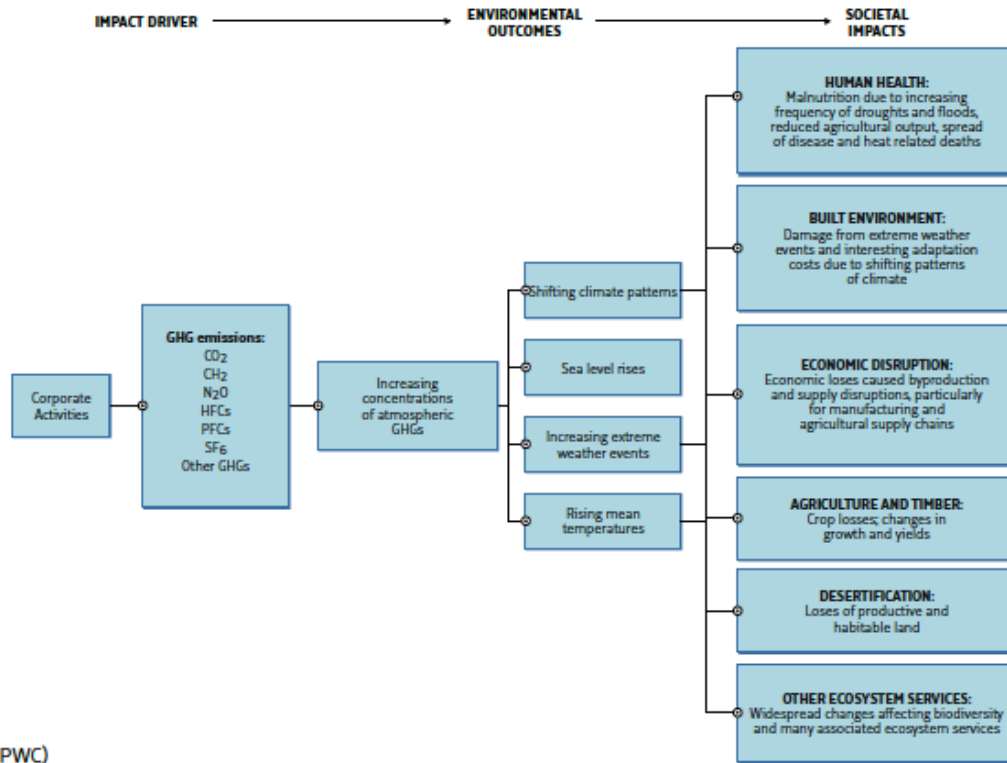


FIGURE 18: IMPACT PATHWAY FOR GHG (SOURCE: PWC)

- **Land Use:**

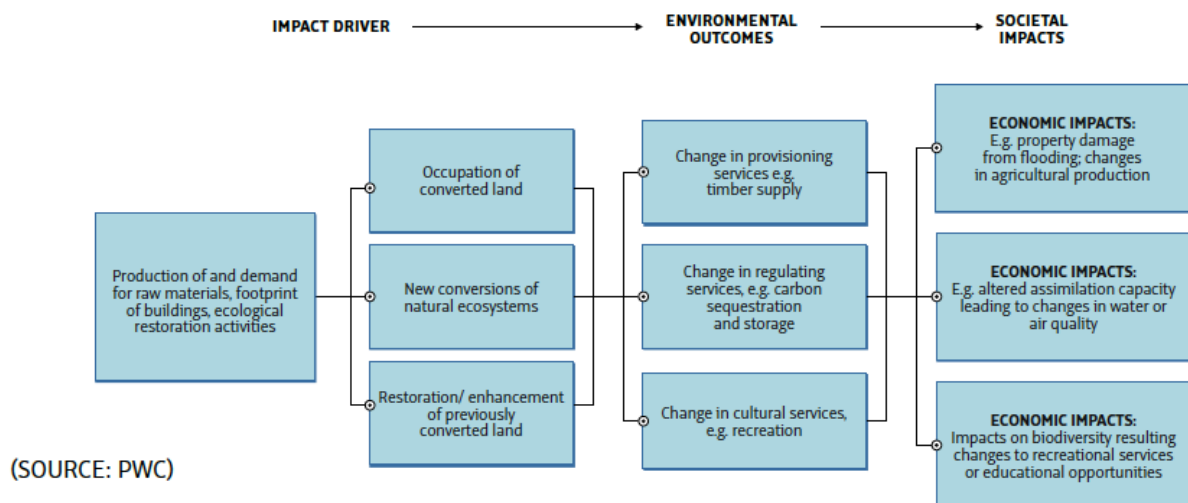


FIGURE 19: IMPACT PATHWAY FOR LAND USE (SOURCE: PWC)

- **Waste:**

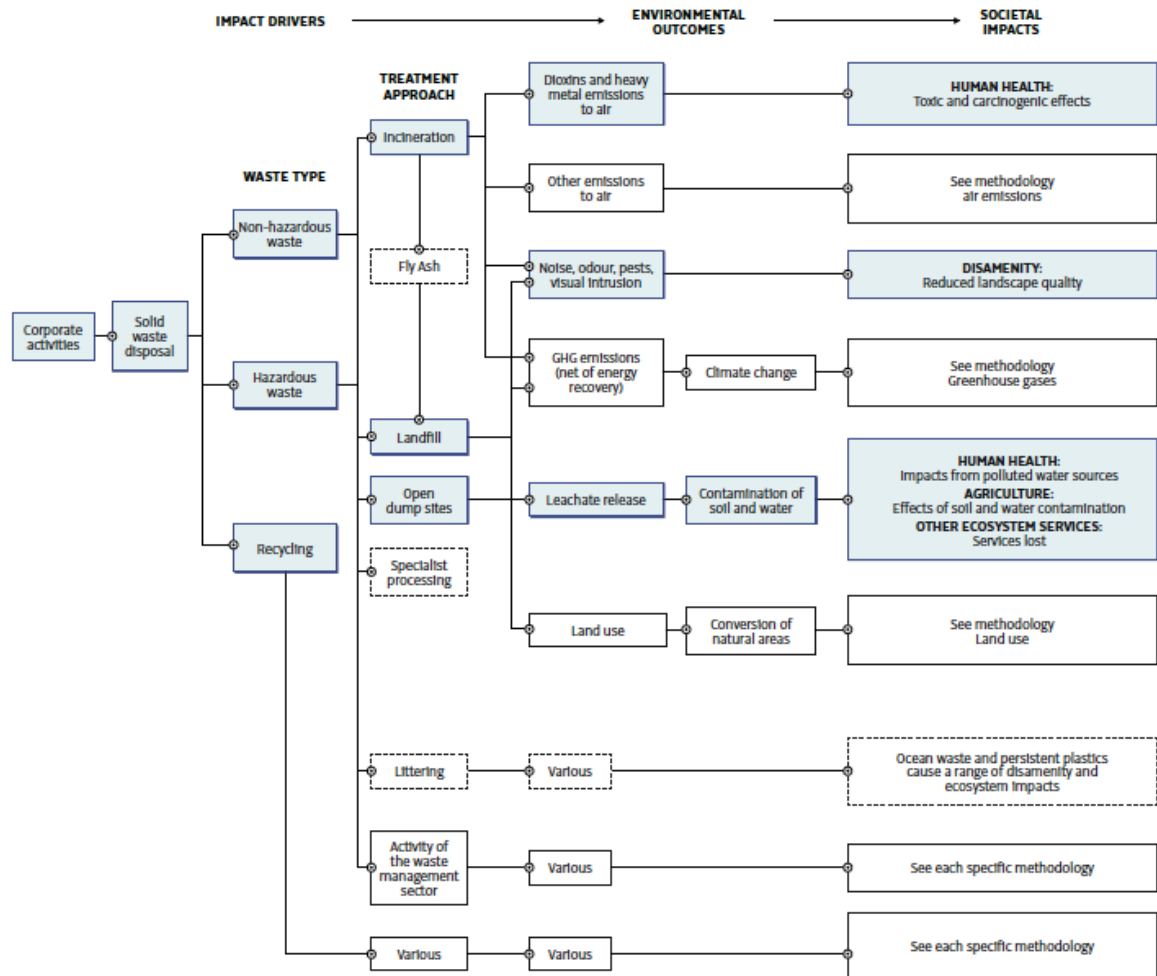


FIGURE 20:IMPACT PATHWAY FOR SOLID WASTE DISPOSAL (SOURCE: PWC)

- **Water Consumption:**

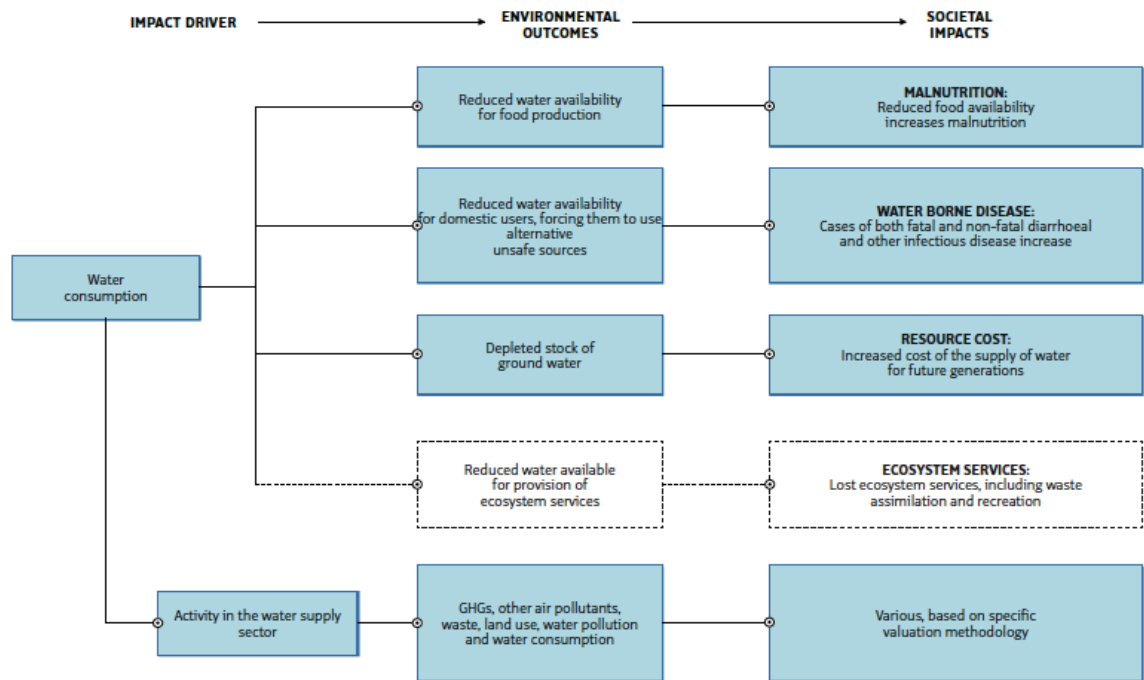
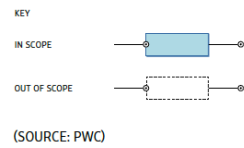


FIGURE 21: IMPACT PATHWAY FOR WATER CONSUMPTION (SOURCE: PWC)



- **Water Pollution:**

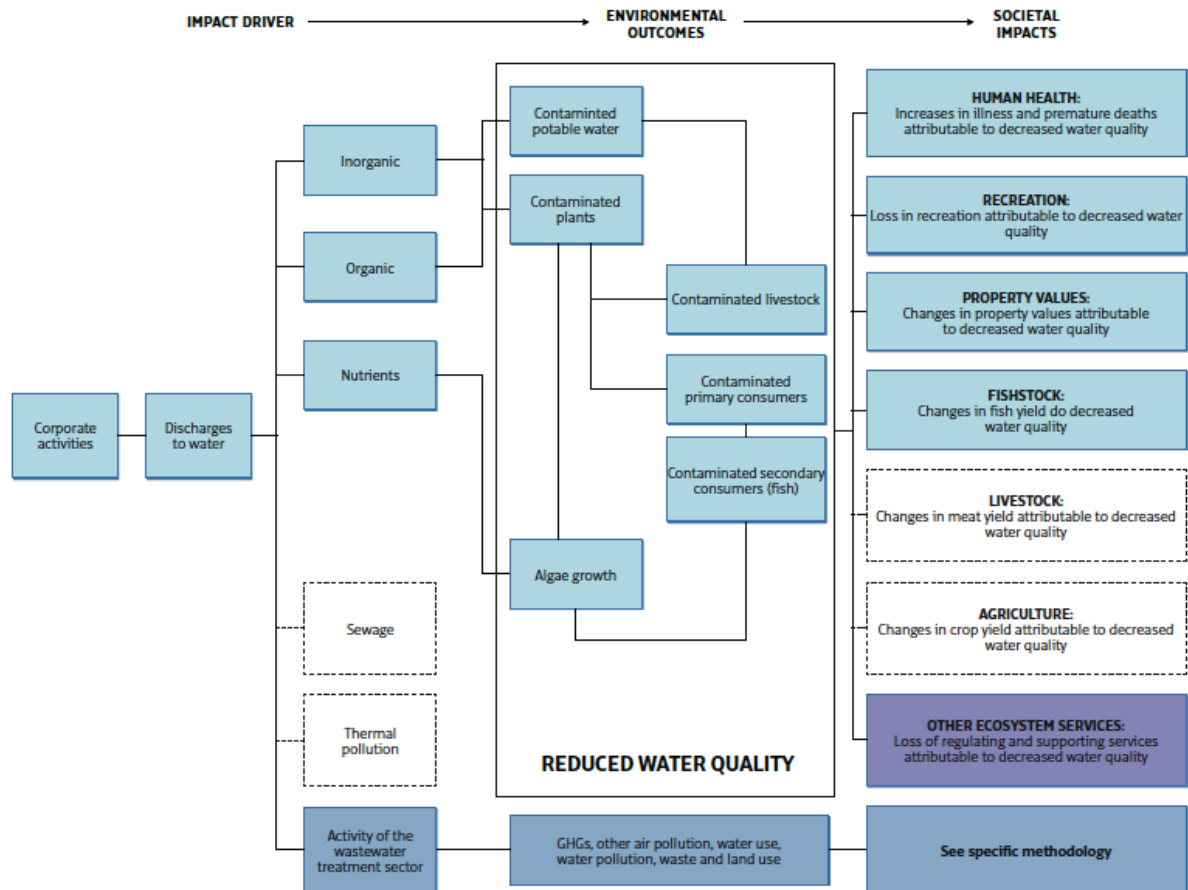
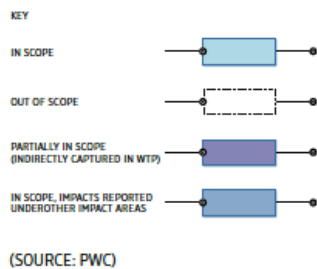


FIGURE 22: IMPACT PATHWAY FOR WATER POLLUTION (SOURCE: PWC)



Indeed, an EP&L has concentrated firstly on the negative effects of their trades on the planet. Then, it represented the favorable effects of the business which are evaluated in opposition to the stage of environmental quality

(emissions, resource accessibility, ecosystem services) without considering company's activities. If the trade activities don't have any harmful impact, boosting business, they will gain an entire net profit.

In the following below figure 20 and 21 we can find Gucci's 2018 EP&L consequences in Italy. As can be seen, the total value of Gucci's environmental impacts in Italy and impacting materials have measured in euro are respectively 56,506,589 € and 60,340,328 €.

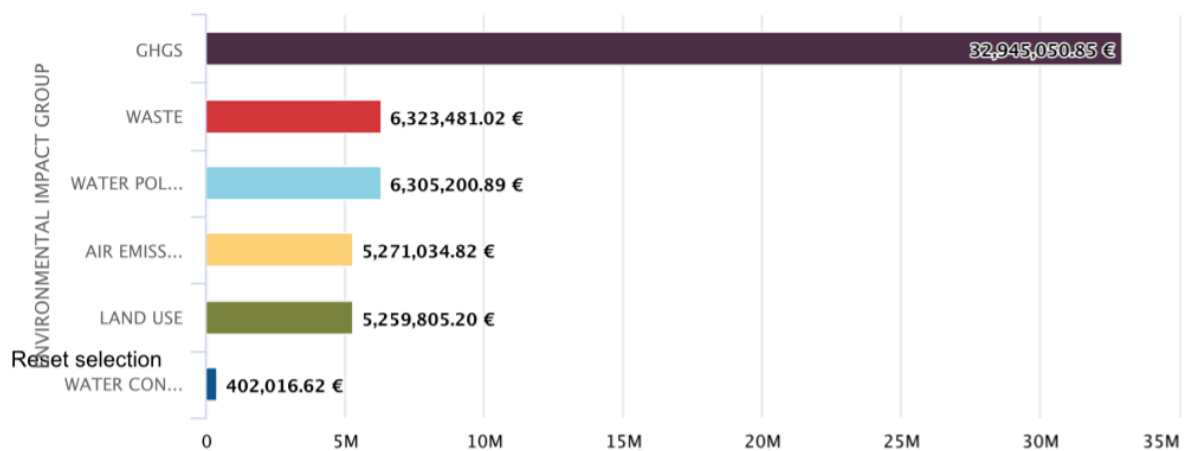


FIGURE 23: ENVIRONMENTAL IMPACT/VALUED RESULTS IN € EP&L-2018 (SOURCE: GUCCI)

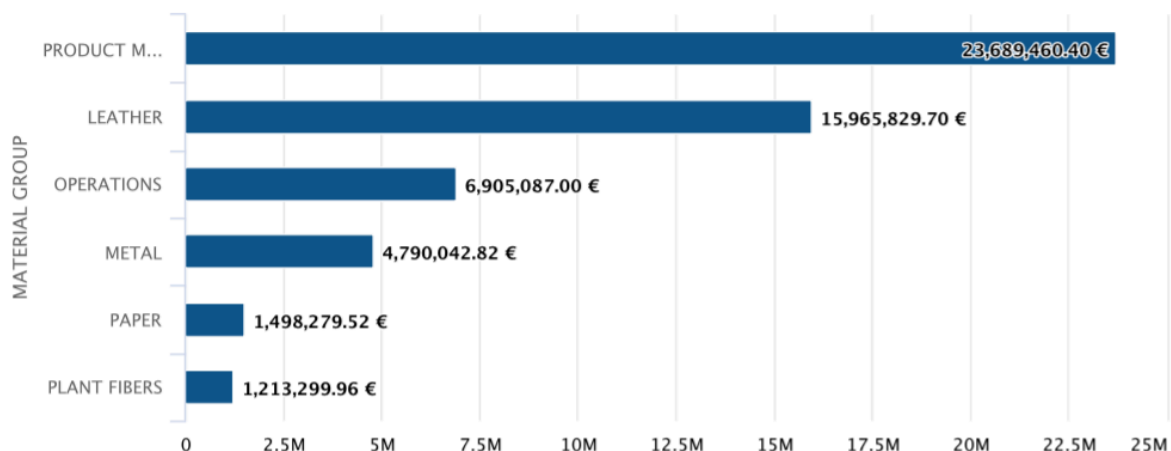


FIGURE 24: WORLDWIDE IMPACTING MATERIALS/VALUED RESULTS IN € EP&L-2018 (SOURCE: GUCCI)

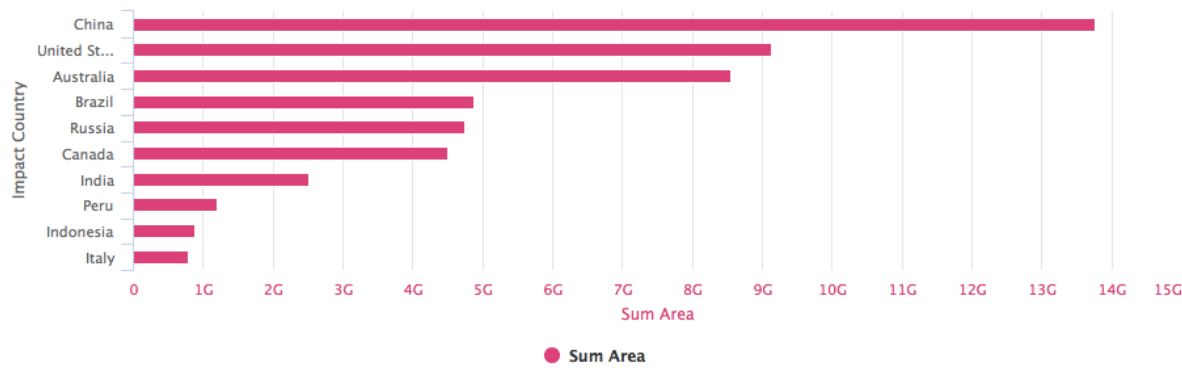


FIGURE 25: AGGREGATES GUCCI WORLDWIDE VALUED RESULTS - 2018 (SOURCE: GUCCI)

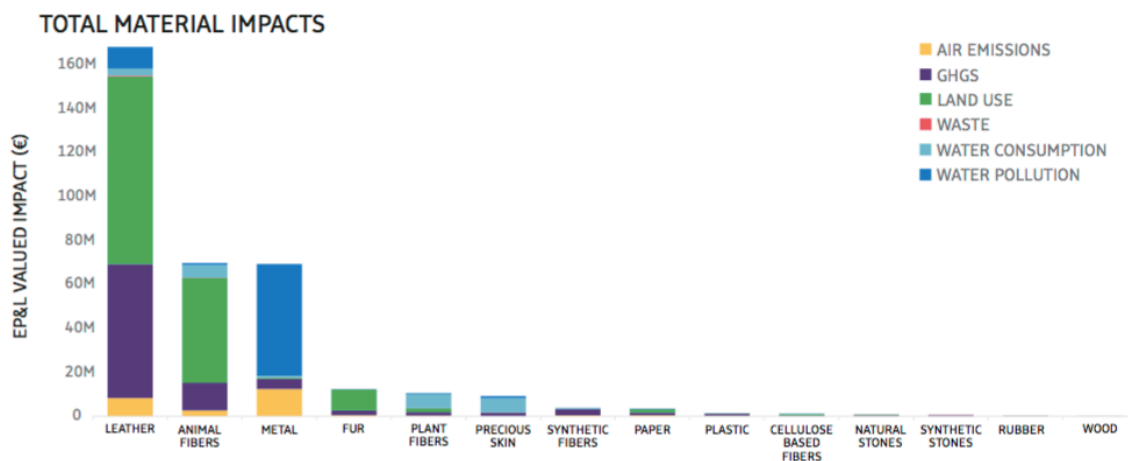


FIGURE 26: EP&L CONTRIBUTION OF MAJOR GROUPS OF RAW MATERIALS & QUANTITY OF CONSUMPTION-2018 (SOURCE: GUCCI)

Those figures depict the effective progress of Gucci groups in using EP&L model as a sustainable marketing strategy lead to improving their values in measuring the environmental items in proper way.

4.8. The Main Motives of Expanding EP&L Marketing Tool:

1. Higher intuition: great perception of chief effects, defining it into financial terms which entails to measure positions, materials, procedures, goods and technologies.
2. Having strategic decisions explicitly: The EP&L platform is a way to design guidelines, quantifiable policies and aims to foster raw materials sources by emphasizing on environmental problems and opportunities.

3. Reinforced relations: The allegiance of entire significance suppliers (from raw material producers to product assemblers) strengthen, certifying long-term cooperation in order to dominate environmental challenges.

4. Higher clarity: The EP&L improves conversation with stakeholders as a means to assign best actions and generate a perception of superiority reciprocally.

5. Developed implementation: The EP&L aids to steer motives of evolution in Gucci's supply chains and variation of accessibility and quality for raw material. Moreover, it defines a clear investigation of performance of Gucci's environmental businesses. So, a transparent display of environmental impacts makes a vast perception throughout the Gucci's group.



FIGURE 27: THE REASON BEHIND THE EP&L MARKETING TOOL (SOURCE: GUCCI)

4.8.1. The Advantages of EP&L Tool:

An EP&L facilitate an extensive and transparent comprehension of Gucci's group activities. It illuminates on spaces which require to process the decisions on the basis of decreasing the environmental impact across their supply chain, manufacturing processes and raw materials sources.

Therefore, the EP&L is adopted in three levels: environmental impacts, Organization of models for diverse and complex Group operations and supply chains, decision-making. Therefore, those establishments help to create tangible profits in each stages of their infrastructure.

Besides, Gucci's digital EP&L comprises the methodology for collected data and the EP&L detailed highlighting it. This stage of clarity permits inimitable availability to information which are related to the business and dependent natural resources of trade.

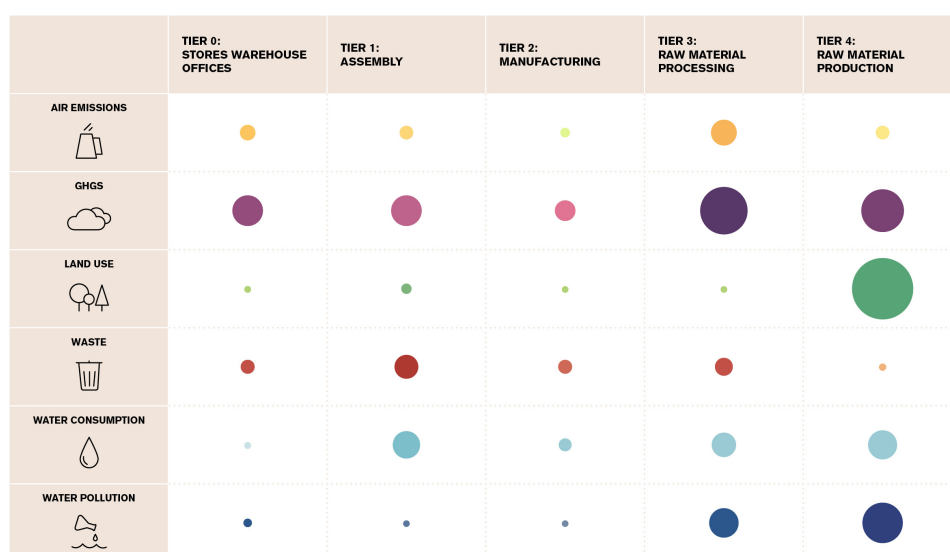


FIGURE 28: THE RESULTS OF DIGITAL EP&L - 2018 (SOURCE: GUCCI)

4.8.2. Gucci's My EP&L App:

Launching 'My EP&L App' is targeted to boost the extensive awareness of environmental matters which can assess the generic items in Gucci's collection. Thus, this tool is designed for students and the fashion luxury industry, thereby incorporate sustainability among creative procedure

exactly from the first step. This innovative App, simply represents the impact of goods, initiating by exploiting the used raw materials and finishing with its sales of a store. Also, verification of the updated version of this app is currently just working for a pair of shoes, an overcoat, a ring and a handbag. So, for each classification, this app measures of effects depend on carbon emissions, water consumption, water and air pollution, waste, and land use which is up to 5,000 factors are characterized to investigate those impact. Users can figure out the best choice to consider if it would be more environmental friendly product or not. This app created is currently accessible in English and Chinese.

	Early steps	Established practice	Best practice
Data	Loose proxies used for impact, such as material type or country of origin	Supply chain engaged to collect targeted data on impacts and mitigation	Biodiversity data regularly collected through close collaboration with supply chain
Process	Exploratory, with a focus on lessons learnt	An established process which speaks to different sections of the business and supply chain	Biodiversity considerations integrated into day-to-day operations as routine
Infrastructure	Connections established with departments throughout the business	Regular communications on the strategy between departments and supply chain	Routine reporting and communication as part of business as usual
Ambition	A focus on specific impacts or aspects of nature	A plan for achieving no net loss of biodiversity	Net gain at the organisational level

FIGURE 29: A BRIEF OUTLINE OF POTENTIAL IMPROVEMENTS OVER TIME IN GREEN MARKETING STRATEGY (SOURCE: GUCCI)

4.9. The Effective Gucci's Green Marketing in 2020:

“Gucci joins the lion's share fund to support wildlife conservation”

On February 6th 2020, Gucci has joined The ‘Lion's Share Fund’ to undertake the crisis in nature, biodiversity and climate globally which has

directed by the United Nations Development Program (UNDP) and an association of trades and UN partners. Achim Steiner, UNDP Administrator, said: “This partnership with Gucci marks the continuing evolution of this innovative fund, which provides a unique opportunity for brands across all industries to join forces and help preserve and protect biodiversity across the globe. Wildlife populations are half the size they were just 50 years ago, and their habitats and ecosystems are destroyed at an unprecedented rate due to human activity. The Lion’s Share is an idea that is as innovative as it is simple – and it makes a real impact on wildlife conservation”.

“The Fund targets to boost over \$100 million for animal protection, biodiversity and climate within the next five years annually by asking brands to donate 0.5% of their media spend every time an animal is featured in their advertisements.”

Marco Bizzarri, president and CEO of Gucci, said: “The Lion’s Share Fund is an important addition to our conservation strategy. Nature and wildlife provide Gucci with inspired creation that is an integral part of our narrative through our collections and campaigns. With the increasing threats to the planet’s biodiversity, groundbreaking initiatives like The Lion’s Share Fund have the potential to be transformative by organically connecting the business community with direct action to protect our natural habitats and most threatened species”.

Bizzarri continued “In a similar way, since 2018, Gucci has been totally carbon neutral across our supply chain and we offset our remaining emissions every year through REDD+, which protects critical forests and biodiversity around the world. Launched in September 2018, the Fund is already having an impact, providing a grant to improve critical radio systems for law enforcement officers protecting wildlife in Mozambique’s Niassa Nature Reserve and helping reduce the elephant poaching rate to zero, and providing a grant to help secure land for endangered orangutans, elephants and tigers in North Sumatra in Indonesia.”

In almost 20% of all advertising, we can see animals around the world without preserving that they need.

Indeed, the Lion's Share provide the opportunity for brands to pursue urgent and effective action, proving their protective role in the planet.

At the end, green marketing strategy would be such a substantial approach to bring superior value to luxury brands and environment.



CHAPTER 5

CONCLUSION

This chapter is targeted to describe the chief research conclusions and furnishes some notions on future working of luxury brand marketing.

The objective of my thesis was to assess the role of advertising and marketing in the luxury brand industry. Then, it determined green marketing strategy as a sustainable solution for luxury brand companies in order to boost its reputation, brand values and progress of luxury consumption.

As Luxury US & Europe in the field of fashion luxury brand on 29th January 2019 declared that “Gucci leads the 2019 Gartner Digital IQ index luxury US & Europe awarded for its strategy terms of: brand site, digital green marketing, social media and path to purchase by number one Genius ranking.”, I have concentrated on Gucci in order to define the idiosyncratic importance of novel marketing strategy as a sustainable solution to extending the world of luxury brands industry.

The theoretical intentions and empirical strategy of green marketing practices have investigated throughout Gucci’s strategy which reveals that:

- There is a balanced relation between their strategy, environment and consumption of goods. So they put eco-friendly strategy in the heart of their performances, supply chain and CSR (Corporate Sustainable Responsibility).
- They have used marketing tool (EP&L) to assess their environmental impact. Indeed, they can achieve tangible values and measurable benefits through this platform.
- They have managed social and environmental performance in luxury, switching to innovative marketing strategy instead of pursuing traditional marketing strategy. Moreover, it makes them more powerful than before by considering the compatible values of their clients and environment.
- The endless progress of sustainable processes, green and digital marketing strategy in the heart of luxury brand industry demonstrated that the scope of marketing has shifted.

At the end, the chief solutions of sustainability through green marketing strategy, may be outlined from the case of Gucci:

1. Successful luxury brand marketing transformed from traditional marketing to the sustainable green marketing followed by innovative strategy

In the case of Gucci as an effective luxury brand industry which is considered to defining “Gucci Equilibrium” strategy of sustainable green marketing which values integrity through “Environment, People, New models” in the heart of the company in order to fostering sustainability. Thus,

- Gucci keep straining to pursue the environmental procedures by introducing its digital innovative EP&L platform which is not only investigating Environmental effects to facilitate synergy with their aristocrats and positive opportunities but also accelerating their aims into sustainable futures in order to captures the values. Furthermore, digital long-standing EP&L app (innovative app) helps them to have updated and various information verified by following luxury goods, namely, a pair of shoes, an overcoat, a ring and a handbag. Since luxury brand industry confronted a substantial change in clients’ expectation compatible with environmental protection. Thus, Gucci keep focusing on eco-friendly items for its sustainable green marketing such as REED+ projects aiding biodiversity and forest protection throughout the world, Containing its green building systems through LEED (Leadership Energy and Environmental Design) certification, following defined environmental criterions for raw materials and producing procedures, collaboration with CNMI (Camera Nazionale della Moda Italiana) as a sustainable commission, implementing a MRSL (Manufacturing Restricted Substance List) in order to remove using of hazardous chemicals in its manufacturing,

reducing water, energy consumption among their supply chain, creating waste management containing Gucci-UP as a ‘circular-economy’ with the aim of recycling of waste fabrics and leather across manufacturing procedure, presenting the sustainable systems of packaging with FSC® certification (The Forest Stewardship Council’s), establishing a great innovative research and development team in the aim of decreasing the number of packaging, ceased consuming fur from animals.

- Gucci is flourishing its organization effectively by authorizing its employees, financial accomplishment and client satisfaction with following statement ‘We believe that all people are worthy and deserving of being seen and heard, using kindness as the power to transform every room we walk into’. Therefore, by developing its supply chain, they can achieve to sustainable marketing continuously.
- Establishing novel models in Gucci which requires agile reconsideration of manufacturing goods and used raw materials in order to create compatibility between their intuition and methods of changing stepwise. It entails rethink continuously to create a considerable impact in its sales and marketing. Gucci’s group put sustainable processes throughout their trade. Therefore, they have boosted their funds and plans to accelerate innovative procedures and sustainable materials, reinforcing their technologies and novel business approaches such as their collaboration with ‘MIL’ (Material Innovation Lab) established by Kering in 2013 due to their high surveillance to climate and people, generating superior value and sustainable competitive advantage.

Taking everything into consideration, by considering empirical process of green marketing in ‘Gucci’, it can be perceived that transforming mindset of luxury marketing in a way of conserving planet can be a big step in capturing the sustainable competitive advantage and having superior profitability ratio.

Furthermore, as the vast number of young generations tend to preserve the planet from global warming, reducing carbon emissions and use of non-recyclable products, switching to green marketing strategy not only provide sustainable values to the luxury industry but also creates superior economic value to the clients. As well as, it establishes such a high sustainable relevance between luxury brand industry, clients and planet constantly.

2. Sustainable marketing strategy is the novel method to CSR Policy (Corporate Sustainable & Responsibility) of luxury brand industry

Sustainable marketing and luxury intertwined to innovative processes and policies. Drawing on the case of Gucci, if we go profoundly through sustainable principles of its business, it entails its emphasis on human rights, high quality ambience of working, the endowment of socio-economic advancement and beneficial relevance of stakeholders and suppliers. Indeed, Gucci put Kering's ethical code to its business among the supply chain as they found out that successful marketing relies on the longevity of trust throughout its clients, shareholders, employees and commercial cooperators. In addition, Gucci has achieved the Social Accountability certification SA8000 which is worldwide standard of business ethics with respect to the "Gucci Equilibrium" sustainable green marketing strategy toward its whole supply chain. Thus, Gucci's CSR policy targeted to integration of social, environmental, economic responsibility and sustainability amidst its business strategies.

In consequence, this thesis indicates that sustainable green marketing in luxury brand industry requires long-term innovative procedures among their supply chain, however still many luxury brand companies just stuck in the traditional marketing due to the difficulties in changing of their mindset within their

organization of supply chain, lack of great consideration on environmental impact as a suitable approach to gain superior profit. Indeed, considerable results from green marketing strategies and innovative business models leads to fostering superior profit continuously. Besides, merging digital and green marketing strategies determine as the powerful tool for sustainability throughout luxury brand industry.

Therefore, as conservation of planet and environment is considered as a big issue currently, consistent attention to the environment toward the heart of innovative green marketing provide sustainable profit to the luxury brand industry. Indeed, more novel marketing strategy research should be concentrated on steering intentions into effective marketing strategies and business management practices.

Consequently, in my opinion if the luxury brand companies perceive that elevating quality of luxury is a natural state of relation in protecting planet and ambient, their environmental mindset would be a sustainable treasured-being in the market.

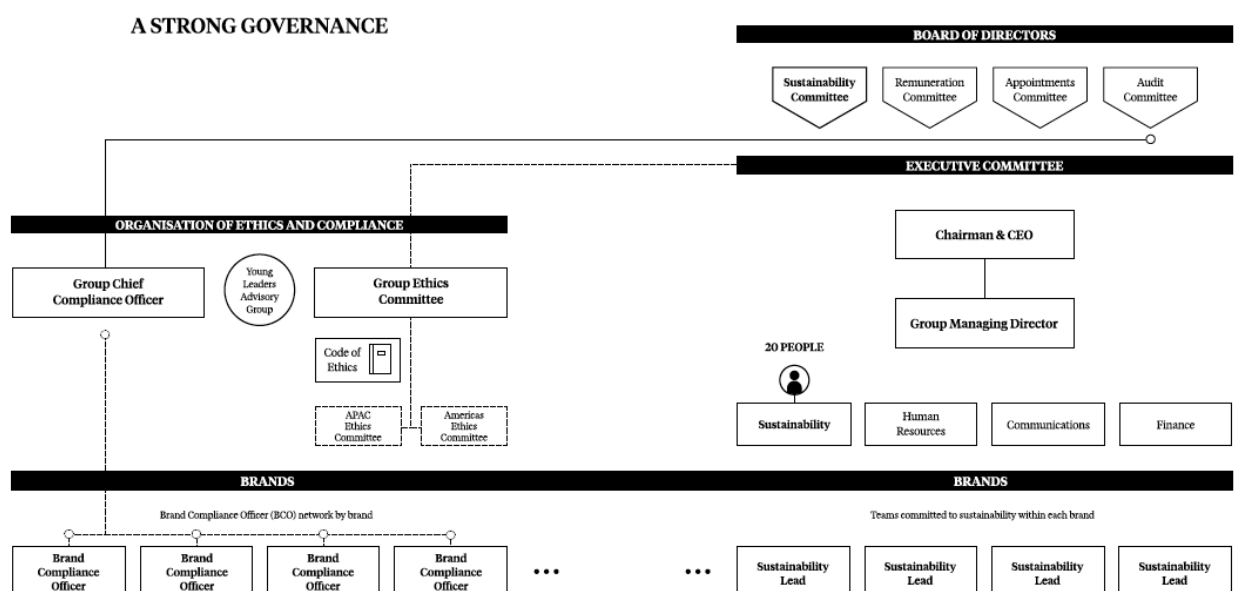


FIGURE 30: GUCCI'S GREEN MARKETING ROADMAP

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