Is CSR still optional for Luxury Brands, or can they afford to ignore it?

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Abstract: Can we learn survival and success in isolation? Can Luxury Companies afford to think of Corporate social responsibility (CSR) as an optional aspect? This paper discusses pioneering steps towards CSR in the context of the rapidly expanding luxury market. This further impels these brands to tradeoff between Profit-Planet, revisiting the initiatives and impediments pragmatically. The scholars have advocated the inspirational forces behind CSR contributions varying from the environment's need to strengthen goodwill to serve sustainability/existential crisis to institutional expectations. The stakeholders have augmented expectations from luxury brands towards society with each passing year in proportion to the revenue. This shift not only bags goodwill and promotes positive word-of-mouth in the industry but also enhances the brand's reputation. Luxury brands, often seen as symbols of opulence and exclusivity, are inherently expected to demonstrate social and environmental responsibility. Additionally, there is a growing awareness among consumers who seek brands that align with their values, making CSR a strategic imperative for luxury companies to maintain their brand reputation and customer loyalty. CSR is crucial for luxury companies, especially from a long-term sustainability and Sustainable Development Goals (SDGs) perspective. These market giants are at par with the SDG goals: SDG 1(No Poverty), SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent work and economic growth), SDG 10 (Reducing inequalities), SDG 12(Responsible Consumption and Production), etc. In essence, CSR is not just a moral imperative for luxury companies, it is a strategic necessity that aligns their business objectives with the global agenda for sustainable development, ensuring long-term viability and relevance in a rapidly evolving world.

Introduction

Corporate houses are primarily driven by accumulating profits for the owner. This focus can initially propel a firm to success. However, it can also isolate it in all spaces from the broader community of stakeholders. Corporate houses are also increasingly engaging in corporate social responsibility (CSR) programs in response to changing societal norms and growing customer demand for ethical business operations (Epstein-Reeves, 2010; Nielsen, 2014; Wong and Ho, 2023). Studies have emphasized the positive results that arise from connecting the purchase of a luxury item to a philanthropic cause (Hagtvedt and Patrick, 2016) or associating premium goods with an environmental claim (Steinhart et al., 2013). The results indicate that implementing corporate social responsibility (CSR) initiatives has the potential to enhance consumer experiences in the luxury industry. In this context, it is crucial not to ignore the indirect impacts, whether they relate to environmental pollution, human relationships, or even customers' evolving needs. Nature provides all living beings equal access to its resources, raising the question of how any system can justifiably ignore this principle. History is loaded with examples of rulers, like...
queens/kings and empresses/emperors, who are remembered for their generous/charitable acts and contributions to societal welfare. This narrative, though different names may have known it, has persisted over time, always echoing similar sentiments.

The fact of the matter is inclined around the redistribution of wealth, which does not always have to be literal. The fundamental issue concerns being socially inclusive and acknowledging indirect or intangible costs. While sustainable development is often narrowly interpreted as pertaining only to environmental concerns, and philanthropy is seen as setting aside a portion of funds, usually in cash, for society or charitable organizations, Corporate Social Responsibility (CSR) is a step beyond (Sipilä et al., 2021). It involves actively engaging with and addressing the issues faced by people and the environment. This approach is not just about compensating these stakeholders and the environment; it is a necessity for organizations to sustain and replenish their resources for long-term persistence, significantly as markets rapidly expand into developing countries. The urgency for these generous initiatives is becoming increasingly critical.

This paper discusses pioneering steps towards CSR in the rapidly expanding luxury market. The concept of a luxury market is not new but has been evolving (Finestone and Kingston, 2022). In today's post-modern market, with rising High-Net-Worth Individuals (HNIs) and a growing disparity between the wealthy and the less fortunate, there is a pressing need for effective CSR to bridge this gap. This paper intends to discuss the importance of CSR initiatives in luxury companies. The paper is a conceptual contribution based on secondary sources.

Before any further discourse, it is inevitable to walk through the conceptual framework of what indeed comprises luxury. Despite the efforts of many academicians, the definition of the luxury market remains a topic of ongoing debate and subjective interpretation. "Luxury is anything desirable and exceeds what is necessary and ordinary." Luxury is inherently subjective and has been interpreted in various ways by scholars, who adapt its definition to evolving times and contexts. Werner Sombart, in his essay on the concept and nature of luxury, posits, "Luxury is any expenditure that surpasses the necessary" (Bockemühl and SomBart (1992). It is crucial to draw a lucid definition of CSR before any further discussion. Under the Companies Act 2013 in India, CSR is defined as a legal obligation for certain companies to undertake activities that contribute to society's and the environment's well-being. According to Section 135 of the Act, companies meeting specific financial criteria are required to spend at least 2% of their average net profit of the preceding three financial years on CSR activities.

Figure 1. CSR is mandatory (in India) for companies meeting 3 conditions.

Source: Authors' compilation

The company's Board of Directors, subject to CSR regulations, must guarantee that the company allocates a minimum of 2% of its average net profits from the last three financial years by its CSR policy during each fiscal year (Ministry of Corporate Affairs, 2013; Chintrakarn et al., 2021). The Act provides a broad range of activities that can be considered as CSR, including but not limited to promoting education, health, gender equality, environmental sustainability, national heritage, and rural development projects. This legislation marks a significant step towards formalizing the role of CSR in corporate governance in India, making social responsibility a statutory obligation rather than just a voluntary action.

Literature Review

Luxury brands have been performing and grabbing the attention for numerous reasons. The scholarly writings have shared their analysis of the sources of impetus to perform CSR activities. While some consumers show little interest in the origin/manufacturing processes of their purchases, research indicates a challenge for those who do care about the ethical sourcing of fashion. For instance, regarding apparel manufacturing workers' wages and working conditions (Ritch and Schröder, 2012; Szmigin et al., 2007). A prevailing argument for CSR adoption by businesses is rooted in their societal role and influence on various stakeholders, including in areas like human resource management (Certo and Certo, 2012). This perspective has poised companies to evaluate how their operations affect all stakeholders, from production staff to end consumers. Perry et al. (2014) describe CSR in fashion as a balance between ethical...
issues and commercial constraints like cost and production time, suggesting that companies can assure consumers of their commitment to responsible practices, which may influence buying decisions (Jägel et al., 2012). However, CSR has been studied theoretically and via content analysis (Wang, 2015). Through case studies in Sri Lankan garment factories (Perry, Wood and Fernie, 2014), it hasn't been extensively explored through a philanthropic lens. The apprehension is also inclined towards the factory conditions, including exposure to chemicals, noise and fiber dust, which are harmful to health (Allwood et al., 2006). This issue intensifies in Export Processing Zones (EPZ) or Special Economic Zones, where factories exploit legal loopholes to attract foreign investment (Perry et al., 2014; Klein, 2000; Emmelhainz and Adams, 1999). In EPZs, the prohibition of trade unions and the modification of laws, such as those related to health, safety, and wages, create exploitative conditions for workers, including forced overtime, low pay, short-term contracts, and abusive behavior, along with poor living conditions (Hearson, 2006; Klein, 2000). The idea of CSR is closely associated with sustainability. Hur and Cassidy (2019) discovered that designers tend to focus more on environmental aspects of sustainability than on social dimensions. Gurova and Morozova (2018) define sustainable fashion as locally produced, low-quantity items made with eco-friendly, high-quality materials designed for durability.

Additionally, the concepts of sustainability and circular fashion have gained equal attention. The circular economy, an increasingly influential concept across various industries, aims to maximize resource use and minimize waste (Geissdoerfer et al., 2017). It is primarily based on three principles: eliminating waste and pollution, maintaining the utility of products and materials, and regenerating natural ecosystems (Niinimaki, 2018). The scholars have advocated the inspirational forces behind CSR contributions varying from environmental need, consumers' awareness and expectation to strengthen goodwill, sustainability/existential crisis to institutional expectations.

Who needs environmental wellness more: CSR or Luxury Brands?

CSR is important for luxury companies due to their unique position in society. Luxury brands, often seen as symbols of opulence and elegance, are increasingly expected to demonstrate social and environmental responsibility. This shift is driven by a growing awareness among consumers who seek brands that align with their values, making CSR a strategic imperative for luxury companies to maintain their brand reputation and customer loyalty. The stakeholders have augmented expectations from luxury brands towards society with each passing year in proportion to the revenue.

### Table 1. Worldwide Revenue of Luxury products and services by Segment (in billion USD)

<table>
<thead>
<tr>
<th>Revenue by Segment (in billion USD)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023*</th>
<th>2024*</th>
<th>2025*</th>
<th>2026*</th>
<th>2027*</th>
<th>2028*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury Eyewear</td>
<td>18.97</td>
<td>19.56</td>
<td>15.63</td>
<td>17.59</td>
<td>18.91</td>
<td>21.24</td>
<td>21.74</td>
<td>22.16</td>
<td>22.56</td>
<td>22.89</td>
<td>23.31</td>
</tr>
<tr>
<td>Luxury Fashion</td>
<td>90.58</td>
<td>95.82</td>
<td>85.56</td>
<td>92.69</td>
<td>97.23</td>
<td>111.5</td>
<td>115.9</td>
<td>120.1</td>
<td>124.1</td>
<td>127.8</td>
<td>131.7</td>
</tr>
<tr>
<td>Luxury Leather Goods</td>
<td>56.67</td>
<td>62.15</td>
<td>51.96</td>
<td>62.73</td>
<td>66.21</td>
<td>75.79</td>
<td>79.36</td>
<td>82.72</td>
<td>85.93</td>
<td>88.94</td>
<td>92.36</td>
</tr>
<tr>
<td>Luxury Watches &amp; Jewellery</td>
<td>62.57</td>
<td>66.82</td>
<td>64.07</td>
<td>67.97</td>
<td>74.97</td>
<td>77.28</td>
<td>79.36</td>
<td>82.72</td>
<td>85.93</td>
<td>88.94</td>
<td>92.36</td>
</tr>
<tr>
<td>Prestige Cosmetics &amp; Fragrances</td>
<td>57.32</td>
<td>61.11</td>
<td>50.76</td>
<td>57.1</td>
<td>62.31</td>
<td>71.31</td>
<td>74.69</td>
<td>77.90</td>
<td>81.00</td>
<td>83.90</td>
<td>86.74</td>
</tr>
<tr>
<td>Total</td>
<td>286.1</td>
<td>305.5</td>
<td>259.1</td>
<td>294.2</td>
<td>312.6</td>
<td>354.8</td>
<td>369.0</td>
<td>382.2</td>
<td>394.9</td>
<td>406.6</td>
<td>418.9</td>
</tr>
</tbody>
</table>

*Denotes estimated revenue  
Source: Statista Market Insights

The entire Luxury market is bifurcated into Luxury Eyewear, Luxury Fashion, Luxury Leather Goods, Luxury Watches and jewellery and Prestige Cosmetics and fragrances. A unanimous observation can be lucidly made that an overtime upsurge has been estimated in the next five years. With this surge, an expectation and responsibility arise towards the rejuvenation and wellness of the environment in the true sense.
Engaging in meaningful CSR activities allows luxury brands to address the criticism often levied against them for perceived extravagance and disregard for social and environmental issues. By adopting sustainable practices, supporting charitable causes, or engaging in ethical sourcing, these companies can showcase a commitment to making a positive impact. This helps build a more favorable public image and resonates with a consumer base that is increasingly conscious of the ethical and environmental footprint of their purchases. Moreover, luxury brands often have the resources and influence to bring significant changes. Through CSR initiatives, they can lead by example in their respective industries, setting standards for sustainability, ethical labor practices, and philanthropy. In doing so, they enhance their brand value and contribute to a more sustainable and equitable world, aligning their business operations with broader societal values and expectations.

**Figure 2. Worldwide Revenue of Luxury products and services by Segment (in billion USD)**
*Denotes estimated revenue
Source: Statista Market Insights

**Figure 3. The CSR Practices and Luxury Brands**
Source: Authors’ compilation
CSR is crucial for luxury companies, especially from a long-term sustainability and Sustainable Development Goals (SDGs) perspective. The luxury sector, often associated with exclusivity and opulence, faces increasing validation regarding its social and environmental impact. Engaging in CSR allows these companies to align with the broader global agenda of sustainable development and reinforces the critical issues (like environmental protection, ethical sourcing, and social equity) in every possible arena. From a long-term perspective, CSR initiatives help luxury brands build a sustainable business model by socially promoting their responsive and versatile existence. This involves ensuring environmental stewardship and adding one more layer of goodwill and trust among consumers who are increasingly conscious of the ethical implications of their purchases. By adopting sustainable practices, luxury brands can future-proof their operations against resource scarcity and regulatory changes. This approach aligns with SDG goals such as Responsible Consumption and Production (SDG 12) and Climate Action (SDG 13).

Furthermore, with their influence and resources, luxury brands are uniquely positioned to drive change in their supply chains. By promoting fair labor practices and ethical sourcing, they reduce inequalities (SDG 10) and promote decent work and economic growth (SDG 8). Their global reach also allows them to raise awareness and mobilize resources towards global challenges, such as poverty, health, and education, aligning with SDGs like No Poverty (SDG 1), Good Health and Well-being (SDG 3), and Quality Education (SDG 4). In essence, CSR is not just a moral imperative for luxury companies; it’s a strategic necessity that aligns their business objectives with the global agenda for sustainable development, ensuring long-term viability and relevance in a rapidly evolving world.

**Profit-Planet Trade-off Paradox: Initiatives and Impediments**

Luxury brands are increasingly navigating the delicate balance between profit and planet, a tradeoff central to CSR. As they strive for profitability, these brands also recognize the imperative to address environmental and social concerns. A growing consumer demand for ethical and sustainable practices drives this shift. Luxury brands, once solely focused on uniqueness, are now integrating CSR into their business models. This impels these brands to tradeoff between Profit-Planet.

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**Table 2. CSR Initiatives of Global Luxury Brands**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Company Name</th>
<th>CSR Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>LVMH</td>
<td>Environmental Commitment: Implementing environmental policies focusing on reducing carbon footprint, promoting sustainable sourcing, and supporting biodiversity.</td>
</tr>
<tr>
<td>2</td>
<td>Kering</td>
<td>Sustainability Plan: Comprehensive plan including reducing environmental impact, promoting ethical sourcing, and ensuring fair labor practices.</td>
</tr>
<tr>
<td>3</td>
<td>Chanel</td>
<td>Mission 1.5°: Initiative aligned with the Paris Climate Agreement, focusing on reducing carbon emissions, investing in renewable energy, and supporting sustainable agriculture.</td>
</tr>
<tr>
<td>4</td>
<td>Rolex</td>
<td>Perpetual Planet Initiative: Supporting environmental conservation, including partnerships for scientific research and exploration.</td>
</tr>
<tr>
<td>5</td>
<td>Tiffany &amp; Co.</td>
<td>Foundation: Supporting environmental conservation in marine and land conservation, and responsible mining practices.</td>
</tr>
<tr>
<td>6</td>
<td>Hermès</td>
<td>Biodiversity Projects: Protecting biodiversity, supporting sustainable supply chains, and promoting traditional craftsmanship.</td>
</tr>
<tr>
<td>7</td>
<td>Prada</td>
<td>Re-Nylon Initiative: Using recycled nylon in products, is part of a broader commitment to sustainability and reducing environmental impact.</td>
</tr>
<tr>
<td>8</td>
<td>Burberry</td>
<td>Responsibility Agenda: Focusing on becoming carbon neutral, revaluing waste, reducing waste, ensuring product longevity, and supporting social causes.</td>
</tr>
<tr>
<td>9</td>
<td>Cartier</td>
<td>Corporate Responsibility Approach: Responsible sourcing of precious materials, supporting local communities, and promoting arts and culture.</td>
</tr>
<tr>
<td>10</td>
<td>Richemont</td>
<td>Craftsmanship and Sustainable Practices: Emphasizing ethical sourcing of materials and promoting traditional crafts.</td>
</tr>
</tbody>
</table>
A myopic executive bag accounting profit and a visionary one thinks of foresightedly. This integration helps preserve the planet and contribute positively to society and secures long-term business viability by tuning in with the evolving values and expectations of consumers and stakeholders. It is desperately needed to meet the sustainability targets in a fixed timebound way for better delivery. The SDG framework fixes sustainability-based targets (as goals) and meets them against times (Dua, 2022). To further provide the best CSR initiatives by Indian luxury companies, we need to consider a variety of businesses, as India's luxury market is diverse, encompassing industries like fashion, jewellery, hospitality etc.

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</tr>
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<tbody>
<tr>
<td>1</td>
<td>The Leela Palaces, Hotels and Resorts</td>
<td>Community engagement, environmental conservation, and cultural preservation.</td>
</tr>
<tr>
<td>2</td>
<td>Tata Group (Taj Hotels, Tata Motors)</td>
<td>Community development, education, health, and environment sustainability projects.</td>
</tr>
<tr>
<td>3</td>
<td>Oberoi Hotels &amp; Resorts</td>
<td>Empowerment and training programs in hospitality for underprivileged youth.</td>
</tr>
<tr>
<td>4</td>
<td>ITC Hotels</td>
<td>Sustainable tourism, environmental stewardship, and supporting local artisans.</td>
</tr>
<tr>
<td>5</td>
<td>Amrapali Jewels</td>
<td>Supporting local artisans and craftspeople in the jewellery industry.</td>
</tr>
<tr>
<td>6</td>
<td>Tanishq</td>
<td>Responsible Sourcing, Community Development Projects (including education, sanitation), Women Empowerment vocational training programmes.</td>
</tr>
<tr>
<td>7</td>
<td>The House of Anita Dongre</td>
<td>Women’s empowerment and artisan support through grassroots initiatives.</td>
</tr>
</tbody>
</table>

These initiatives showcase the commitment of Indian luxury companies to CSR, focusing on areas like education, healthcare, environmental sustainability, and community development. Each company’s approach reflects its industry and core values, contributing to various social and environmental causes. Several factors can limit the extent to which profit-making luxury companies engage in CSR activities, even when they can offer more. Firstly, the primary goal of any profit-making organization is to maximize shareholder value. While CSR investments are beneficial in the long term, they can be seen as a short-term financial cost without immediate tangible returns. This perspective can lead to a minimalistic approach to CSR, fulfilling only the most basic expectations. Secondly, there is the issue of strategic association. Luxury brands might need help finding CSR initiatives that align with their brand image and core business objectives. Luxury companies thrive on premium quality, and they might perceive certain types of CSR activities as unparallel to their brand image or as diluting their principal business objectives.

Furthermore, there is the challenge of measuring the impact of CSR initiatives. Unlike financial investments, the returns on CSR can be hard to quantify. This makes it challenging to justify significant investments in CSR from a purely business standpoint. Additionally, luxury brands may face scepticism regarding their CSR efforts. There is often a perception that CSR in the luxury sector is more about image management than genuine social responsibility, leading to accusations of “greenwashing” or superficial engagement. However, with a boost in consumer awareness, the counteract greenwashing can be streamlined as an informed consumer would be more prudent when making greener product choices/purchases (Verma and Bharti, 2023). Lastly, luxury companies, like all businesses, may hesitate to change established business practices. Integrating comprehensive CSR into the core business strategy requires substantial change management and can be seen as risky.

While profitable luxury companies can offer more in terms of CSR, a combination of financial considerations, brand alignment, impact measurement challenges, public scepticism, and resistance to change can limit their engagement in such activities.

**Conclusion**

Business corporations often realize that they should focus merely on a few sets of goals. In this rat race, they practically intend to concentrate on the financial goals first and above all the other issues. The growth of every organization can be well read from the financial data, but how long it would survive might be answered by the number of stakeholders it is taking care of. The higher the
stakeholders’ welfare, the higher the degree of CSR initiatives they are keen to undertake. Spending for CSR objectives does not just create value for the business house and makes the society inclusive. Here it is to share benefits with all the associated parties. So, serving social responsibility is not a commercial issue, rather actually it turns out to be more social and inclines towards inclusive growth.

Even though the statistics pretend to have been highly revenue generating, the ever-rising HNIs are demanding for more sales and rising smart cities across the globe; the market is seen quite optimistically to take the onus. The luxury market has such a business model which is characterized by limited supply, unique products and glossy mark-ups. The glittery brands are still keen philanthropists and less into CSR. Most of them are endeavouring to be good to society, but their approach is majorly scattered. The need of the hour is to head towards a holistic approach. After all CSR’s sole aim is to grow in a holistic manner. The said market is rising at a faster pace than CSR. The concept might sound to be a costly affair in the short run, but its effects have lengthy gestation periods. In order to have a global acceptance and the acknowledgement, they should primarily stress upon education, environment and sanitation in the left-out segments of society on a priority basis.

Luxury brands engaging in CSR are crucial today, addressing Mother Earth’s urgent need for sustainable practices. As environmental concerns escalate, CSR initiatives help conserve resources and reduce ecological footprints. Additionally, there’s a growing self-awareness among consumers who increasingly prefer brands demonstrating social and environmental consciousness, with their purchases embalmed with their values. This shift not only bags goodwill and promotes positive word-of-mouth in the industry but also enhances the brand’s reputation. Furthermore, a company actively fulfilling its CSR obligations is often perceived as financially robust and forward-thinking in the financial markets, attracting investors who value sustainability and ethical practices. This comprehensive approach benefits the brand, society, and the planet, making CSR an indispensable strategy for luxury brands today, tomorrow, and perhaps forever.

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Conflict of Interest

The authors declare no conflict of interest.

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