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The impact of Covid-19 in the CSR policies of Gucci:

Lessons for the luxury fashion industry.

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Abstract

This work project, titled "*The impact of Covid-19 in the CSR policies of Gucci: Lessons for the luxury fashion industry*", aims to extract general lessons for the entire luxury fashion industry from the specific case of one company: Gucci. It has been chosen for a reason of personal attachment and for its constantly claimed commitment on CSR. The report will thus analyze whether such claim, enhanced during the Covid-19, is part of Gucci's strategic choice or it is instead just tactical CSR to respond to the crisis, in order to be able to extend the findings to the wider industry.

Keywords: CSR, Luxury Industry, Gucci, Covid-19, Crisis

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1. INTRODUCTION

Covid-19 crisis has been shocking the entire global population since December 2019, and after twelve months, it still does not seem willing to stop. The Coronavirus crisis affected every individual for the first time without differences in income, class or nationality. Thousands of lives have been lost, thousands of jobs have been destroyed and millions of people have been locked in their homes for months. Businesses have suffered tremendous losses and consumers have changed their consumption habits. Not many will be called winners when all this will be over. However, the natural environment and the concept of corporate social responsibility will probably be among those few ones. The general lockdowns allowed indeed our environment to restore its balance, while people started to realize their impact on what surrounds them. Everyone became more conscious about their purchases and more careful on CSR topics. This sustainable shift touched all the industries, even those that never got really along with the term sustainability. One of these is the luxury fashion industry, which has often been in the spotlight for unsustainable CSR practices in its supply chain. Many scandals have affected the firms of the second-largest polluting industry worldwide. Many firms in this business fell behind for not having an efficient risk management tool to react to this external shock, and many others instead countered this emergency helping the communities and showing their support. However, CSR in times of crisis has often proved to be controversial in the literature. Therefore, how many of these actions reflect just a tactical CSR and how many instead are part of a strategic CSR?

One luxury fashion company in particular has decided in its history to introduce CSR in its core strategy without the need of recovering by any reputational damage: Gucci (Bonacchi, Perego and Ravagli 2012). A century old company, Gucci has made sustainability one of its differentiator factors for its long-term strategy alongside its excellent craftmanship and incredible creativity (Armitage, Roberts and Sekhon 2017). During this Covid-19 crisis, the brand has reenforced its commitment towards making a positive impact on people and planet with actions that ranged from financial help to its artisans, to the production of face masks for Italians, the very same people Gucci counts on for its “made in Italy”. Apparently, the brand has provided an adequate CSR response in face of the external shock and change in consumption habits brought by the Covid-19 crisis, thanks to its fully integrated CSR strategy (Armitage, Roberts and Sekhon 2017).

2. METHODOLOGY

This report aims thus to analyze and understand the CSR practices at Gucci, in order to extract future lessons for a “new normality” in the luxury fashion sector in relation to CSR and a post-crisis world. This brand has been chosen for both personal, academic and corporate reasons. On one hand, this brand has indeed an inner and deeper attachment with the Italian culture, bringing its ideals and brand image in the minds of our population since we are child. When I first approached fashion ideas and styles, I have been taught that Gucci is an example of both craftmanship and solidarity, excellence in all its supply chain and care for its origins. Academically speaking, it is an example of CSR strategy in the corporate world, having undertaken many different activities and therefore making it interesting to understand the rationale and objective behind them. Finally, Gucci’s corporate constant commitment for CSR throughout its history, gave it relevance in the literature and news as a forerunner of CSR in the luxury fashion sector (Armitage, Roberts and Sekhon 2017). It thus represented a good example in order to analyze how luxury fashion brands, even those with CSR policies fully embedded in their strategies, have faced and tackled the Covid-19 crisis. The Covid-19 crisis has indeed affected the majority of businesses throughout the world, leading to a disruptive period of instability, uncertainty and danger while also fostering positive change in the digitalization and sustainability area (Karabag 2020). Through the analysis of Gucci’s response, the report developed hereby aspires to understand and assess the impact of this critical period on the CSR policies in the luxury fashion industry, whether they have been enhanced, remained static or been left behind, in order to extract general lessons for the industry.

As this work project focuses on a new and developing specific issue that is little understood, a case study approach has been chosen to develop a useful answer to a *how* question about this contemporary set of particular events by giving a holistic overview of the situation (Meyer 2001). The specific type of case conducted is an *explanatory* case, particularly suitable to understand how this critical phenomenon takes place, through an *interpretivist* approach, which is grounded on the reconstruction of knowledge and events (De Massis and Josip 2014). An extensive literature review will follow this section, and which represent an integral part of the method essential to explain the concept of CSR, its relation to the luxury fashion industry and a focus on CSR in times of crisis. The literature will serve to extract parallelisms and notions with the case of this report. For the purpose of this research, one single case has been selected to guarantee an in-depth analysis. The Gucci case is indeed particularly exemplar and it enables various opportunities of research access, given its strong aptitude towards CSR. Its embedment of CSR policies in the core strategy and values seem to allow a comprehensive overview of the changes brought by the Covid-19 pandemic in the firm and in the industry.

Concerning the collection of information, the research is based on a *qualitative multimethod*, that include both structured interviews and secondary data, such as data collected from other reports, articles and news. Thus, in the scope of the research, five interviews have been conducted to people coming from different fields, but all characterized by a connection with Gucci. More specifically, two interviewees are employees of Gucci who provided a more internal vision of the brand on CSR and its response to the crisis, two are university professors in the field of CSR and luxury who analyzed these two fields in relation to Gucci, and one is an entrepreneur in the field of sustainable luxury, who took Gucci as an example in her startup to develop CSR practices in the luxury industry. Therefore, despite their different backgrounds, the brand in consideration has been a file rouge among the interviewees. All of them answered questions related to their vision of CSR, to the impact of Covid-19 on CSR practices, and to Gucci's approach on CSR, in the past and nowadays in this time of crisis. In the appendix, a table, called Table 1, has been attached with the main information of each interviewee to have a clearer overview of their roles and positions while keeping their anonymity.

3. LITERATURE REVIEW

3.1 The meaning of Corporate Social Responsibility

The concept of Corporate Social Responsibility, hereby mentioned as CSR, has been developed after the Second World War following the globalization of the economy and passing through various temporal, business and political stages (Farcane 2015).

The father of the so-called modern CSR has been identified by Archie B. Carroll in Howard R. Bowen, who published in 1953 the book "Social Responsibilities of Businessman" where he linked CSR "to the *obligation* of businessmen to follow those policies, take those decisions or follow those action lines that are desired by the objectives and values of our society" (Carroll 1999). Over the years the notion of CSR has been outdistanced by the idea of social obligation, while moving to the development of new concepts such as corporate social performance and business ethics among the business community in the '90s (Farcane 2015).

Nowadays still many different approaches and theories to the notion of CSR exist. An important contribution to the research has been brought by Michael E. Porter in 2011 with the concept of shared value. According to him, companies must act to reconcile business and society together under the principle of shared value, which lies in this interdependence between business and community and aims to create "economic value in a way that also creates value for society by addressing its needs and challenges" (Porter 2011). Companies' purpose must then be redirected to the creation of shared value and thus to the expansion of the total pool of economic and social value, not just to the profit per se, by reconceiving products and markets, redefining productivity in the value chain and enabling local cluster development (Porter 2011). This idea is therefore linked to the stakeholders' theory of 1984 by R. Edward Freeman, according to which a good relationship with stakeholders' is necessary to improve risk management and cooperation throughout the whole supply chain (Fink and Whelan 2016). The risks and social issues that nowadays stakeholders claim are however not just strictly related to the business world, they include sustainability concerns, such as natural resources and climate change, which can jeopardize up to 70% of a firm's EBITDA (Fink and Whelan 2016). A definition of sustainability that is still nowadays regarded by the literature as the most relevant has emerged in the 1980s during the World Business Council for Sustainable Development, as: "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Bruntland 1991). Therefore, the corporate responsibility of firms, as understood today, embodies also the concept of sustainability and sustainable development, and requires the examination of the initiative concerning both social and environmental impacts (Ameer 2011). In this regard the principle of the triple bottom line, namely of economic, social, and environmental performance, comes into play in order for companies to take the lead in fostering long-term economic performance and to avoid negative social or environmental behaviors (Elkington 1998). These three bottom lines need to be harmonized when thinking of economic prosperity, social justice and environmental quality (Elkington 1998).

Despite the fact that the theories and approaches on CSR are still very fragmented, Corporate Social Responsibility has turned into a priority for every business (Fink and Whelan 2016). In the last two decades, many researchers have focused on the potential competitiveness brought by policies of CSR and this debate has conveyed relevant evidence on the benefits of CSR (Battaglia, et al. 2014). Indeed, valuing sustainable, ethical and philanthropic behaviors can allow companies to differentiate themselves from the competition and to build stronger customer loyalty (Ameer 2011). Consumers' demand for sustainable products is growing and the environmental impact together with the social responsibility of companies increasingly affect consumers' evaluation of a company and its product performance (Fink and Whelan 2016). This consumers' tendency has been enhanced by the availability of rankings and ratings based on firms' implementation of their CSR, which inevitably attract publicity and impact the firms' brand image and reputation (Porter and Kramer 2012). Ratings and rankings are important tools that base their assessments on characteristics such as the corporate code of conduct, management standards and CSR reporting, which are mainly adopted voluntarily but can positively shape consumers' perceptions (Koszewska 2010). Moreover, not only consumers, but also investors have started to positively assess companies based on their CSR performance (Fink and Whelan 2016). Indeed, many researches have demonstrated how an effective CSR policy can improve a firm's financial performance, through significant cost-savings and operational efficiency (Fink and Whelan 2016). In this regard, the investment on CSR can foster innovation through the creation of new business models, products and market opportunities that will meet environmental standards and social needs (Battaglia, et al. 2014).

Nonetheless, in order for a firm to achieve these benefits, it needs to carefully choose which social issues to address that are the most akin to its type of business (Porter and Kramer 2012). This evaluation and categorization of social issues paves the way to the creation of a corporate social agenda. In order to be effective, this agenda must not only include a responsive type of CSR, which allows to mitigate or anticipate adverse effects on business activities and control concerns of stakeholders, but it needs also a strategic CSR in order to achieve the greatest social impact and business benefits (Porter and Kramer 2012). It is through a strategic CSR that a firm unlocks the potential to create shared value by strengthening its position in the competitive context (Porter and Kramer 2012). Strategic CSR lays exactly at the opposite side of a tactical CSR. The former, requiring considerable resource commitments with a long-term orientation, that often involves major changes in the organizational structure, is more difficult to implement, but also more difficult to imitate and offers a source for competitive advantage (Bansal, Jiang and Jung 2014). Tactical CSR instead requires fewer resources and can thus be implemented and reversed more quickly and easily. It refers to more transactional activities oriented towards short-term relations with stakeholders, enabling the creation of financial value in the short-term and requiring thus fewer resources (Bansal, Jiang and Jung 2014).

3.2 CSR in times of crisis

The creation of a corporate social agenda with the inclusion of CSR has been identified as a deterrent and mitigation factors for potential business problems (Fink and Whelan 2016). But how is CSR managed and how effective is it in tough economic times?

Various authors have indeed identified how the integration of CSR allows companies to be better positioned to react to tough economic, social and regulatory changes, with many studies focusing on the 2008 Global Recession (Fink and Whelan 2016). It is showed that firms committed to a sustainability agenda have achieved “above average performance in the financial markets” during the 2008 Recession and avoided significant deteriorations of their share prices, compared to similar firms (Fink and Whelan 2016).

Nonetheless, the 2008-2009 global recession triggered the highest financial losses in the stock market since the time of the economic depression of the 1930s. A recession is indeed characterized by resource-scarcity in the business environment, alongside a widespread uncertainty of its scale and duration that affect firms’ ecosystems and their decision-making processes. This considerable instability led corporations to question the importance of their commitment to CSR, wondering whether would be wiser to retreat into “core activities” rather than allocate resources and managerial attention to a broader range of external issues and stakeholders’ concerns (Bansal, Jiang and Jung 2014).

Studies have shown that resource availability is important in the business environment in order to pursue and implement socially responsible activities. Therefore, firms tend to generally reduce their CSR commitment during crisis times with a deflated pool of resources (Bansal, Jiang and Jung 2014). However, given that tactical CSR is more easily reversed, it is likely to be withdrawn more than strategic CSR during crisis. Moreover, authors stated that prior higher financial performance positively moderate the impact on CSR, increasing the likelihood of firms to continue with their strategic CSR (Bansal, Jiang and Jung 2014).

Despite the fact that each recession and crisis have unique attributes, they surely present difficult challenges to many managers and firms, which navigate into a high level of unpredictability. However, some firms took this opportunity to review and increase their strategic commitment to CSR (Bansal, Jiang and Jung 2014). This decision also follows the shift in consumers' purchasing preferences, who in a post-crisis era usually prefer brands that are oriented to integrity, social responsibility and sustainability (Fink and Whelan 2016). Has the Covid-19 crisis led to the same effects on CSR and consumers' perceptions?

3.3 Luxury Fashion and its relation to CSR

When thinking about luxury, the attributes usually evoked in mind refer to the durability, rarity, complexity, symbolic value and high-quality of products or services. However, luxury per se' is not enclosed in a specific and precise definition, while it represents an heterogenous, relative and intangible reality (Pencarelli, et al. 2019). Luxury has indeed evolved throughout centuries and civilizations, differing also by country. It started with the creation of hierarchical organizations as an exclusive item within reach of a niche of people, to then subsequently evolve to satisfy an increasing clientele for the so-called democratization of fashion (Armitage, Roberts and Sekhon 2017). Its success does not belong neither to its functional qualities nor to its accessible price, since, in luxury, price and function are not connected and it instead "redefines what quality means" (Kapferer 2016). Its notion and associated price are indeed built by intangibles features such as heritage, tradition, country of origin, association to famous clients, and imaginary lifestyle (Kapferer 2016).

This reality has been in continuous growth, valued at €1.3 trillion in 2019 according to Bain & Co., with positive performance across most segments and a growth rate of 4%, and with the segment of luxury personal goods of a record value of €281 billion (Bain & Company 2020). Therefore, luxury is in constant evolution and there are some trends that are particularly shaping the industry nowadays. One of these is regularly increasing its relevance: the customers' value of a company's social commitment. Social responsibility and environmental impact remain a priority in luxury consumers' minds, with 80% of luxury consumers preferring brands that are socially responsible, and 60% believing that brands should be more committed (Bain & Company 2020). Social responsibility is no more just a must-have to comply with legislations, but rather a lever for luxury brands to enhance their businesses (Bain & Company 2020).

Luxury consumers are increasingly attracted by sustainable trends, but while luxury is usually associated with excess and complexity, sustainability recalls sobriety and simplicity (Batat 2019). Nonetheless, luxury means also high-quality products, timeless and excellent craftmanship, which can lead to the meaning of luxury as a sustainable alternative over time to disposable fashion (Batat 2019). And luxury brands are indeed seizing these sustainability trends, considering consumers' preferences beyond style and quality, trying to rethink their strategies to incorporate CSR and thus a broader vision of their relationship with not only shareholders, but also towards the society and the environment (Colucci, Tuan and Visentin 2019). Yet the lack of a consensual definition, makes the implementation of CSR more difficult, especially for an industry that is repeatedly under spotlight for being the second-largest polluting industry (Pencarelli, et al. 2019). Indeed, given the visibility of luxury brands in the market, these are highly pressured by stakeholders' criticism regarding their social and environmental commitment (Colucci, Tuan and Visentin 2019). Since the brand name and its reputation are still the main drivers to attract consumers in the luxury sector (Pencarelli, et al. 2019), brands cannot afford to damage them.

The interdependence between CSR and luxury brands is very relevant. A brand reputation is an intangible asset built throughout time and distilled by multiple images among different audiences, in order to create a differentiator factor from competitors and to express culturally and socially desirable symbols (Batat 2019). In the last two decades many luxury companies have faced scandals regarding their social irresponsibility. While these firms have introduced CSR policies when in need of repairing or strengthening the brand reputation, others acted more proactively and in advance (Batat 2019). Customers, with their preferences and loyalty, are indeed essential for a luxury firm, representing strategic stakeholders and enabling the access to shared value creation. Their perceptions of a company's CSR are increasingly affecting their willingness to buy as their concerns for social and environmental issues grow, and thus CSR could be positively leveraged to attract or enhance customers' loyalty, and potentially even be used as a marketing factor (Pencarelli, et al. 2019).

As luxury consumers have an influential position in brands' strategy and they are increasingly embracing socially responsible behaviors and consumption habits, luxury fashion businesses should strategically deal with CSR as a corporate goal (Pencarelli, et al. 2019). The adoption of a strategic CSR in the luxury sector can indeed lead to a positive impact on profit, through an increase in the total productivity factors and in terms of image and brand reputation (Batat 2019). Moreover, companies with an embedded CSR agenda have proven to have achieved above average financial performance during recessions and crisis periods. Thus, in this historical period marked by Covid-19 crisis, the CSR aspect should not be left unconsidered by a firm to ensure success despite deflated pool of resources.

4. THE GUCCI CASE

4.1 Gucci and its CSR history

Gucci is an Italian luxury brand established in Florence in 1921 by Guccio Gucci. By the 1960s, the brand achieved already a high level of notoriety throughout the world for its leather bags and accessories marked by the famous GG logo. From 1999 Gucci has been owned by the French luxury group Kering and in 2019 it accounted for 63% of the revenues of the group (Kering 2019). The departure of the creative director Tom Ford in 2004 caused a period of instability for the brand, ended in 2015 through a change in its management positions that led to the current organization with Marco Bizzarri as CEO and Alessandro Michele as Creative Director. The new CEO managed to grow the brand's revenues from €3.50 billion in 2014 to €8.32 billion in 2019, regaining the position of leadership as one of the world's luxury brand with worldwide operations, leading both in terms of revenues and profitability (Financial Times 2020).

Today, in its 100th anniversary, Gucci continues to represent a reference point for the Italian craftmanship, with undiscussed quality and attention to details. It has sustained its competitive advantage thanks to its orientation towards creativity and innovation and, at the same time, towards Italian quality and heritage, that have allowed the brand to create a strong connection with its clientele. Its target audience can be identified by young, creative, fashion conscious and socially active individuals. Eclectic and contemporary, Gucci is redefining luxury for the 21st century, without overlooking the need for a sustainable and responsible strategy (Kering 2019).

Gucci did not face any scandal or reputational damage before integrating socially responsible practices in its strategy (Bonacchi, Perego and Ravagli 2012). Its commitment on CSR seems instead to genuinely derive by its sense of responsibility and of purpose (Bonacchi, Perego and Ravagli 2012). The brand was indeed one of the first luxury company to voluntarily initiate a CSR certification process (the SA8000 standard) in 2004 for its entire production process in order to improve monitoring activities of its supply chain (Batat 2019), and one of the first to introduce CSR as a key pillar of its core brand values (Nagasawa and Fukunaga 2014). From the formal introduction of Gucci's CSR policies in 2010 when the brand clearly stated its will to create sustainable value, nowadays CSR and sustainability have been widely recognized as brand's competitive factors (Bonacchi, Perego and Ravagli 2012). Its group, Kering, is indeed at the forefront of sustainability in luxury thanks to the development of an innovative tool, namely the Environmental Profit & Loss Tool (EP&L), that allows to measure the impact of activities throughout the value chain (Armitage, Roberts and Sekhon 2017).

Gucci is thus committed to ensure that its luxury products and services are created with sustainable value at every stage of the supply chain, embracing the corporate sustainability agenda with a holistic approach in both its internal and external structures (Armitage, Roberts and Sekhon 2017). The company's approach highlights a long-lasting commitment towards the well-being of its stakeholders and towards a re-moralization of luxury products and services through its own sustainable value chain (Armitage, Roberts and Sekhon 2017). As the CEO and Chairman of Kering, François-Henri Pinault, pointed out already in 2013: "sustainable business is smart business" (Armitage, Roberts and Sekhon 2017). This commitment towards sustainability has been confirmed again recently by Gucci's first position among luxury brands in the Fashion Revolution's 2020 Transparency index. This index examines brands concerning their disclosures on social and environmental impacts (Fashion Revolution 2020). In Gucci's case, the index has recognized the successful embedment of social and environmental sustainability in every step of its supply chain and core strategy and awarding the brand with a score of 100 out 100 in the Policy & Commitments section (Il Sole 24Ore 2020).

4.2 Covid-19 Crisis

In the past year Gucci has found itself, together with all the world, to face an unprecedent global crisis: the Covid-19 pandemic. The virus has started to spread from Wuhan, China, in late December 2019, to subsequently reach many other countries worldwide from January 2020 onwards (Karabag 2020). On the 30th of January the Director-General of the World Health Organization (WHO) declared the Covid-19 pandemic to be a Public Health

Emergency of International Concern. On the 4th of April, the WHO declared that the number of confirmed cases hit 1 million with a tenfold increase in less than a month. As of the 13th of December 2020, the total cases reported by the WHO have been 71.920.781 with 1.607.798 deaths worldwide (Johns Hopkins University & Medicine 2020). Countries have faced strict lockdowns during Spring 2020, many factories and business have been shut down, and many healthcare systems worldwide have faced overflows beyond their maximum capacity (Marom and Lussier 2020). Currently, a new vague of the Coronavirus has already hit many countries and how long the virus will continue to affect our world is still unknown.

A crisis, as stated by the Merriam-Webster dictionary, can be defined as “an unstable or crucial time or state of affairs in which a decisive change is impending” and “a situation that has reached a critical phase” (Merriem-Webster 2020). The Covid-19 can definitely be described as a crisis, but also as the worst economic contraction since the Great Depression of the 1930s (Marom and Lussier 2020). The diffusion of the virus has had global, regional, national, political, economic and commercial impact fostering a period of considerate instability and uncertainty. Moreover, some social issues have been uncovered and exacerbated during this crisis (He and Harris 2020). The virus has indeed led consumers to reflect about the meaning of consumption and its impact on both themselves and the surrounding world and environment (He and Harris 2020). This reflection is translating into a shift towards increased sustainable and responsible consumption by consumers, who became more conscious of their purchasing habits. In order to help the change also in companies’ ideologies and core objectives, even the United Nations (UN) has made a call for action to promote the creation of more inclusive and sustainable global economies in the post Covid-19 era, in order to be able to react and face other potential global challenges (United Nations 2020). Indeed, many companies decided to enhance their commitment to CSR in this tough social and economic time, so as to seek new competitive advantages and to maintain profits, taking actions in the dimensions of employees, customers, shareholders, community and environment (Marom and Lussier 2020).

4.3 Covid-19 Impact on the Luxury Fashion Industry

While not the first thing that comes to mind thinking about Covid-19, also the luxury fashion industry has been highly impacted. Following the widespread lockdowns, non-essential retails and brick and mortar shops worldwide have been closed, including luxury fashion ones. The average market capitalization of the main players in the apparel category of the luxury fashion industry has dropped almost of 40% from January to late March 2020 (McKinsey & Co., BoF 2020). Regarding personal luxury goods, it has been estimated a contraction of the global revenues of about 35 to 39% year on year (McKinsey & Co., BoF 2020). Moreover, once the crisis will settle, the luxury fashion industry will still have to face radical transformation and uncertainty, and its recovery will be gradual (BCG 2020). As shown in Table 2 in the appendix, the worst-case scenario forecasts a return to precrisis levels only by 2023 (BCG 2020). The pandemic has enhanced the already present trends of "getting woke" and "sustainability first", reshaping the industry value chain and representing an opportunity to rethink seasonality and accelerate sustainability commitments (McKinsey & Co., BoF 2020). Consumers expect the brands to uphold their social and environmental commitments amid and after the crisis, to move towards a more inclusive luxury fashion industry (BCG 2020). Consumers' minds seem indeed no more tied to fashion cycles, while more tendent to buy more durable and secondhand fashion items (McKinsey & Co. 2020).

The Covid-19 contingency has therefore deeply changed the business landscape and, as the founder of a sustainable luxury start-up pointed out in one of the interviews I conducted, stakeholders' demand became more intransigent in topics related to the community and environmental well-being, bringing more pressures on the firms. Many luxury fashion brands took wrong steps during this critical period in terms of corporate social responsibility. An academic expert on luxury identified the case of Boohoo for instance. This brand has been indeed one of the few brands to witness a rise in its revenues in the first quarter of 2020, but it has at the same time been accused of workers' abuses in its factories in Leicester, already known for its low wages, which are as little as 3$ per day (BoF 2020). The allegations reported that Boohoo would have put at risk its workers of contracting Covid-19 by keeping factories open despite the general lockdowns (BoF 2020). As emerged from the interview with another academic expert in CSR in the luxury fashion, the Covid-19 crisis has been a negative externality that shocked the entire industry. According to him, on one hand the brands that were still in a developing phase had been the most exposed and at risk, since in many of them the CSR strategy was still not embedded enough in the core strategy of the brand to be able to respond to this general crisis. On the other hand, he stated that even more established brands with a prior positive financial performance and an integrated CSR strategy were not able to cope with the closure of countries and shops. However, he highlighted that some established brands with an effective risk management tool decided to act proactively to help communities, environment and employees to face this tough economic and social time. A brand that seems to have positively paved the way during the crisis can be identified in Gucci.

4.4 Gucci's response to the crisis

As many other brands, Gucci suffered tremendous losses in its revenues. Yet this did not stop the brand's will to promote its 10-year plan for a "culture of purpose" (Equilibrium Gucci 2020). In order to support the community and its supply chain partners, Gucci took initiatives that aim to demonstrate its commitment towards the creation of a collective future and "positive change for people and nature" (Equilibrium Gucci 2020). As noted in secondary data sources, the company has frequently been on the spotlight in the past months for its decisions. For instance, same as other brands, in March it switched its factories to produce over one million masks and 55,000 pairs of medical overalls for Italy (BoF 2020).

However, Gucci's commitment went beyond competitors' and some measures that were taken shocked the entire industry. In May, the creative designer Alessandro Michele posted a diary entry on Instagram to announce the reduction of Gucci's yearly shows to just twice per year: "I will abandon the worn-out ritual of seasonality and shows to regain a new cadence, closer to my expressive call" (BoF 2020). This decision triggered by the need that Covid-19 has brought to start a new chapter and to rethink the fashion industry, in a future where most fashion shows will be held online (BoF 2020). Indeed, as pointed out by one of the academic interviewees, a green shift was already going on from the past 10 years and many designers were already fed up with the rhythm of the industry, however the Covid-19 crisis has acted as a catalyst that shocked the industry towards the change. This action by Gucci has been identified by the interviewee a step towards a "slow luxury" approach, which he believes being a possible scenario to make the luxury fashion industry more sustainable and with more durable items. This idea refers to the concept of "buy less, buy better", prioritizing thoughtful design and consumption, product quality and longevity with the minimum social impact (Donaldson 2020).

Gucci seems indeed to prepare itself "for a new post-coronavirus world", as said by one employee during an interview, in line with the "sustainability first" and "getting woke" trends (McKinsey & Co., BoF 2020). Its initiative will undeniably have an environmental positive impact, that will help reduce the $500 billion of value lost every year due to clothing underutilization and lack of recycling (UN Fashion Alliance 2020). However, the Covid-19 crisis has also highly impacted part of the 75 million people worldwide employed by the luxury fashion industry who may have lost their jobs due to factories' closures, and who own the SMEs part of brands' supply chain and faced cancellation of many orders during the lockdowns. In this regard, Gucci partnered with the Italian bank Intesa SanPaolo in order to support the SMEs involved in its supply chain to benefit of advantageous terms and conditions and access financing more quickly (Il Sole 24Ore 2020). This project underlines Gucci's commitment for its hundreds of small enterprises that employee more than 20 thousand people and that guarantee the high-quality standards of the brands, highlighting its CSR values towards the society. As expressed by one of the academic interviewed, in a problematic external situation, actions for a positive change have to come from inside of the firms to thrive amid the shock and ensure customers' loyalty after it, and Gucci understood that. Moreover, in order to support the community, the brand donated to two crowdfunding campaigns: one in collaboration with the bank Intesa SanPaolo to help the Italian civil protection to face the coronavirus emergency, and the other to the Solidarity Response Fund to help the WHO (Il Sole 24Ore 2020).

From the interview with the startup founder emerged also another initiative carried out by Gucci, which although being less connected to the Covid-19 crisis itself, it concerns its commitment towards a new concept of sustainable luxury. This refers to the newly announced partnership with The RealReal, one of the most important luxury reselling platforms. The reselling of second-hand luxury good has been gaining relevance recently (McKinsey & Co., BoF 2020), in line with the new sustainable trends. It gives brands the possibility of satisfying the increasing consumers' interest in sustainability through principles of circular economy, while also increasing their profits. The partnership underlines this sustainable element through another initiative: for every customer's purchase from Gucci's resale shop on The RealReal a tree will be planted in the areas most affected by climate change (BoF 2020).

4.5 Outcome of Gucci's initiatives

As pointed out by the startup founder in the interview, "Gucci has sustainability as a differentiation and competitive factor, and it has demonstrated over the years its success with its innovative strategy, and the initiatives taken during the pandemic are just another confirmation of its positioning and commitments". The actions undertaken during the Covid-19 crisis represent indeed Gucci's sustainability approach and its integration in the core strategy of the firm, being actions not easily and quickly reversible. This competitive factor has played an important role in making it successful and one of the few brands beating revenues estimates during the Covid-19 crisis in the luxury industry. As one employee underlined, while Kering's revenue were expected to drop by 9.1%, the organic revenue fell only 1.2% in the third quarter of 2020, thanks to a better-than-expected performance of Gucci itself. Despite the uncertain market and the forecasts of slow recovery for the industry, the brand has remained confident of its overall strategy (BoF 2020), achieving a winning position and delivering the value desired by its customers. It reached a brand value of €14.70 billion as of April 2020 compared to the €8.32 billion of 2019, becoming the second apparel brand for value (Statista 2020).

Gucci's differentiator factor has not only fostered the increase in its value, but also successfully recognized by international ratings, as pointed out by the entrepreneur interviewed, giving the brand even more relevance and competitive advantage in this regard. These two elements are, according to the interviewee, linked and interdependent for a luxury brand. One of the academic interviewed highlighted indeed the score of Kering group, Gucci's owner, in Corporate Knights 2020 Global 100 ratings. Corporate Knights, a rating company that "*empowers markets to make the world a better place"* (Certified B Corporation 2020), awarded Kering in its classification of the most sustainable firms with the 23rd place, and, most relevantly, with the first place in its category of Apparel and Accessory Products.

Gucci's achievements and success are, as pointed out by an employee of the company, the reflection of not only its vision, but also of its governance structure. The firm appointed a CSR manager and team that are in charge of assuring Gucci's performance in CSR, of ensuring its compliance with the increasing regulations on sustainability and, finally, of instilling this commitment into all employees and stakeholders in their daily decisions. This Gucci's organizational structure has been essential, according to the employee, to be able to promptly react to the crisis in a context that is continuously changing. Indeed, alongside the pandemic outbreak that enhanced the trend towards a green shift, firms need also to deal with the constantly increasingly legislations, especially referring to Europe, in the topic of sustainability and producer responsibility. The European Commission has identified as a key priority for the current legislation, 2019-2024, the achievement of the European Green Deal to boost an efficient use of resources and restore biodiversity (European Commission 2020). According to the interviewed Gucci's employee, having a team that specifically deals with these topics will be a key driver to succeed in a constantly shaping context. This organizational structure perfectly reflects, as said by one of the academic professors interviewed, the brand's approach towards a strategic type of CSR, which entails major changes in the firm. Thus, once again, it stresses the importance of a fully embedded CSR strategy for Gucci.

5. LESSONS FOR THE LUXURY FASHION INDUSTRY

5.1 Takeaways from the Gucci case

This report has shown that Gucci has managed to be successful and beat estimates during what has been defined as the worst economic contraction since the Great Depression of the 1930s (Marom and Lussier 2020). The Covid-19 crisis, as other crisis presented by the literature, shows features which include incredibly high financial losses, resource-scarcity, widespread instability and uncertainty (Bansal, Jiang and Jung 2014). However, literature demonstrated that companies with a sustainability agenda achieved above average financial performance in context of crisis, such as during the 2008 Recession (Fink and Whelan 2016). This success can be paralleled to Gucci's one, a company with an embedded CSR strategy, during the Covid-19 crisis. While the usual question during crisis may refer to whether to retreat into core activities and abandon CSR (Bansal, Jiang and Jung 2014), Gucci has taken the opportunity to increase its commitment to CSR and stand out from the other luxury fashion brands by undertaking sustainable initiatives, from the partnership with The RealReal to the one with Intesa SanPaolo, and by achieving high score on international rankings, being awarded in April with the position of second most valuable apparel brand worldwide (Statista 2020).

Gucci's actions led not only the brand to have above average financial performance but also to satisfy and be in line with the new trends that are taking power in the luxury fashion world, namely the "sustainability first" and "getting woke" ones (McKinsey & Co. 2020). People, as usually happen in a crisis period, are more inclined to prefer socially responsible items (Fink and Whelan 2016) and to critically reflect about their purchase habits (He and Harris 2020). Indeed, after the Covid-19 crisis, 80% of luxury consumers appear to prefer socially responsible brands (Bain & Company 2020) and they don't seem anymore tied to fashion cycles and calendars (McKinsey & Co. 2020). Therefore, Gucci's choices and initiatives, as to go seasonless and to sell secondhand products, are just other examples of how the brand has fulfilled consumers' requests through its differentiator factor of sustainability, enhancing its brand image and reputation. Gucci's strategy, with a fully integrated CSR, is leading the firm to be one of the few winners in its industry during these challenging times, having showed responsibility and respect for the surrounding world. It has been mentioned that its performance has overcome the estimates and it has helped the group to remain successful.

The initiatives implemented demonstrate how successful can a company be during a tough economic time with an embedded CSR strategy in its long-term vision. From the organizational structure to the decision of going seasonless, Gucci's decisions reflect indeed strategic choices that require allocation of conspicuous resources in order to be implemented and that are not easily reversible, and therefore representing a strategic type of CSR. Its success through a strategic CSR even during a crisis highlights the importance of this element to thrive, and it could now trigger other brands to review their CSR policies, not engaging anymore in tactical actions but making it a core area of the business in an historical time in which sustainability has become extremely important for consumers. While emergency situations often require tactical actions to ensure a firm's profit and productivity, Gucci has taken this crisis period to review and enhance its commitment on CSR (Bansal, Jiang and Jung 2014).

Through these CSR activities embedded in the core strategy of the firm, the brand triggered higher financial performance, higher brand reputation and higher score in sustainability ratings, that can positively affect consumers' and investors' perceptions (Porter and Kramer 2012). Gucci has proved that CSR and an integrated corporate social agenda can increase financial performance and be a mitigation factor for external business problems (Fink and Whelan 2016).

5.2 Looking to the future

Covid-19 has been identified as a catalyst for a green shift that was already in place. CSR has therefore become more than ever not just a trend, but a global mission. Stakeholders have become more demanding and intransigent for what concerns CSR. Legislations and regulations on this topic are constantly increasing. People have realized that living in an interconnected world means caring for the impact and responsibility on others. With more conscious consumers, the concept of "slow luxury" has increasingly been shaped in this context: Lyst, the global online search platform of luxury, has pointed out that the term "slow fashion" has triggered more than 90 million social impressions during 2020, and it has identified it as the start of new shopping behaviors (Donaldson 2020). The luxury fashion industry will now need to be prepared for future external shocks with appropriate CSR risk management tool, since, as pointed out from the Gucci case, the interviewees and previous literature, firms with efficient CSR practices fully integrated in their core strategies managed to be successful in critical times. Episodes showing lack of corporate social responsibility such as the one of Boohoo (BoF 2020) may happen again, and the industry needs to prevent them. Many firms tried instead to take actions and help during the crisis, but it is definitely difficult to understand how many of these choices will be sustained and redirected into core strategies. Lacking a CSR strategy in the core business of a firm and a responsible governance structure, preclude brands from achieving remarkable results in tough economic times, as Gucci in contrast achieved.

Despite the fact that CSR still lacks a consensual definition (Pencarelli, et al. 2019), luxury fashion companies will have to act in a changed scenario where sustainability and corporate social responsibility are not anymore just a movement, but a common framework. Other brands could now take the opportunity to see Gucci as a front runner in the industry, as a firm that managed to achieve positive results in this time of global health, economic and social crisis thanks to its strategy, to translate their commitment to CSR into a strategic one. Gucci has not only improved its financial performance, but also its reputation, which is an essential factor for luxury brands to thrive in the industry (Batat 2019). Companies that face this transition towards a more environmentally friendly and responsible way of doing business are likely not only to more easily recover from this crisis, but also to react and emerge stronger to future shocks, as indicated by Gucci's success and forecasts (BCG 2020).

6. CONCLUSIONS

This report faces many limitations due to the current unpredictable situation of our world, which leads things to change constantly and makes finding a common framework very difficult. Drawing conclusions in such unstable and uncertain times is undeniably a challenging purpose. This unprecedented global economic, social and health crisis has affected our society in different ways, from consumption habits to personal relationships (Karabag 2020). Many firms across different industries have taken actions to counter the emergency and play a role in helping the community. Even the luxury fashion industry, an unsustainable industry per-se, is moving towards a new reality and relation with the environment and stakeholders (McKinsey & Co., BoF 2020). Gucci has been an example of it, with its numerous initiatives to help both its employees and the society. Despite representing just a small portion of the whole industry, it could serve as role model for firms to act more responsibly and integrate CSR in their strategy.

Future studies will need to understand the actual effects of the pandemic on the industry and CSR practices when the overall situation will be more stable. An important tool to review in 2021 in this regard will be the mentioned EP&L of Gucci, to better evaluate the real impact of its measures. It could be interesting to assess how many of the firms who took actions during this period have then maintained their commitment and which developments would the luxury fashion industry have made in this new context. Indeed, for what has emerged from the interviews, two scenarios could be envisaged for the “new normal” in this industry. On one side, sustainability will be fully embedded by all the firms given the change in the consumption habits of the luxury fashion consumers and the problems emerged. On the other side, after months of privations and lockdowns, consumers will go back to a consumerism and revenge-spending attitude, regardless of any social commitment by brands. Which one will take place?

Gucci is enduring in its path of transcending the “old world” before the pandemic, even launching its new collection with no season label in November with a 7-day virtual film festival (BoF 2020), and continuing to grow its power and heritage. But as of now, its initiatives towards a slow luxury approach have not been embraced with wide consensus by many other brands, although the success of it seems clear and has been pointed out even by Lyst. Many brands indeed hosted physical shows already in September 2020 despite the health crisis still in place. Undeniably, managers are still navigating the uncertainty of the crisis (Bansal, Jiang and Jung 2014) and industry changes won’t happen overnight, but rethinking inefficiencies is essential to face an unstable future and to be in line with incoming regulations. In the light of the success of Gucci with both ratings, revenues and customers, the luxury fashion industry should act in coordination to create new models. Brands should work unified in providing a sustainable luxury offers with an integrated CSR strategy in line with consumers’ demand and with changing and stricter regulations. Covid-19 has surely proven to be a positive driver for enhanced CSR practices in the luxury fashion industry, despite creating unprecedented levels of uncertainty and possibly hiding new obstacles further down the road.

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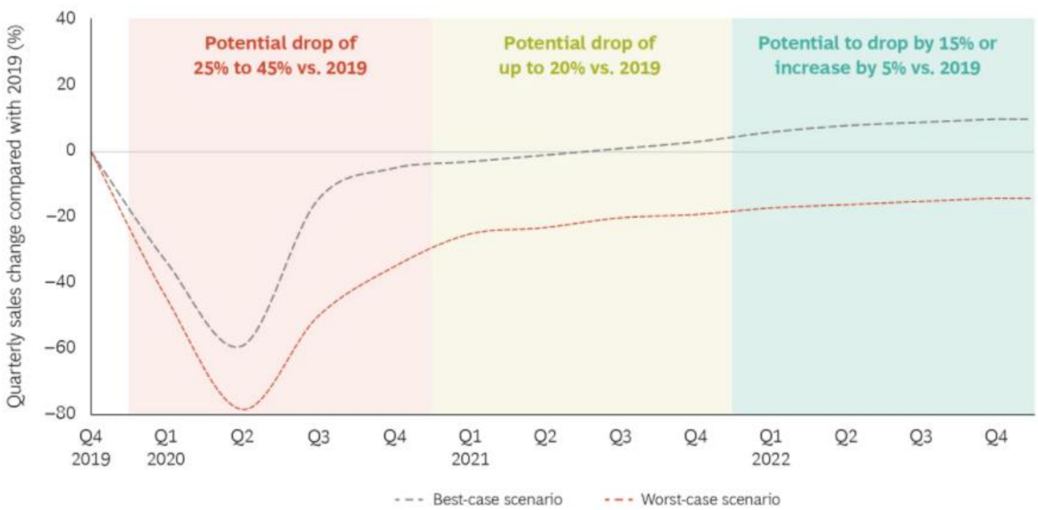
8. APPENDIX

Table 1: Overview of interviewees

	Name Initials	Role	Company	Industry
Interviewee 1	S. L.	Entrepreneur	Startup Founder	Luxury & Fashion
Interviewee 2	P. P.	CSR Academic Professor	University	Education
Interviewee 3	M. B.	Luxury Expert	University	Education
Interviewee 4	A. B.	Strategy & Innovation	Gucci	Luxury & Fashion
Interviewee 5	R. R.	CSR Specialist	Gucci	Luxury & Fashion

Table 2: Luxury brand sales could take more than two years to recover



Source: (BCG 2020)