Received: 17 November 2021 | Revised: 1 June 2022 | Accepted: 14 June 2022

DOI: 10.1002/csr.2341

RESEARCH ARTICLE

Corporate Social Responsibility and Environmental Management

WILEY

Corporate social responsibility: Does it really matter in the luxury context?

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Abstract

The impact of CSR in the luxury sector has been less investigated than in the non-luxury context, and the findings in the luxury context are not unidirectional. In recent years, researchers have begun exploring the link between CSR and luxury. These efforts have attempted to overcome the gap between theory and practice while also acknowledging that luxury and CSR can be considered conflicting concepts. This mixed picture underscores the need for further investigations. The current study aims to illuminate CSR in the luxury context by examining business model development and financial performance. In particular, we conducted an in-depth longitudinal and qualitative analysis of a leading luxury company that had experienced an event that had negatively impacted CSR. Specifically, this event affected the supply chain, and the public indignation that ensued impacted the firm's financial performance. Our results revealed that in the case of a luxury organisation, CSR does not affect financial performance despite a negative event. Ultimately, the study offers insights into CSR in the luxury context by proposing a matrix to explain the various influences on a company's business model and financial performance.

KEYWORDS
business model, corporate social responsibility, customer sensitivity, financial performance, luxury, Moncler, sustainability

1 | INTRODUCTION

For approximately 55 years, researchers have discussed corporate social performance (CSP) and the related concept of corporate social responsibility (CSR). However, debate continues regarding CSR's various facets, managerial implications and consequences on financial performance (Mio, 2010; Wood, 2010). Some researchers (Agudo-Valiente et al., 2015) have contributed to the evolution of CSR's definition. For example, Bowen (1953) emphasised managers' obligations to implement sustainable policies and thereby achieve sustainable goals and values. Meanwhile, McWilliams and Siegel's (2001) as well as McWilliams et al. (2006) defined CSR as a company's efforts to overcome compliance to laws and market requests. Dahlsrud's (2008) definition also introduced the stakeholder dimension, embedding sustainability within the business process.

In recent years, sustainable development has become a major collective challenge worldwide, and companies' environmental policies have aimed increasingly towards CSR (Topleva & Prokopov, 2020). Beyond ecology, sustainable development seeks the conservation of natural resource biodiversity and the promotion of social equity (B. Kapferer, 2010). Because CSR aims to integrate social and environmental aspects into corporate activities (Baumgartner, 2014), CSR and sustainability are related concepts, which are often used interchangeably.

Additionally, CSR can be considered a tool through which companies explicitly commit to sustainable development (D'Anolfo et al., 2017).

In the current context, companies are encountering new challenges, particularly with respect to CSP assessments and the possible associations between CSP and financial and sustainability performance (Ducassy, 2013; Latif & Sajjad, 2018). CSR, a component of CSP, incorporates the principles of social responsibility (Carroll, 1979, 1991). Specifically, a business must focus on implementing social responsibility and responding to stakeholders' concerns while also influencing CSP in a way that can enhance stakeholder relationships, improve the company's reputation and reinforce the business model (BM; Mio, Fasan, et al., 2020; Massaro et al., 2020; Ardito et al., 2020; Dentchev, 2004). Companies tend to invest in CSR to secure corporate legitimacy, market success and internal improvements by developing customer-oriented firms and focusing on stakeholders' demands (Broccardo et al., 2019; Dal Mas et al., 2021; Gangi et al., 2019; Hoffman & Bazerman, 2005; Mio, Marchini, & Medioli, 2020; Windolph et al., 2014). Indeed, various groups of stakeholders have expressed increasing interest in implementing sustainable projects and measuring firms' sustainability performance. For example, some customers are particularly drawn towards sustainable brands and products (Cillo et al., 2019). Thus, CSR issues represent a key component of a company's business strategy. In other words, companies must include the pillars of sustainability within their strategies and verify their actual implementation of these pillars, especially in terms of social and environmental aspects. A firm's implementation strategy can be analysed through the firm's BM.

Scholars have recently devoted attention to new organisational BM architectures that are oriented towards achieving profitability and solving social and sustainability issues (Massa & Tucci, 2013). From this perspective, a firm's ability to manage corporate social and environmental issues within its BM can significantly influence its value creation. Furthermore, because the BM can include key sustainability drivers, it functions as a tool with which companies can achieve or increase their legitimacy (Mio, Fasan, et al., 2020). Recognising its effect on the company's competitive advantage and financial performance, scholars have applied research on BM sustainability to several economic sectors (Pisano et al., 2015; Topleva & Prokopov, 2020; Truant et al., 2019). In particular, following several recent and critical events that have affected famous brands operating in various sectors (Blanc et al., 2019), researchers have focused on the relationships between CSR and financial performance (Gangi et al., 2019; Nirino et al., 2019), including those related to brand loyalty (Blanc et al., 2019).

The majority of the existing findings regarding CSR have been developed in the context of non-luxury businesses, while the luxury sector remains less explored (Sipilä et al., 2021). It is, moreover, unclear whether the findings from the non-luxury context hold in the luxury context. Among the limited explorations in the luxury context, research has highlighted consumers' positive attitudes towards purchasing sustainable luxury goods (Sipilä et al., 2021; Hagtvedt & Patrick, 2016; Shukla et al., 2015; J. N. Kapferer & Michaut, 2015; Steinhart et al., 2013; Davies et al., 2012). However, other studies have observed significant consumer ambivalence because customers perceive recycled materials to be less luxurious (Beckham & Voyer, 2014; Sipilä et al., 2021) and thus consider CSR and luxury to be in conflict (Achabou & Dekhili, 2013). This latter evidence highlights the lack of corporate communication with various stakeholders regarding CSR behaviour (Kunz et al., 2020). Furthermore, sustainable development in luxury companies compared to non-luxury companies and the related reputational risks have become key issues for social acceptance, especially because luxury brands are frequently vulnerable to criticism (Sipilä et al., 2021). While some evidence suggests that luxury consumers' expectations include the sustainable behaviours of luxury companies, J. N. Kapferer and Michaut (2015) reported that consumers usually do not consider sustainability in their purchase decisions. In contrast, Dhaliwal et al. (2020) found that sustainability significantly impacts luxury consumers' purchase behaviours because these consumers are motivated by environmental, animal rights and moral concerns related to the manufacturing of luxury products.

In light of this unclear evidence in the prior literature, the current research adopts a sustainability lens and a long-term perspective to investigate the BM characteristics and the effects of a corporate social scandal on the financial performance of a luxury company. The study's efforts also respond to calls in the literature for further investigation of the link between financial performance and sustainability in the luxury context (Campos-Climent & Sanchis-Palacio, 2017; Kunz et al., 2020; Porter et al., 2007).

In light of negative events affecting corporate sustainability, an unbalanced scenario emerges: the majority of extant studies have focused primarily on environmental issues, such as pollution (Blanc et al., 2019; Cho, 2009; Coetzee & van Staden, 2011; Corazza et al., 2017; Deegan et al., 2000; Frost et al., 2005; Jantadej & Kent, 1999; Patten, 1992b; Savage et al., 2000). Meanwhile, few studies have examined other situations, such as social issues (Coetzee & van Staden, 2011; Vourvachis et al., 2016). Thus, this research examines an Italian luxury fashion company, Moncler Spa. Specifically, using a longitudinal case analysis, it traces the events before, during and after the company became embroiled in a corporate social scandal and the impact of that scandal on the company's CSR and financial performance.

Based on the existing evidence, we consider the following research question: *What are the BM features involving CSR and the related financial performance in a luxury company that has suffered a corporate social scandal?*

The paper is organised as follows. Section 2 reviews the literature on CSR in the luxury context, its integration within the BM and theory regarding crisis events. Section 3 presents the Moncler case and the related CSR scandal. In addition, it describes the adopted methodology. Section 4 presents the findings, while Section 5 discusses the proposed matrix. Finally, Section 6 offers the conclusions and limitations.

2 | LITERATURE REVIEW

2.1 | CSR and the luxury context: Various facets

In recent years, luxury brands have become more visible with large billboards and numerous newspaper articles attempting to explain their success. Representing the pinnacle of consumer society, however, luxury brands are frequently vulnerable to criticism, and CSR development has thus become a key issue for their social acceptance (J. N. Kapferer & Michaut, 2015). Nevertheless, Davies et al. (2012) observed that customers' purchase decisions involving luxury goods typically do not prioritise ethical criteria; because these purchases are a demonstration of their elite status, consumers do not consider their impacts on environmental and social dimensions. The literature exhibits a general tendency to affirm that CSR creates value, which indicates the relevance of considering sustainability in business practices (Colbert et al., 2003; Mio & Venturelli, 2013). Referring specifically to the luxury industry, some authors have affirmed that brand appeal is much stronger than consumers' will to oppose unsustainable behaviours (Park & Kim, 2016; J. N. Kapferer & Michaut, 2015; Bolton & Drew, 1991; Pan et al., 2012; Sirdeshmukh et al., 2002).

When brand appeal is strong, which is common in the luxury sector, non-sustainable behaviour has little impact on brand awareness and loyalty in the long run (Grewal et al., 2004; Harris & Goode, 2004). Indeed, some studies have found that luxury consumers are not influenced by sustainable luxury products (Grazzini et al., 2021; Henninger et al., 2017). Customers are interested in a company's CSR practices and ethical behaviour as a minimum requirement, but CSR is not a vital element in their purchase choices (Henninger et al., 2017).

On the other hand, some studies have highlighted luxury companies' recognition of their customers' desire for high-quality products that do not harm the environment as well as these companies' resulting efforts to emphasise CSR in their BM (Ducrot-Lochard & Murat, 2011). Furthermore, researchers have found that a company's sustainable behaviour positively impacts consumers' choices in the luxury sector and thus enhances luxury brands' success (Amatulli et al., 2018; De Angelis et al., 2017).

This evidence indicates that a common vision about the role of CSR in the luxury context is currently lacking. It suggests, moreover, the need to better understand whether and how CSR is included in a firm's strategy through the BM lens, a tool used to communicate the strategy.

2.2 | Business model and financial performance

BMs are multifaceted because they holistically describe how companies conduct their business and simplify the various innate complexities of that business (Truant et al., 2019). The literature does not yet provide a clear definition of the BM (Kavadias et al., 2016; Pisano et al., 2015; Sukhari & De Villiers, 2019; Zott et al., 2011). However, we assert that a company's strategy is directly linked to its BM. Amit and Zott (2001) defined the BM as a value creation path firms follow as they observe various opportunities in the external environment and pursue value for themselves, their partners and their customers (Abdulkader et al., 2020; Osterwalder et al., 2005; Osterwalder & Pigneur, 2010).

Recently, researchers have taken an interest in the sustainability concerns that may emerge as a company designs its BM (Massa & Tucci, 2013). In the luxury industry, however, company BMs entail some contradictions: they pursue ostentation, which contradicts the concerns of altruism and ethics (J. N. Kapferer & Michaut, 2015). Regarding the relationship between sustainability and financial performance, many researchers have found a connection between a company's sustainable behaviours and consumer demands, which affect financial performance. In particular, several studies have discovered the positive impact of sustainable practices on company performance (Hart, 2005; Shrivastava, 1995; Zhu et al., 2012). For instance, Spicer (1978) identified a strong relationship between financial and environmental indicators. Consequently, inadequate management of CSR issues can significantly harm a company's image, brand awareness and loyalty (Aaker, 1997; J. N. Kapferer, 2002; Okonkwo, 2007).

Some studies have also demonstrated the negative effect of sustainability initiatives on financial performance; indeed, such initiatives can often decrease efficiency and thus negatively impact profitability and market shares (Bragdon & Marlin, 1972; Brammer et al., 2006; Brammer & Millington, 2008; Cornell & Shapiro, 1987; Friedman, 1970; Lopez et al., 2007; Tang et al., 2012; Vance, 1975; Walley & Whitehead, 1994; Williams et al., 1993). Overall, in fact, studies examining the effect of CSR on financial performance have yielded contradictory results. In some cases, social factors positively impact corporate performance, while in other cases, environmental efforts have no significant effects (Nirino et al., 2019). Complicating the picture further, CSR scandals can also affect financial performance. It is, therefore, important to explore the effects of a negative event, such as a corporate scandal, and the ways in which companies can regain legitimacy.

2.3 | The legitimacy crisis

When a corporate scandal arises, stakeholders typically demand a prompt reaction from the firm involved. However, an organisation may be shielded from the negative implications of a crisis by its degree of corporate interest in socially responsible activities (Bhattacharya & Sen, 2004; Kim & Lee, 2015; Seeger et al., 2003). Specifically, having a positive image before a crisis may enable an organisation to endure the harmful consequences of the crisis (Wigley & Pfau, 2010). On that note, Coombs (2007) established three typical post-crisis reaction strategies: (1) *denying*, which occurs when an institution pretends it has no obligations or is unaffected by the scandal; (2) *diminishing*, which involves reducing the corporate scandal's severity and the organisation's obligations and (3) *rebuilding*, or extending compensation to the affected groups and offering an official apology statement.

Although numerous studies have examined the impact of scandals on CSR disclosure activities, some authors have ignored the social aspects (Coetzee & van Staden, 2011). In fact, most social studies have explored the impact of environmental incidents on environmental exposure (Cho, 2009), but few have examined social scandals in the CSR context (Coetzee & van Staden, 2011; Vourvachis et al., 2016). Additionally, various non-academic publications on corporate scandal disclosure are available, and their focus is more on corporate activities (Gordon & Wynhoven, 2003; Novethic/SCPC, 2006). In academic research, only a handful of authors have discussed the disclosure of corporate scandals; instead, most have studied disclosure implications and stimuli (Barkemeyer et al., 2015; Healy & Serafeim, 2016; Islam et al., 2015; Joseph et al., 2016). In other words, academic research investigating the effect of particular incidents on the disclosure of CSR activities is lacking. The current study aims to address this gap.

Legitimacy theory argues that corporations are embedded in a broader framework that decides whether they are legitimate and can operate in the market (Newson & Deegan, 2002). Specifically, when a company faces a threat from a particular event, such as shifts in public composition, values and expectations or the occurrence of accidents, external views of its legitimacy will change (Cho, 2009; Deegan et al., 2000; Lindblom, 1994; O'Donovan, 2002; Patten, 1992a).

The main gaps emerging from the literature analysis in the luxury context thus require expanding knowledge about (i) the role of CSR in the luxury context and the related impacts on financial performance, (ii) CSR in the BM and (iii) reactions to and consequences of CSR scandals.

3 | METHOD

In light of the contradictory evidence in the literature on CSR in the luxury context and the need to gain an in-depth understanding of this topic in the context of corporate scandals (Dhaliwal et al., 2020; Jain, 2019), we conducted an in-depth longitudinal analysis of an organisation affected by a CSR scandal. In this way, we aimed to delve deeply into BM features related to CSR and performance. We selected a qualitative methodology to 'take a look' inside the company while using only publicly available information to avoid subjectivity biases.

3.1 | Case background: Moncler and the related corporate social scandal

Founded in 1952, Moncler is now a well-known luxury company. Its activities initially centred on the manufacturing and sale of mountain sports clothing. In 1954, the company produced the first nylon and down jacket, which was immediately appreciated for its superior quality. In the early 1980s, the brand's prestige skyrocketed, and Moncler products became a fashion phenomenon. In the 1990s, however, the company experienced a dark period, stemming from poor choices in distribution channels, product placements in massive retail centres and its inability to effectively communicate the brand's luxury, quality and fashion. In 2003, the Italian entrepreneur Remo Ruffini purchased the brand and worked diligently to re-establish Moncler's earlier standards, with an emphasis on products, distribution and communication to overcome the company's lack of positioning in the luxury sector. Today, Ruffini remains Moncler's chairman and managing director, and Moncler's philosophy is devoted to creating high-quality and unique products.

In December 2013, Moncler was floated on the Telematic Shares Market, managed by the Italian Stock Exchange of Milan. However, almost a year after its stock market entry, a journalistic investigation exposed the company's ethical and social problems related to inefficient supply chain and production traceability. Specifically, the company had failed to trace and review the raw material supply chain, thus underestimating the related risks. This supplier management failure damaged Moncler's image and negatively impacted stakeholders' expectations. On 2 November 2014, the Italian television news magazine 'revealed that some leading down suppliers in Eastern Europe had adopted violent methods and animal abuse (i.e., geese plucking) to harvest down'. The inquiry also revealed Moncler's high profit margins (see Table 5), with production costs of €30–50 and retail prices for jackets and dresses of €1500–2000. The result was an uproar against the luxury company.

While this corporate social scandal was crucial to our selection of Moncler as the case for our study, the company's size and success also made it an ideal choice. Currently, Moncler is a luxury company operating worldwide. As of 31 December 2019, Moncler owned 209 mono-brand stores (Moncler, 2020).

3.2 | Methodology

The longitudinal analysis was structured in two phases. First, we conducted a systematic observation of events by collecting data and analysing secondary sources as well as publicly available company documents. The results represent a seven-year longitudinal analysis.

During the first phase of our analysis, we examined the Moncler event using media sourced and publicly available documents. In the second phase, we collected and analysed Moncler's internal documents and reports to reconstruct its BM and collect financial performance information. These processes were propaedeutic to build a timeline of events connecting the importance of disclosures during a corporate scandal (Blanc et al., 2019). Following Cho (2009) and Murphy et al. (2007), we utilised the Wayback Machine (Machine, 2015) to obtain all information related to the corporate scandal over the following periods: (1) pre-corporate scandal (2012–2013), (2) immediately following the corporate scandal (2014–2015) and (3) post-corporate scandal (2016–2018). We selected a post-corporate scandal period of 3 years because after this time, the effects of scandals on performance are mitigated.

Our lexicological analysis, meanwhile, employed SketchEngine, a common tool to analyse corporate reporting (Schreier, 2012). After processing the texts of publicly available company documents and information on the company website, we opted to focus on all publicly available information, reports and company documents and maintain an independent perspective by avoiding the influence of both managers and interviewers.

3.3 | Research design

Our content analysis of the company website and documents allowed us to identify information included in the BM. It was thus possible to investigate Moncler's BM before the corporate scandal (2012–2013), immediately after the corporate scandal (2014–2015) and longer after the corporate scandal (2016–2018) where the years chosen were those nearest to the event, as previously described. We identified the key factors related to CSR issues in each period. Finally, we analysed the financial performance trends by considering the years before and after the corporate scandal and attempted to link the presence of key CSR factors with possible increases or decreases in financial performance. Our qualitative analysis of Moncler's BM employed the theoretical frameworks of Osterwalder (2004), Osterwalder and Pigneur (2010) and Osterwalder et al. (2005), who divided a company's BM into nine components. The nine components are as follows: (i) key activities, (ii) partner network, (iii) key resources, (iv) cost structure, (v) revenue flow, (vi) distribution channels, (vii) value proposition, (viii) client segments and (ix) client relationships.

4 | FINDINGS

4.1 | Legitimacy crisis and content analysis

According to the media analysis, the company received 22,000 mentions, the top trending hashtag in the rankings, more than 1800 comments on its Facebook posts and more than 3000 tweets in one day (i.e., the day the scandal broke, 2 November 2014). These numbers represent a 373% increase over the previous day. From a managerial point of view and excluding financial data, Table 1 presents the content analysis of Moncler's documents, which aimed to establish the company's general CSR general orientation and the company's BMs.

As Table 1 reveals, Moncler's content has included a considerable increase in words related to sustainability, the environment and social issues since 2015 when Moncler began publishing sustainability reports. While CSR disclosures and sustainability reports were lacking in the period preceding the corporate scandal (until 2014), the company significantly increased its expression of concerns regarding sustainability issues immediately after the corporate scandal (2015). This included the release of its first sustainability report. Although that report did not directly mention the corporate scandal, a subtle reference guaranteed the firm's compliance with the established rules for selecting geese suppliers. As Table 1 indicates, moreover, the post-corporate scandal period (from 2016 to 2018) was characterised by a significant increase in CSR disclosures. In 2018, in particular, Moncler prepared a non-financial declaration report to comply with the directive 2014/95 EU.

4.2 | Business model analysis

Our reconstruction of Moncler's BM across the periods of interest was based on publicly available sources and documents. We also employed the content analysis to identify the nine key blocks of Osterwalder (2004) and Osterwalder and Pigneur's (Osterwalder et al., 2005; Osterwalder & Pigneur, 2010) aforementioned theoretical framework.

4.2.1 | Pre-corporate scandal period (2012–2013)

Before the corporate scandal, Moncler's main *key activity* was production, with the company directly supervising all critical phases of the production chain. Moncler relied exclusively on independent third parties—sub-contractors, or so-called façon manufacturers—in the production of garments but directly managed its raw material purchases. Some of the company's key activities were oriented towards strengthening and developing its position in international markets, mainly by expanding the direct distribution channel (retail) and developing new market opportunities. The company also sought to increase its product range by focusing on footwear, leather accessories, glasses and perfumes. For this purpose, Moncler signed a joint venture agreement with Allison to produce and distribute eyeglasses and sunglasses.

Regarding its *partner network*, Moncler increased its direct control over strategic businesses by allowing some agreements to lapse. The sales agent network was rationalised in all countries, and the main partners were façon manufacturers, mainly located in Eastern Europe. In terms of *key resources*, Moncler made a significant investment in organisational structures in 2013 to reinforce the company's growth strategy. In particular, it implemented various projects to strengthen employees' skills and improve the company's training programmes.

Table 2 highlights the main *cost structure* items for 2012 and 2013, expressing the cost categories in terms of revenue percentages.

Table 2 reveals the particular relevance of material costs, which accounted for between 31% and 36% more than employee costs and highlighted the importance of the raw material supply chain. This trend emerged in the other years analysed (2014–2018) as well.

Regarding *revenue flows*, Table 2 shows that in 2013, Moncler recorded revenue of €580,577 million, with an increase of 19% realised through the retail channel (new store openings), which in 2013, represented 57% of the total turnover. Revenues from the retail distribution channel increased by 33% over 2012, while those from the wholesale channel increased by 4%. The wholesale channel recorded this growth despite a planned reduction in stores and some locations' conversion from wholesale to retail. Regarding the company's *distribution channels*, management forecasted retail channel developments in 2013 and opened new directly operated stores around the world, with a particular focus on Russia, Eastern Europe, China, Japan, the USA, Canada and Brazil. In Italy and Europe, where wholesale distribution was already well developed, Moncler's strategy was to rationalise and select the number of wholesale clients. In terms of its *value proposition*, Moncler's strategy was highly customer-centric, aiming to create a stable long-term relationship with consumers. Specifically, some of the key elements of Moncler's value proposition included pursuing quality and innovation excellence, anticipating new trends, respecting the brand's distinctive characteristics, investing in marketing and communication and increasing its direct control over distribution channels.

TABLE 1 Moncler content analysis: Word count

	2012	2013	2014	2015	2016	2017	2018
Scandal references	0	0	0	0	0	0	0
CSR	0	0	0	0	0	0	0
Sustainability	0	0	0	29	145	88	163
Environment	2	1	5	10	44	56	58
Social	0	0	0	3	12	8	76
Supplier	1	1	3	16	72	38	149
Supply chain	0	0	0	1	1	0	7
Customer	5	6	6	8	43	24	150
Geese	0	0	0	2	2	4	5

Source: Own elaboration.

TABLE 2 Moncler cost structure (2012–2013)

	2012	% on operating revenues	2013	% on operating revenues
Operating revenues (€)	489,183		580,577	
Material cost		31%		26%
Cost of employees		12%		9%
Depreciation and amortisation		13%		3%
Interest paid		3%		3%

Source: AIDA databank.

Moncler's high luxury products were represented in its *client segments*, specifically its haute couture segment. The company's Grenoble products targeted both genders and belonged to the luxury sport outdoor segment. Meanwhile, the main collection, which offered products for men, women and children, was characterised by a balance of luxury and affordability. Finally, in terms of *client relationships*, the company's goal was to increase efficiency and improve services by focusing specifically on timely deliveries to both retail and wholesale customers. In 2014, the company created a new organisational unit to better manage customer relationships.

Overall, however, our reconstruction of Moncler's pre-corporate scandal BM (2012–2013) revealed no evidence of a focus on CSR.

4.2.2 | Immediately after the corporate scandal (2014–2015)

While conducting an in-depth analysis of the company's documents, we examined the CSR elements of Moncler's BM using the nine components.

The company's *key activity* immediately after the corporate scandal was oriented towards the supply chain of raw materials. In 2015, Moncler redefined its logistics organisation to optimise efficiency and sustainability impacts. It thus directly managed the creative phase, raw material purchases and prototype development. Created in 2015 and representing the most challenging project related to down traceability, Moncler imposed its Down Integrity System and Traceability (DIST) Protocol, audited by an accredited external body, to ensure animal welfare throughout the company and supply chain. At that point, the company was committed to exclusively purchasing down that had achieved DIST certification.

Moncler's *key partners* were suppliers involved in manufacturing products, particularly raw material suppliers, façon manufacturers and finished product suppliers. Service suppliers, mostly located near the company, assisted Moncler in the quality control processes. Between 2014 and 2015, Moncler reduced the number of suppliers to increase its own control. Seeking to integrate its production chain and create a hub of excellence in down jacket research and development, the company acquired a small production unit in Romania in 2015. Regarding its *key resources* during this period, Moncler invested significantly in its managers and employees. In 2015, employees' involvement in training activities increased by 40.35% while training expenditures increased by 21.85% over the previous year. In the retail segment, Moncler invested in initiatives to increase the professionalism of its sales personnel and sought to strengthen its managers by adopting the Management by Objectives System. In 2015, Moncler introduced objectives that aimed to foster a sustainability culture among top management. Down, as a raw material, achieved greater relevance, as animal welfare became a key quality factor, which was appropriately assessed with the introduction of animal-based measures.

Table 3 summarises this period's *cost structure*, confirming the relevance of raw material costs and the importance of supervising the related process.

Table 3 also presents the company's *revenue flows* for the period. In 2015, Moncler recorded revenue of €880.4 million, a 27% increase over the previous year, confirming the growth trend that began in the

TABLE 3 Moncler cost structure (2014–2015)

	2014	% on operating revenues	2015	% on operating revenues
Operating revenues (€)	694,189		880,393	
Material cost		31%		36%
Cost of employees		11%		14%
Depreciation and amortisation		4%		6%
Interest paid		2%		1%

Source: AIDA databank.

TABLE 4 Moncler cost structure (2016–2018)

	2016	% on operating revenues	2017	% on operating revenues	2018	% on operating revenues
Operating revenues (€)	1040,311		1193,704		1420,074	
Material cost		32%		36%		36%
Cost of employees		12%		14%		15%
Depreciation and amortisation		4%		4%		4%
Interest paid		0.4%		0.4%		0.1%

Source: Aida databank.

previous years. In 2015, revenues from the retail distribution channel increased by 44% over those of 2014 due to the mono-brand retail store network's continuous development. Meanwhile, a slight decrease occurred in the wholesale channel (−1%).

In terms of the *distribution channel*, Moncler reduced the number of its stores around the world. Regarding the company's *value propositions*, brand trust, product quality and style sophistication were Moncler's main differentiating elements. In addition, following the corporate scandal of November 2014, the company's value proposition focused on sustainability drivers, and in 2015, it reported sustainability issues and outcomes in its first sustainability report. In terms of *client segments*, the period immediately after the scandal witnessed no changes; Moncler's previous client segments remained valid. However, the company began monitoring returning clients.

Finally, in terms of *client relationships*, in 2015, the company introduced a new professional role, which was responsible for maintaining close relationships with clients and coordinating its efforts to enhance customers' shopping experiences from personnel training to store procedures. To understand clients and offer tailored services, the company also created a database on its clients and their shopping habits.

Overall, CSR became evident in Moncler's BM immediately following the corporate scandal (2014–2015), especially in the supply chain and in the company's logistic activities and partners.

4.2.3 | Post-corporate scandal period (2016–2018)

Finally, we discuss the key elements of Moncler's BM in the period following the corporate scandal (2016–2018). In terms of *key activities*, the significant corporate processes involved supply chains, services and consultancy, product shortages, quality control, credit management and recruiting. Moncler's *key partners* were suppliers who manufactured products, particularly raw material suppliers. The company continued to invest a significant amount of energy in pursuing high social standards with these partners. Moncler also intensified its sustainability culture through verifications, training and open and constructive dialogue aimed at continuous improvements.

Regarding *key resources*, training played a key role in Moncler's human development process. In fact, it was an important tool for developing and consolidating individual skills, and over time, it influenced the company's values and strategy, which, in turn, supported its growth and cultural and organisational evolution. In 2018, Moncler invested over €712,000 in training programmes and offered over 96,000 training hours (approximately 39% more than in 2017) to approximately 4000 employees; of these employees, moreover, 72% were women. The company invested in training activities (50% of all positions, which represented an increase of 54% over 2017). Other segments of the Moncler workforce included blue-collar workers (30%), professionals (11%), managers (7%) and executives/senior executives (2%).

Table 4 summarises the company's *cost structure*, confirming the previous trends, although with an increase in raw material costs.

In terms of *revenue flows*, Table 4 reveals that the company's revenue increased by 19% in 2018 over the previous year. Moreover, Moncler's retail channel garnered €1086.5 million in revenue (€892.4 million in 2017) while the wholesale channel's revenue increased by 11%. The company developed an omnichannel view towards its *distribution channels* and created virtual stores to establish direct relationships with customers and better understand their expectations.

Regarding its *value proposition*, the company defined guidelines for the development of new stores to ensure that customers would

TABLE 5 Moncler's main financial ratios (2012–2018): Period overview

	Pre-scandal period		Immediately after the scandal		Post-scandal period		
	2012	2013	2014	2015	2016	2017	2018
Operating revenues (€)	489,183	580,577	694,189	880,393	1,040,311	1,193,704	1,420,074
Total assets (€)	837,304	825,625	927,144	1,012,064	1,151,799	1,380,047	1,625,643
N of employees	899	1132	1407	1798	2700	3498	4155
Net income	28,800	76,100	130,109	167,910	196,322	249,768	332,395
Shareholder's equity	238,500	307,500	420,574	546,807	703,571	923,531	703,571
ROE %	12.08%	24.75%	30.94%	30.71%	27.90%	27.04%	47.24%
ROA %	3.44%	9.22%	14.03%	16.59%	17.04%	18.10%	20.45%
EBIT	145,800	166,400	201,550	252,679	297,681	340,877	414,098
Operating profit margin %	29.80%	28.66%	29.03%	28.70%	28.61%	28.56%	29.16%
Net profit margin %	5.89%	13.11%	18.74%	19.07%	18.87%	20.92%	23.41%
EBIT margin %	29.80%	28.66%	29.03%	28.70%	28.61%	28.56%	29.16%
Operating cash flow	117,500	130,400	158,258	203,390	311,950	335,379	443,560
Cash flow/operating revenue %	24.02%	22.46%	22.80%	23.10%	29.99%	28.10%	31.23%
Current assets	322,260	329,276	372,318	397,588	506,037	712,596	902,422
Current liabilities	271,113	270,896	266,180	252,974	272,259	297,125	376,554
Current ratio	1.19	1.22	1.40	1.57	1.86	2.40	2.40
Inventory	59,900	77,200	122,821	134,063	135,849	136,159	173,149
Liquidity ratio (quick ratio)	0.97	0.93	0.94	1.04	1.36	1.94	1.94

Abbreviations: EBIT, earnings before interest and taxes; ROA, return on assets; ROE, return on equity.
Source: AIDA databank.

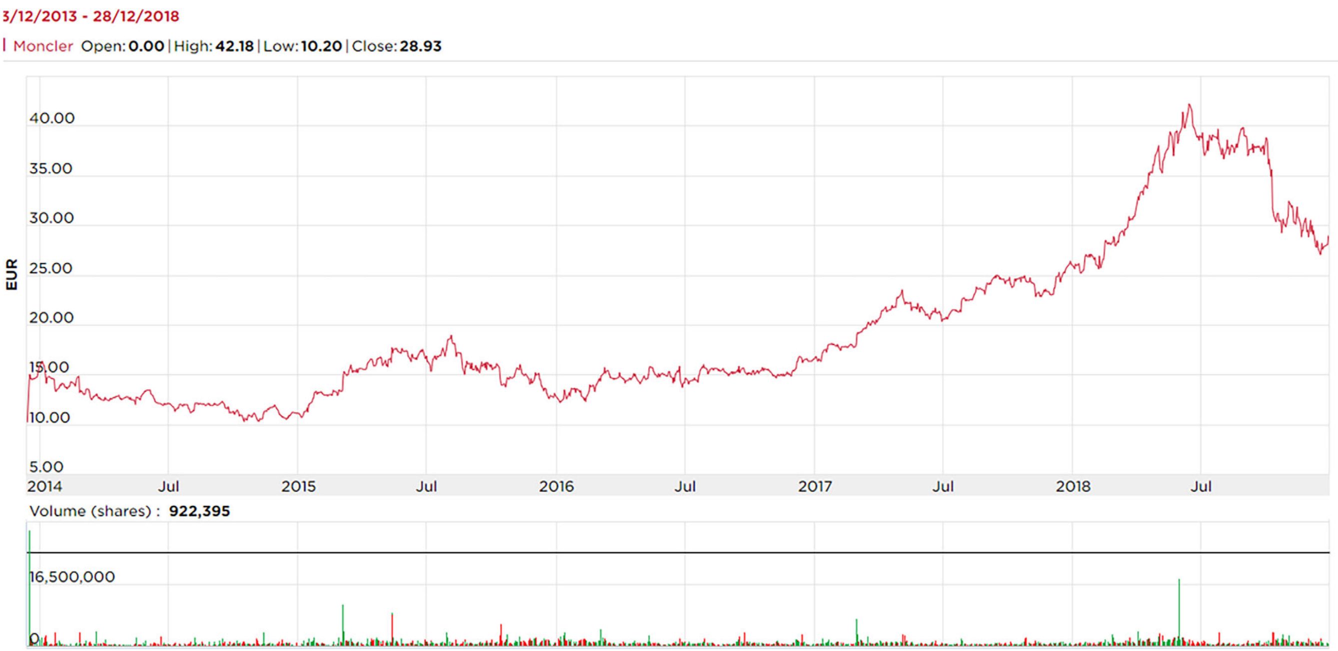

FIGURE 1 Stock trading Moncler shares. *Source*: Moncler website, 2020 [Colour figure can be viewed at wileyonlinelibrary.com]

enjoy unique shopping experiences within sustainable store formats. In addition, the company sought to improve in-store experiences via digitisation. In 2018, the company launched a questionnaire to systematically collect local customers' post-purchase feedback regarding their experiences, customisation and service. Ultimately, the company's digitalisation projects aimed to strengthen client relationships. These efforts to manage digital customer relationships enabled the company to identify each client's preferences and translate them into

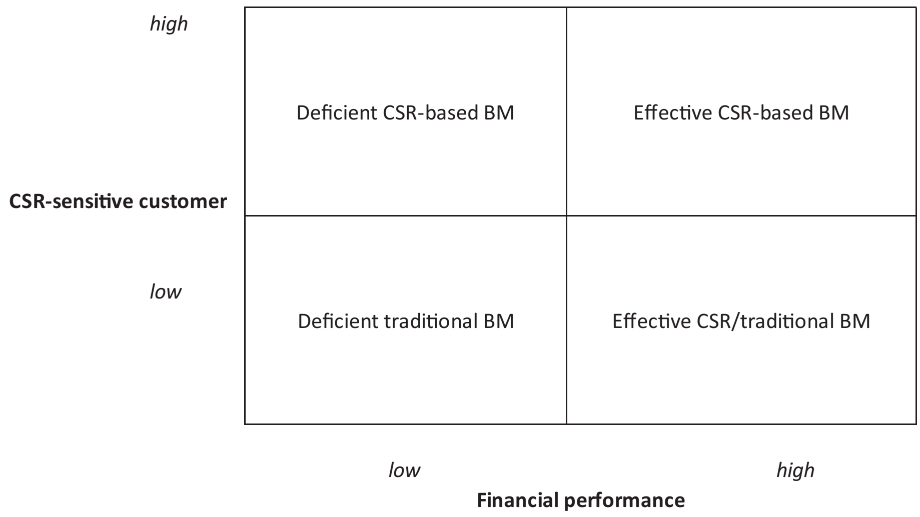

FIGURE 2 CSR sensitivity and impact on BM in the luxury context. *Source*: Own elaboration

personalised appointments in Moncler stores. During this period, no changes occurred in terms of Moncler's *client segments*.

Overall, in the post-corporate scandal period (2016–2018), Moncler devoted increasing attention to CSR issues by offering customers sustainable store experiences and investing in personnel training at various organisational levels.

4.3 | Moncler's financial performance

Table 5 summarises Moncler's main financial ratios between 2012 and 2018, highlighting the three periods analysed—the years before, immediately after and later after the corporate scandal.

According to Table 5, Moncler exhibited a consistent trend towards growth following the 2014 corporate social scandal. Indeed, revenues, assets and employee investments continued to increase, which suggests the insignificance of the scandal to the company's performance. Furthermore, Figure 1 depicts trends in stock trading of Moncler shares between 2014 and 2018.

As the figure shows, the period that immediately followed the corporate social scandal (i.e., 2014 and 2015) was characterised by a limited decrease in share prices. However, prices recovered quickly and grew significantly, especially in 2017 and 2018.

5 | DISCUSSION

This paper aimed to answer the following research question: *What are the BM features involving CSR and related performance in a luxury company that has suffered a corporate social scandal?* To this end, we analysed Moncler's BM and related performance across three periods: before the corporate scandal, immediately after the corporate scandal and later after the corporate scandal. First, we observed that prior to the corporate scandal, Moncler's BM did not prioritise CSR issues. In fact, Moncler focused on its supply chain. While the supply chain is crucial because it involves purchasing raw materials, the company did not explicitly oversee its suppliers' processes. Immediately after the corporate scandal, however, Moncler's BM adopted the DIST protocol, which involved external auditors in certifying suppliers. In the post-scandal years, we thus observed the company's increasing engagement with CSR issues. In other words, the corporate scandal motivated Moncler to implement CSR disclosures and positioned it among companies seeking corporate legitimacy by investing in sustainability and responding to stakeholders' concerns (Broccardo et al., 2019; Gangi et al., 2019; Hoffman & Bazerman, 2005; Windolph et al., 2014).

Second, according to Coombs (2007), Moncler engaged in *diminishing behaviour*, with the company's report including no evidence of the corporate scandal. Despite the scandal that broke in November 2014 and the resulting media and consumer indignation, moreover, the company did not experience reductions in its main profitability and financial indicators in 2015. On the contrary, the main financial ratios exhibited consistent increases, as confirmed by the listing prices. Thus, the corporate scandal did not affect Moncler's financial performance. This result suggests that brand appeal has a stronger effect on purchase intentions than does non-sustainable behaviour and that the latter does not impact financial performance (Park & Kim, 2016; J. N. Kapferer & Michaut, 2015; Grewal et al., 2004; Harris & Goode, 2004).

Third, we observed that Moncler's BM and strategy did not prioritise sustainability before the corporate scandal. After the scandal broke, however, the company recognised CSR as a key issue for social acceptance and thus sought to regain legitimacy by implementing a more sustainability-oriented BM (J. N. Kapferer & Michaut, 2015). To this end, the company prepared its first sustainability report in 2015. In other words, Moncler viewed social and environmental issues as opportunities to protect and improve brand loyalty and financial performance and thus implemented sustainability initiatives to meet consumers' expectations.

The previous evidence highlights the multifaceted nature of luxury businesses. In particular, it suggests that the impacts of CSR scandals on consumer behaviours can be unexpected and subtle

(Sipilä et al., 2021; J. N. Kapferer & Michaut, 2015). Indeed, although Moncler's BM before the scandal did not prioritise sustainability and although the company engaged in diminishing behaviour, it did not suffer a decrease in financial performance following the scandal.

We attempt to generalise our findings and explain the lessons derived therein by suggesting a customer sensitivity-based matrix. Figure 2 presents the matrix, which considers various attitudes towards CSR in the luxury industry.

According to the model proposed in Figure 2, luxury companies may—depending on customer behaviour regarding CSR—be able to adapt their strategies and related BMs to improve their financial performance.

When customers' CSR sensitivity is high and the company's performance is low (Quadrant A of the matrix), the luxury strategy depicted in the BM must better integrate the CSR pillars; consequently, the company must align its sustainability goals with the corporate strategy. In contrast, when both customers' CSR sensitivity and the company's performance are low (Quadrant C of the matrix), some issues—beyond CSR—already exist in the traditional BM of luxury businesses. Therefore, the firm must solve these problems in advance by revising its strategic planning process and related operative goals.

Meanwhile, when both customers' CSR sensitivity and the company's performance are high (Quadrant B of the matrix), an adequate CSR orientation is necessary within a luxury company's BM. Consequently, operative actions must maintain this level. Finally, when customers' CSR sensitivity is low and the company's performance is high (as in the case of Moncler; Quadrant D of the matrix), the strength of the brand itself leaves the company's BM and financial performance rather invulnerable to CSR issues.

Finally, when customers' CSR sensitivity is high but the luxury company's BM is not aligned with sustainability issues, certain factors, such as commitment from key managers, internal communication supported by training programmes for employees (Jabbour & Santos, 2008; Jackson et al., 2011) and management accounting systems (Argento et al., 2022), can help to reduce this misalignment.

6 | CONCLUSION AND LIMITATIONS

This paper's analysis of Moncler before and after a corporate social scandal offers some relevant theoretical implications and thus answers the call for research illuminating the interaction of the luxury sector and CSR. First, the study deepens our understanding of luxury companies by shedding light on CSR sensitivity and company performance and thereby ameliorating the existing literature's tendency to explore CSR in the non-luxury rather than the luxury context (Blanc et al., 2019; Jain, 2019; Park & Kim, 2016; J. N. Kapferer & Michaut, 2015; Davies et al., 2012). Second, our findings contribute to the debate regarding sustainable initiatives and their impact on the financial performance of firms in the luxury sector. Our work identifies customers' CSR sensitivity as among the possible drivers of a company's performance while also offering a theoretical matrix to interpret various company situations and thereby make improvements.

Third, our research traces changes in a company's CSR disclosures prior to, during and after a CSR scandal. The recognition that brand strength moderates consumers' reactions (Gistri et al., 2015) offers a better understanding of firms' internal dynamics during crisis periods (Barkemeyer et al., 2015; Blanc et al., 2019; Coetzee & van Staden, 2011; Frost et al., 2005; Healy & Serafeim, 2016; Islam et al., 2015; Joseph et al., 2016).

In terms of its practical implications, this research first suggests that despite initial public indignation, some customers of luxury businesses may consider responsible behaviour to be a secondary criterion of corporate legitimacy. This is likely because consumers with low CSR sensitivity prioritise other factors, such as personal pleasure and ostentation. In this context, we propose a matrix (see Figure 2) to help managers, practitioners and consultants of luxury companies consider or re-consider CSR elements within their BMs as well as the impacts of these elements on firm performance. Informed by this matrix, managers may be better informed and equipped to avoid potential pitfalls in achieving the desired CSR goals. Second, we recommend that managers of luxury companies pay close attention to the supply chain as a key element in their implementation of CSR strategies (Kunz et al., 2020). Third, in implementing sustainability strategies, managers of luxury firms must evaluate both products and industry features for their effects on consumer sensitivity (Amatulli et al., 2018; Kunz et al., 2020).

Despite illuminating the various levels of consumers' CSR sensitivity and highlighting the resulting impacts on a company's BM and performance, this research entails limitations. In particular, it offers evidence based on a single case. Thus, additional case studies involving other luxury features are required.

Based on this limitation, some interesting avenues for future research may attempt to (i) provide additional empirical evidence for the proposed matrix, (ii) deepen the existing understanding of consumers' CSR sensitivity, (iii) investigate additional CSR drivers impacting a company's performance, (iv) investigate other CSR scandals, especially from a social perspective, and their impacts on CSP, (v) investigate the role of internal organisational features, such as employee and managerial skills and human resource training investments in CSR, in preventing corporate scandals and (vi) provide evidence on this topic from various industries.

ACKNOWLEDGMENT

Open access funding enabled and organized by Projekt DEAL.

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How to cite this article: Broccardo, L., Culasso, F., Dhir, A., & Truant, E. (2022). Corporate social responsibility: Does it really matter in the luxury context? *Corporate Social Responsibility and Environmental Management*, 1–14. https://doi.org/10.1002/csr.2341