Pyry Kuivanen

Remodelling fashion via circular economy driven luxury concept

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The thesis aimed to research circular economy's intangible value in the global textile industry. The focus targeted on investigating, how luxury could become a positive input to a circular economy driven brand. The goal was to find and understand different perceptions of business concepts, customers and brands in order to build a notion of circular economy driven luxury fashion brand identity.

Brand identity study was conducted by analyzing brands’ identities key facets. Scrutinizing multiple dimensions of different types of brands, extensive literature review facilitated building knowledge of existing notions of how fashion and luxury brands as well as circular economy’s business concepts are currently perceived by researchers. The new type of concept, which merges circular economy and luxury fashion was built and presented to the research sample in the form of questionnaires, aiming to highlight consumers’ perception’s of the vision brand. Data of four case brands supported building a notion of how vision brand identity could appear.

The theory took major stake of this thesis, where highly topical and new research area is presented, aiming to induce researchers to explore circular economy’s intangible value further. The results showed, that presenting circular economy driven concepts within the consumer research could reveal consumer’s picture facets of vision brand identity, mainly what kind of consumer characteristics brands could reflect if vision brands would emerge in the fashion markets. Understanding circular economy driven concepts, consumer attitudes and behavior, as well as different forms of textile brands (luxury, fashion and premium) connects the theory to the research. Such studies consequently would facilitate branding and communications strategies, but also contribute to marketing studies towards circular economy driven topics.
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1 Introduction

Whilst fashion globalizes, textile industry’s sustainable development issues raise concerns increasingly. Studies seem to emphasize industry’s footprint and corporate social responsibility. Discussions about the industry’s contribution to circular economy have only recently risen, amongst others in economic journalism and political programs, where circular economy is a burning topic. The business literature, which opens circular economy’s business opportunities, is almost void. The question of how value can be established via smarter utilization of materials seem to be more researched, whereas how intangible value is generated from circular economy is more blank research area.

Humans have lived in linear economy (LE) for about two hundred years since the industrial revolution. Products’ and materials’ life cycle in LE usually ends quickly after use phase, accumulating waste. Quantity of raw materials consumed is also unnecessarily large in the current economy. LE’s alternative, circular economy (CE) provides a vision, which promises benefits in multiple dimensions. The spurring impermanence of raw materials as well as nature’s fragility is growing interest of different stakeholders in the textile industry. Mathias Bergman, the Secretary General of Baltic Sea Action Group’s (BSAG) said, “It (CE) is the only way in, which future generations can function at this planet” (Satuli, 2016). Policy makers, brands and consumers face large challenges in the future, which raise interesting questions around circular economy. What policy makers can do to facilitate transformation? What kind of new business concepts will rise, when companies are pushed to integrate to the changing markets?

Exclusive prestige brands could drive transformation, yet if one day CE integrates in everyday consumer culture. Before such phenomena, luxury brands may generate business success out of CE. Luxury’s integration to CE driven market could establish market niche opportunity. Firstly, as sustainability issues are growing in international level, there is a reason to believe, that rising sustainable development driven costs (e.g. taxes) will impact on pricing, also in apparel industry. When policy-making generates new regulations to drive CE, which brands have to adapt. Should community demand more sustainable clothes, such as clothes made out of circular materials, production and logistics costs would probably increase due to the reintegration challenges of
clothing industry’s complex supply chain. Luxury is ultimate product level differentiation, which could exploit from these challenges; before CE is adjusted by society, green consumerism for example could drive transformation. Secondly, luxury favours some business models. Renting and leasing is a model, which ideally enables consumers to rent luxury in a relatively inexpensive price. Whether second hand or renting, luxury suits to overall recycling phenomena better than most concepts. Part of the justification is made from the fact that luxury is durable and its second hand market value can be significantly larger than on most products. Furthermore, values and characteristics of luxury reflect CE in variety of dimensions, such as luxury’s timeless and quality factors.

Life cycle of consumer products is an important factor distinguishing circular models from linear ones. Procter and Gamble’s research reveals, that the life cycle of consumer products dropped 50% between 1992 and 2002 (Vaitheeswaran, 2007). LEs lifecycle (which process is: acquirement of planet’s raw materials -> production -> performance (use phase) -> disposal) dissipates finite amount of earth’s virgin materials and leaves harmful waste to the environment. Products sustain longer, when they are reused, recycled and consumption is being reduced, which derives famous 3Rs term. CEs strategic vision is illustrated as pursuing to plan, implement, integrate and monitor the efficiency of materials and energy use (Su et al. 2013). When products fail to end up as waste, consumers are not consuming, but turn into a users of products and services (Saavalainen, 2015). Resources become products, and products are designed in a way, that they can be fully recycled (Yap, 2005; Preston, 2012). The figure presented in the Ellen MacArthur Foundation’s website illustrates three principle systems within CE (see the figure 1). Almost any company can contribute to CE by optimizing resource efficiency (see the principle 1). In principle 2 the system becomes more complicated, as external parties in the supply chain join to the system’s flow. This is where customer and user’s actions matter more to the outcome. CE pursues to nurture three-dimensional system, where the 3Rs (reuse, reduce, recycle) term derives.
Nature provides an analogy to the closed loop model (one of the definitions of circular economy), as large amounts of finite resources are captured and reused. Preston illustrates this as “resource-product-renewed resource” (2012); i.e. closed cycle of material and energy flows (Su et al., 2013). How could a human made production cycle adapt such ideology? Straight and simple answer is obviously challenging to develop. However, some debate about responsibility negligence between producer and consumer, where neither party takes responsibility of the products’ destiny after the use phase (Rau, 2011). Niinimäki claims that consumers don’t see the connection between their own consumption behaviour and the environmental impact of increased industrial production. She argues that reuse and recycling strategies fail to tackle the real problem of increased consumption: clothes lifecycle is extremely short (2011, p. 24).

The term circular economy has its roots in industrial ecology from a theory developed in 1970’s (Preston, 2012). Chinese scholars introduced the term in 1990 from ideas by merging ecological economics, industrial ecology and environmental economics (Zhou, 2006; Ren, 2007; Geng and Doberstein, 2008). Most known CE associated schools of thoughts are “Cradle to Cradle” (C2C, a trademark designed by Braungart and McDonough), Performance Economy, Biomimicry, Industrial Ecology, Blue Economy
and Regenerative design (Schools of thought, Ellen MacArthur Foundation, 2015). Governments and producers have applied the term CE inconsistently and awareness is low (Preston, 2012). Preston argues that the CE concept was not historically the focus of thinking and is still in its infancy (2012). This is changing as multiple articles on the subject have appeared recently. Only recently also researchers have began to generate scholarly journals exploring different ethical and sustainable development subjects within luxury industry (examples derive from: Kapferer and Michaut-Denizeau, 2013; Hennigs et al., 2013; Gardetti et al., 2014; Rishi et al., 2015). The major focus has been ethical position of brands as well as consumers’ attitudes and perception towards different brands on variety of eco-aspects. Sustainable development is a rather broad concept dealing several environmental and non-environmental dimensions such as economic process, social equity and natural resource and environment conservation (Andriate and Fink, 2008; Katainen, 2015). While circular economy eventually becomes relevant in all above-mentioned areas, the thesis is framed to the extent to which branding focuses CE concept over the broader sustainable development focus, but not forgetting, that sustainable development and CE can be interchangeable in consumer’s mind. Implementation of CE in branding is multidimensional which, according to Ellen MacArthur Foundation’s executive officer, Jocelyn Blériot, “is hard business, which cannot be encapsulated into commercial tag line” (Satuli, 2016). Because of the absence of comparable scholarly work on this subject, generating framework to the main arguments starts by scrutinizing separate theoretical issues from literature and trying to join interrelations subsequently. Hence, theory emphasizes three areas: Circular economy, luxury concept and brand building. Following conventional thesis structure, a) theory and literature review is provided before b) the analysis and conclusions. The work aims to provide future studies the right questions, theory and tools.

1 a) Theory's first part explores the drivers of CE. The goal is to gather information about the political and economical drivers, which are in global, EU and national level. 2 a) Next theory's section is dedicated to research of luxury’s characteristics and luxury consumer. The aim is to generate knowledge about luxury’s current and developing conceptual position. 3 a) Brand building literature is researched and analysed in the last theory section. This section also illustrates Kapferer’s identity prism, the main tool, which is utilized to explore brand identity’s six dimensions. 1 b) Beginning of the ‘Analysis and Conclusion’ provides consumer research’s analysis. The results of primary data derive from questionnaire, which focused to gather consumer data on perceptions towards luxury driven CE business model. Analysis is followed by studying four sample
brands aiming to finally generate implications to the primary arguments and illustrating a vision CE driven luxury brand identity dimensions. 2 b) the last section aims to show further research. This is short but important section, as the subject is new and aims to invite more research on the topic.

Figure 2. Theoretical part’s conceptual framework

Interest towards the subject derives from, whether CEs development can be marketed via branding. Literature shows, that development of CE doesn’t mean haggling the living standards, as benefits are not only “green”, but also economical. Companies can make a business via different CE driven concepts. Therefore, interest develops, which consumer wants impact, which future vision speaks benefits to both consumer and brand, and consequently, what kind of brand could message about these benefits would develop value? The thesis question was formulated into analysing and justifying the different means of building construct of CE driven luxury brand identity. How the concept should be built, develops probably too subjective notions for any further research or marketing related purposes. However, while the methods of analysis were explored, the researcher found that case consumer sample tends to form different types of clusters of attitudes, which could reveal their core values and perception towards CE driven luxury model. This could be beneficial for analysing vision brand identity, because clusters hide a certain type of values, which can be reflected to the thesis concept’s self-image and reflection facets (the dimensions derive from Kapferer’s identity prism model). At this point however, consumers tend to have merely an idea about the concept in terms how they become the beneficial part of it. Case brand analysis provided only mere results. However, the literature review shows potential in results of feasibility studies of CE driven business models. Luxury’s role in the models are well
documented by literature, but, how brand identity is researched, may not provide appropriate results via the type of case analysis, which was conducted in this thesis, or may require much larger and detailed one. The researcher suggests, that further studies may continue focusing on building more detailed construct of the concept’s consumers’ values framework clusters into type of segments, which explain the consumers’ notion of concept's self-image as well as reflection (i.e. what they believe the typical consumer of the concept’s consumer is or their aspirations). Furthermore, the researcher suggests to the future researchers of pursuing to explore attitudes by presenting a vision concept in research questionnaires for example. Sub-questions of the research ask 1) what benefits luxury brings to CE driven fashion brand and what opportunities circular economy has for the luxury brands? This question builds theory around driving forces of circular economy driven luxury brand. By refining fashion business models the relationship between fashion and consumers could drive CE’s development. 2) How identity is generated and how it can be used to remodel a brand? The thesis is approached from multidimensional sources the characteristics of luxury consumers and brands, politics, community and interplay with each party, brand communication, ideology as well as consumer values and behaviour.

2 Methodology

The subject is new, and yet methodologies from previous studies are untested. Therefore this thesis aims mainly two things: 1) provide decent presentation of a new subject area and 2) establish validation for which kind of method would pursue results in the future researches. The thesis could hence be said to contain meta-methodology, methods to test method. Qualitative research is pursued, where interpretivist paradigm influences on justification of arguments. Main authors of the literature reflect their arguments from a latent individual perceived reality. For example “luxury” is a relative term, which extent (e.g. how luxury or non-luxury is a product) depends, which is the perception of the viewer’s world. Researcher understands the subjective nature of arguments, where measures are built around subjective notions and constructs. Therefore the work is aimed to build new knowledge via dialogue and investigating of possible confliction interpretations. The relatively inscrutable subject forces to invest majority of the time in collecting and analysing literature review. Smaller part gathers primary data trough questionnaires and brands’ analysis. New information developed during the research steers a fresh subject, which is why literature is checked throughout the whole process.
The researcher doesn’t follow academically defined concept. However, some characteristics of the research remind grounded theory (GT). Ideas and knowledge are built step by step building and managing categories accompanied with constant review and renewal of the theory. Though the time constraint challenges the generation of scholarly valid GT, the researcher believes GTs suitability into the thesis subject, which is vaguely reviewed by academic community. GTs core according to (2013), Creswell (1998) and Dey (1999) is inter alia in objective to create new or highlight existing theory (primary goal is not to verify research results of a given theory as right or wrong, though results would link to earlier studies); theory establishes different categories via concepts and relationships between each; theory generation can start as soon as there is data; definitions go through constant comparative method in order to verify their suitability with the data; and theory can be reported as conceptual narrative or as cluster of claims. The main concept “CE driven luxury brand identity” establishes the research area into sub categories (concepts), such as: new and old-luxury and their relationship with main concept, CE driven business models and CE driven consumers as well as their relationship between each and to main concept (e.g. brand positioning), different types of luxury consumer and brand identity analysis tool (Kapferer’s brand identity prism used in this research). Developing interpretable information from such multidimensional package may require systematic procedures, where grounded theory becomes considerable methodology.

Theoretical part’s data derives majorly from analysing arguments made by some of the most prominent authors associated to branding and luxury, as well as institutions’ research papers. The data of the literature includes institutions’ researches, academic journals, magazines and some indexes. In order to facilitate the assessment of the authors and material’s validity, the researcher conducted citation indexing in Google Scholar. Criteria included are article’s as well as, author’s popularity, in addition the relevancy (e.g. how well the abstract linked the subject). The popularity check of the main articles aimed to contain researches, which include minimum 400 citations in Google Scholar. The key words used in searching articles were “luxury fashion brand, brand identity, brand positioning, sustainable development, circular economy”. Throughout the literature review categories were developed for allocating articles to the right subject, argument, time and other factors. This would enable the researcher quickly to locate arguments and information from big data.
Theory is divided into three separate sections. The structure of the thesis is analysed in the Introduction section. Theoretical section 3 differs from other two in that the main purpose is to build tools to conduct brand identity research. There probably is no one perfect way to build a brand. Okonkwo proposes that three issues should be defined first, regarding features that appeal to customers, uniqueness, and what makes brand better choice over others (2007, p. 106). The researcher is therefore interested, which CE driven business concept or model appeals to consumer’s provided that luxury becomes beneficial part within the concept. Deep dive case analysis conducted by Circle Economy (2015), shows that luxury could become beneficial to larger middle-class market, majorly via its better accessibility. Sample consisting middle class consumers is a rather easy to gather in Finland. Consumer research in the Analysis and Conclusion section uses the renting concept as a research tool to explore respondent’s attitudes, perception and behaviour. Literature explains the reasons for this method, which is reviewed in the beginning of the Analysis and Conclusion section. Purpose is to reveal CE driven luxury brand identity’s self-image and reflection mainly (Kapferer’s identity prism), but other dimensions are target of this analysis as well. Ideally, one would find new identity dimensions from several researches, and would be able to reposition fashion brand in the future to CE driven luxury brand. Analysis continues via brand case study aiming to fill other parts of the identity prism model. Other concepts, such as repair and warranty and reuse are utilized to research case brands’ identity dimensions.

Consumer research is conducted via questionnaires. Although questionnaires mix structured and semi-structured questionnaire methods, questionnaire is aimed to be semi-structured. This enables better to analysis of the echo of responses, and establish new ideas and questions for further similar questionnaires. Sampling method is analysed in the beginning of the Analysis and conclusions section. Basic marketing theories are applied in sampling, but the sample could be much larger and better allocated in the future researches. A new rather “extreme” (highly distant from typical linear model) business model will be demonstrated to interviewees, which communicates that in order to drive circular economy, responsibility is also high on consumer’s side. Whether the kind of model would succeed in the real life, this test aims to develop reactions, which can be measured and analysed. Furthermore, interviewees have a chance to provide open comments to the questionnaires. The case brand analysis is open type of case analysis, which combines data from variety of publications, and brands’ home pages. The case brand’s chosen criteria is their popularity, originality, and so that they
would contain at least one CE driven element, which can be reflected via business concept. The Analysis and Conclusion section utilizes knowledge gained from both questionnaire and supporting case analysis. It aims to build repositioned vision brand, which shows how a possible CE driven luxury brand identity dimensions could appear. Successful treatment of multidimensional data could generate new theory on the subject, but also the testable data.

3 Theory

Circular economy, encapsulated is an ideological concept, objective of reduced material consumption and efficient resource utilization. Respectively, luxury fashion is a certain type of perception of fashion, whereas brand identity is object’s core values and vision. These three main concepts of the research are vaguely joined in the existing literature. Therefore the mission of the literature review is to explore factors, which join the concepts, formulating the research question and provide enlightening presentation of the subject. The theory section starts with short analysis of the main literature reviewed. Reader is initiated into the conceptual framework and to locate main authors of literature. To reiterate, the theory is divided into three parts, where first section studies circular economy’s (CE) drivers, politics’, companies’ and consumers’ role and characteristics; second section analyses luxury’s characteristics including consumerism, different stages, new - and old luxury; and third part includes brand building, where emphasis is to highlight main tools and theoretical knowledge of brand identity research. CEs most significant driver is political, that is demonstrated in EUs session documents, which have built initiatives, programs and debate around circular economy. Opportunities driven by CE are macro-economic - since CE can generate new jobs and can bring significant net savings for an economy as a whole - as well as micro-economic, since new concepts can develop new markets. Political drivers are studied majorly from European Commission’s split up session documents and articles. The aim was to line up political drivers in global, European as well as the level it is in Finland. Sitra (the Finnish Innovation Fund) is a CE driven researching institution in Finland, which is a source to many arguments made in the research dealing especially the concept and models within circular economy. Sitra’s, McKinsey and Tekes collaboration research “Kierto- talouden mahdollisuudet Suomelle” (Arponen et al., 2014) grasps well the nation’s CEs value stream dimensions. The report demonstrates CEs main building bricks, which increase and maintain value: 1) efficiency of processes, 2) decrease of utilization of
surplus and 3) circulation’s tightening (2014, p. 5). The main business models were studied in order to understand, where the value derives in a business, and therefore to get better idea how luxury identity could be associated within the concept. Sitra’s commissioned work of Circle Economy’s “Service Based Business Models & Circular Strategies for textiles” (2015) presents comprehensively each business model and opportunities. See the figure 3 below, where the researcher has pursued to illustrate links between CEs building bricks, the business models and luxury brand’s CE driven characteristics (re-usability, durability, recyclability).

Figure 3. Luxury’s suitability to CE markets

CE is positioned into sustainable development (SD), where SD is a larger concept dealing with different questions of environment, society and economy. Researcher believes, that it is imperative to know, how luxury is associated with sustainable development by consumers. Because SD in consumerism becomes a source also to CEs perception, where successful research about perception could highlight different segments, their core values and attitudes, which consequently reveals identity’s self-image and reflection dimensions (see further explanation of Kapferer’s identity prism). The main article to study consumer’s perceptions towards “sustainable luxury” derives from Kapferer’s and Michaut-Denizeau’s work “Is luxury compatible with sustainability? Luxury consumer’s viewpoint.” (2013). Kapferer’s and Michaut-Denizeau’s work is supported by “Sustainability as Part of the Luxury Essence” (Hennigs et al., 2013). Kapferer’s and Michaut Denizeau’s article supports arguments in this research by revealing
ambivalent attitudes as well as perception of the extent of contradiction between luxury and sustainability. A research strengthening the view of consumer’s attitudes, values and meaning of products and person-product relationship in a sustainability driven garment industry is supported by Kirsi Niinimäki’s thesis “From Disposable to Sustainable: the Complex Interplay between Design and Consumption of Textiles and Clothing” (2011). Supporting data, which segments contemporary more or less CE driven consumers derives from the article “Re:thinking consumption: Consumers and future sustainability” conducted by BBMG, GlobeScan and SustainAbility in 2012.

Jean-Nöel Kapferer’s supporting arguments possess a large share in the luxury and brand building sections’ references. Kapferer’s books “The New Strategic Brand Management” and “The Luxury Strategy” accompanied with Kapferer’s articles are some of the distinguished sources that appear in variety brand or luxury related researches. Terms “new luxury” and “masstige” appear often in the research aiming to distinguish them from “old-luxury”, which is argued to include more CE’s characteristics. The main article, which initially distinguished these concepts from each derives from Silverstein’s and Fiske’s “Luxury for the masses” (2003), which is also held as the first article to popularize the term “masstige” (mass prestige) (Truong et al., 2008).

Kapferer’s model brand identity prism is a rather famous tool (see the figure 15 in the page 35), which facilitates decoding the brand identity construct. The prism also inspired to build foundation for brand identity research in this thesis. A lot of identity research during 90s leaned on measuring brand personality construct, to which one of the most known was inspired by David Aaker (1996). Kapferer realized that different brand personality measurement scales created didn’t measure personality, but in fact multiple identity dimensions (argument published on 2003, but the first identity prism model published already in 1992). Another famous brand researcher, Leslie De Chernatony used the prism’s dimensions in another identity model, which was illustrated in an article at 1999. Because CE driven luxury brand is yet to be positioned, the in depth thinking can be initiated by conducting identity research.
3.1 Circular economy

Key terms

Linear economy (LE): Certain type of life cycle is often discussed about, relating to LE. Supply chain of LE typically cuts product’s life cycle after the use phase, and usually materials terminal point is waste.

Circular economy (CE): Pursues wide-ranging resource efficiency thinking, “doing more with less”. Resource efficiency is pursued via CE driven business models, which builds around reusing, reducing and recycling of waste and materials.

Use phase: Consumer’s usage phase in the one end of the garment’s life cycle.

Virgin materials: Virgin materials imply the materials, which are extracted from earth.

Mobile-self: Characteristic often associated to contemporary consumer. Mobile-self makes person’s identity fluid, and searches alternative replicable identities.

Waste in the EU area contains lots of recyclable materials (e.g. textiles, plastic, glass, wood, metal and paper), which are not used in anyway. The recyclable waste alone accounted 288 million tonnes in 2006, which is 10% from all waste generated in the EU area (European Commission, 2010, p. 100). Interestingly, however the CEs measurement tool resource productivity has so far shown that RP grew 20 % in EU area in between 2001 to 2011, creating hope to increase positive economic output (RP = GDP/RMC “defined as the unit of GDP produced with one unit of Raw Material Consumption RMC”, European Commission SWE, 2014). According to one estimate CE could bring net-savings to EU businesses of up to 600 billion, while reducing total annual greenhouse gas emissions. Simultaneously contribution of CE could generate 2 million additional jobs by 2030 (European Commission, 2015). MacKinsey’s report shows that fully capable CE would save about 250 to 470 million euros in EUs countries, which is equivalent for about three per cent of the GDP of EU and equivalent to Finland’s GDP (180 billion euros) (Martela, 2012). Economic growth opportunity to Finland is also significant. Monetary savings are estimated worth of 1.5 to 2.5 million annually by 2030 according to the report of Sitra (Saavalainen, 2014). Two obstacles are
seen for CE, the lack of implementation of creative ideas and recycled material’s costs. Answers to these problems are analysed in Mandatum Life’s article (Satuli, 2016): lack of implementation can be defeated by providing companies with tangible examples from profitable business models, and researching the demand as well as fearless piloting. High-costs problem can be approached via enhancing of operational models, which drive acknowledging CE already in the planning phase; and new business innovations, which arise from challenge of usage of recycled materials. European Commission’s proposed issue under Ecodesign Directive is an example, which supports CE via new requirement in products’ planning phase, which targets products’ better durability, recyclability and reparability (European Commission, 2015).

Drivers of CE are versatile. Considering policy making as a facilitator and inspiration to integrate CE into an economy, brands responsibility to enhance models and products CE driven, and consumer society transforming consumption patterns and behaviour, multiple stakeholders in different economic forces involve driving CE. Challenges to facilitate CE driven market are high partly due to the complicated and global supply chains in garment industry (Niinimäki, 2011). Though powerful forces are in CE, balance is hard to achieve, when there is no one material stream, one life-cycle or one CE and industries have internal contradictions (Satuli, 2016). Policy makers hold keys to drive CE globally. Founded in 1992, UNs Sustainable consumption and production (SCP) is a party, which could drive CE globally. SCP belongs to a highly influencing body, The Division for Sustainable Development, which is one of the largest and prevalent political acts in the world on behalf of sustainable development. Conference on Sustainable Development (Rio+20) on 2012 is considered as one of the largest conferences held in the history of United Nations (DSD, 2015). SCP defines CE as “minimizing the use of natural resources” and therefore generating measures to maintain on already used natural resources in the products’ life cycles. SCP has announced the goals targeted to as far as 2030. The document distinguishing the statements of goals is available at UNs sustainable development website (2015). Social marketing endeavour emerges from the document, which appears as growing need to encouraging companies sustainability reporting and increasing the awareness of people. UNEPs globally spread initiation Education for Sustainable Consumption is an example about social marketing (UNEP, 2015). CE in Europe is primarily driven by European Commission. Commission can generate incentives to industries, focusing market conditions, which doesn’t require a lot of new regulations, and consequently would prevent strong resistance (Sitra, 2015). Sitra, the Finnish Innovation Fund is an apparent entity interest-
ed of CEs opportunities in Finland’s garment industry with the major cooperatives Finatex Ry (a textile and garment industry’s development firm) and Tekes, the Finnish Funding Agency for Technology and Innovation. Sitra’s role is being “future organization”, which analyses global trends and initiates measures which targets transformation in Finland, whereas Tekes’ role is to cooperate with companies, research organizations and public communities to develop companies global growth and regeneration. Sitra has involved for example in the planning of six-point incentive memo with the vice president of European Commission Jyrki Katainen for a larger EU packet due late 2015, aiming new legislations and waste targets, which drive economic growth. The memo includes suggestions from lower taxation (to circular materials) incentives to R&D&I (research, development and innovation) target to facilitate CE business model creativity (e.g. how can industry disconnect from the use of virgin materials) (2015).

CE impacts globally and in macro-economic level. Competition to luxury may arrive from non-luxury brands, once they have adapted into CE via wiser resource utilization (opportunity cost risk). According to Anni Huhtala, the director general of VATT Institute For Economic Research, prices steer markets’ functionality, “When companies have to pay from ruining the nature, markets steer harmful action into more wise utilization of resources” (Satuli, 2016). Naturally, politicians ought to have interest to place incentives into an economy, hoping to speed up economic behaviour’s transformation. Experts say, that emphasis of taxing should be moved away from those materials and work, which recycle (Satuli, 2016). Could CE driven luxury brand gain public investment? Should incentives have an effect, and companies would generate new CE driven business models and / or products to support the change, question remains, how are consumers drawn to the change consumption patterns? Development (of CE) is depended on three factors: surplus can be decreased, clothes need to either returned to the distributor or manufacturer (e.g. second hand markets or remanufacturing), or clothes would outlast the typical fashion product’s life cycle (trough multiple ways, such as maintenance of products). This trio creates business model framework, where functionality of the two last mentioned alternatives are majorly depended on what happens in the use phase, i.e. consumers’ decisions. How can consumers adapt new consumption patterns? Literature emphasizes values, such as companies’ integrity and consumer’s lifestyle directions (green consumerism) and factors, which foster communality. Professor Kate Fletcher from Fashion Centre for Sustainable Fashion, London College, believes that if consumers would be aware of resources and effort on making clothes, they would have more esteem on products and less willing to discard (Hope,
Designer, Outi Pyy supports this argument, believing that transparency of the materials in the end of the lifecycle would facilitate consumers to evaluate to which kind of use the clothes end up (Laita, 2015). Kirsi Niinimäki claims in her thesis, that purchasing decisions are affected by lifestyle values, such as green consumerism (2011). Aspirationals, in a large global consumer research by GlobeScan, BBMG and SustainAbility, say “they would increase sustainable consumption if doing so helped them connect to a community of peers that shares their values” (Bemporad et al., 2012). Two thirds (in GlobScan research), 66% from 6000 respondents across six markets have said that we need to consume a lot less to provide better environment to future generations and feel sense of responsibility to buy products that are beneficial to environment and society, showing positive signs of the attitudes in shopping (p. 6). Niinimäki’s work supports that attitudes towards sustainability are strong: 30 % of consumers would be willing to pay 10 to 14% more from sustainable textiles and clothing (2011).

Early social psychological theorists suggest that connection between individuals’ attitudes and behaviour are determined by the values important to them (Rosenberg, 1960; Rokeach, 1973). Attitudes tell something about values, which represent then sort of guides to more depth understanding about a person’s behaviour. Values influence people’s perceptions of reality and hence behaviour is driven by personal realization and the priority values (Allport, 1961). According to Hackett, values can be “anchored”, which implies that they can derive from two sources: personal concerns and social groups. With regard persons, values are believed to be critical in behavioural decisions, but with regards social groups, behavioural influence from values are weak, inconsistent and context depended (Hackett, 2010, p. 3). Strong corporate culture shares consistent values and behaviour even when, the early creators and senior management passes on (Kapferer and Bastien, 2012; De Chernatony, 1999).

Whilst consumer’s attitudes imply good ethical directions, what kind of barriers there are on the transformation’s way? Literature raises an issue, derived from post-modern consumer’s personality, which might feed fashion’s competitiveness. In the contemporary society consumer’s identity construction contains increasing extent of self-evaluation led by insecurity and social competition. Mobile-self(s) use constant self-evaluation and their values against the frames of social acceptance (Roach and Eicher, 1973; Bauman, 1996), creating constant need to renew of consumers own identity (Niinimäki, 2011). Slater (2002) argues that postmodern identity is a function of consumption. Consumers can purchase many products when they aspire some lifestyle, where
each object would form a list of components to fulfil the needs of some desired lifestyle (McCracken, 1990). The arguments implicate consumers’ need to “consume” more if she/he has to change appearance often. That profile appeals to fashion ideals and which can increase fashion’s competitiveness. However, consumer can “consume”, but can also become merely a “user” of products and services. Some renting or second hand markets can do both, appeal fashion ideals and drive CE. These CE models, which sound like a response to the postmodern consumer’s desires, will be looked shortly.

A new stimulus is needed in order to generate partnerships among different stakeholders, as well as sustainable relationships between consumers, products and brands (Vezzoli, 2007). Designers and producers lack knowledge about consumers’ interest and attitudes towards eco-issues in garment industry (Niinimäki, 2011). Verhulst argues, that human aspects play key role in the change process towards sustainable societies. There is a need for socio-psychological understanding of the consumer society (i.e. the attitudes and behaviour in consumption patterns) in order to determine key factors for eco-design and consequently encourage this value information to the supply side (Verhulst et al. 2007). How companies can respond? Three factors rise from the literature: credibility of brands, products’ performance related factors including eco-aesthetics and business models.

1) Credibility: Firstly, consumer’s need to be credibly reassured the goodness of the change (Bemporad et al., 2012, p. 42.). Multiple researchers emphasize about the importance of credibility of brands in sustainable development (Bemporad et al., 2012; Kepferer and Michaut-Denizeau, 2013; Rishi et al., 2015). Consumers look for genuine efforts and also clear communication on the impact of such efforts (Rishi et al., 2015, p. 387). Aspirationals’ (in GlobeScan report 2013) remote knowledge about sustainability benefits of products and lack of trust on companies (to provide sustainable development benefits), are challenges for further development (Bemporad et al., 2012, p. 42). The research of Kapferer and Michaut-Denizeau (2013) shows signs, that credibility towards luxury among consumers has become fragile, because there is certain perception of luxury. Research explores consumers’ contradicting perception between luxury and sustainability. Two major drivers, superficiality and social unrest, which increased significantly the perception of contradiction between sustainability and luxury. If consumers believed that sustainable development principles weren’t align with “luxury’s true values”, this would increase perception of contradiction. Secondly, if consumers
believed luxury creating social unrest, the perception of contradiction increased (2013, p. 15).

2) Products’ performance related issues: Companies need to conceive, where they emerge business value when adopting of CE scheme of things. When business pursues CE by selling second hand products and/or reproduced products, value is not maintained, if consumers don’t accept such products (Arponen et al., 2014). Designers need to find out which eco-aspects are important to consumers. In Niinimäki’s research, majority (70%) agreed the statement that there should not be aesthetical difference in eco-clothing from other clothing (2011). Performance of the products effect on CE thinking; 82 % of sustainability driven consumer segment “aspirationals”: “would buy more sustainable products, if they performed comparable to and/or better than their usual brand” (Bemporad et al., 2012, p. 43).

3) Business models: Sitra commissioned a large research on research company Circle Economy, creating case studies from 250 globally identified CE driven business concepts (2015). The research highlights different CE driven business concepts via business model framework, provided that they have competitive factors for luxury brands.

Luxury’s suitability needs to be distinguished from those concepts which luxury would not significantly impact by developing CE driven behavioural patterns and value. Furthermore, CE driven luxury works in business models, which contain linking factors to brand identity’s different dimensions, such as relationship and reflection. This is better reasoned in the Analysis and Conclusions section. When circular materials are used in re-production, we are talking about closed loop models. The recycling model is challenging, because the materials such as natural fibre within current innovation boundaries tend not to last recycling processes; and processing textile requires a lot of manual work making it high-costs preserving model. For such reasons many prefer the alternative, where the life cycle of products is extended as far as possible (Aistrich, 2015; Niinimäki, 2011; Laita, 2015). Considering the old-luxury concept’s suitability, where durable high quality craftsmanship products are bought rarely and are kept longer before disposal (Hennigs et al., 2013; Kapferer and Michaut-Denizeau, 2013; Okonkwo, 2007, p. 64). While CE emphasizes circulation of materials and resources, the concept means more. A comment in an article, which says that “value in CE arises via help of services and digitalization from product’s usage instead of owning,” (Satuli, 2016), may imply the emphasis of CE in circulation. However, the research of Circle Economy
shows, that there are business concepts within “servitization” and “sufficiency” models, which drive CE without guarantee that products will be recycled. Examples are “repair and warranty, demand management and co-creation”. The article elaborates CE by defining it as “widely recognized resource thinking” (Saitala, 2016). It is imperative to understand textile industry’s different elements, which drive resource efficiency, such as different business models. The figure below illustrates the business model framework, which was generated in the Circle Economy’s research (2015).

Figure 4. Different CE business models in the three main categories. Circle Economy and Sitra, 2015.

“Closed loop” and “Recycling” models suit well to B2B and B2G markets (for example Dutch Awareness Infinity Workwear, B2B brand endorsing CE), where recovery of materials is cost effective. Possibly, if in the future recycling becomes more cost efficient, price of virgin resources high and policy incentives are in place, closed loop and recycling becomes more interesting (Circle Economy and Sitra, 2015). Furthermore, closed loop models would develop new jobs. Manufacturing skills could be transformed into re-manufacturing skills. Collectors would collect unwanted goods, technicians would repair and customer service personnel would trade finished products (The Guardian, 2015; Wrap, 2015). Co-creation implies “mass-customization” such as 3D printers and interaction with consumer and supplier. For example currently highly popular “do it yourself” business models have become fashionable. NIKEiD offers customers the opportunity to “design” themselves sneakers, what literally means choosing set of colours in an online application. “The co-creation” model’s adaptability to luxury remains as a big question. How designer’s artistic vision fits with consumer’s vision in a prod-
uct? Luxury designers tend to have very clear vision about their products leaving very little of space to consumer to contribute into the output of a product (Okonkwo, 2007). However, the company can limit consumer’s ability to impact versatility via customizing.

Renting and leasing model as well as certain second hand models could mean market development for luxury brands, offering luxury to new customer segments trough new concepts. Textile waste is difficult to reproduce due to supply chain challenges and material constraints. Fashion industry professionals Flippa Ks responsibility leader Elin Larson and Finnish Teksiitili and Muoti Ry speak for the extended life cycle trough extended use phase over the other alternative, circulation (Laita, 2015). Part of Flippa Ks business forms from clever renting business. Consumers get 15 % discount from new garment after they return old ones. Some of the returned clothes are subsequently sold in Flippa Ks Stockholm’s second hand stores. In renting and second hand models luxury could become more accessible (due to variety pricing options), and hence also style could be changed more often, appealing also to fashion needs. Renting and leasing in a large business (excluding traditional costume rental) raises questions about operational efficacy. How can brands arrange reverse logistics and how well consumers take care of the products before returning them? Brand can for example require deposit (like car rental firms freeze certain amount from a credit card to cover the possible damage), and deposit amounts accordingly with different products (Circle Economy and Sitra, 2015). Flippa Ks discount model provides some kind of incentive to consumer in nurturing products and returning them. Vestiaire Collective is another example of clever second hand business. The company appears as intermediary, establishing unique relationship between private sellers and buyers. Lena the Fashion library has integrated renting and leasing model well. For example the brand’s value propositions “Always new clothes in user’s closet” and “User can experiment with endless styles without buying” opens new ideals for consumers, which enables freedom to enjoy variety without compromising footprint ideal. However, does renting and leasing diminish material consumers, who need to own products? 50 % of Lena’s subscribers have claimed stop buying clothes (Circle Economy and Sitra, 2015, p. 44). Developing something like Lena brand can with some adjustments be a break trough. The incentives need to be managed so that members take a good care of products and return them. The location of store(s) and/or the logistics system if the needs to fulfil the needs of enough large market.
In the Demand Management model the brand Stage Label offers two things for luxury sector: a platform for young designers to grow through secure funding system and through interaction with customer mitigating the gap between consumer and designer. Consumers’ feedback shows the great amount of loyalty towards the designer (Circle Economy and Sitra, 2015, p. 55). Repair and Warranty model provides market opportunity to luxury brands, where emotionally attached products are given new life through product maintenance. The level of customer service is important in repair and warranty.

<table>
<thead>
<tr>
<th>Main categories</th>
<th>Servitization</th>
<th>Circular</th>
<th>Sufficiency</th>
<th>Servitization</th>
</tr>
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<tbody>
<tr>
<td>The CE model example</td>
<td>Renting and leasing</td>
<td>Closed loops and recycling models</td>
<td>Demand management</td>
<td>Repair and Warranty</td>
</tr>
<tr>
<td>Linking factors of CE and luxury</td>
<td>Provides affordable luxury to masses without consuming virgin materials. Suits to fashion appeal without compromising luxury or CE ideals</td>
<td>Quality factors, which require special effort on materials and products, as well as operational efficiency could increase the reason to charge premium</td>
<td>Opportunity to develop unique and lasting relationship between brand and consumer</td>
<td>- Durability of luxury develops business via maintenance of products</td>
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<td></td>
<td>Example luxury brand</td>
<td>Example luxury brand</td>
<td>Example luxury brand</td>
<td>- High brand loyalty potential and lifetime extension of a garment</td>
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<td></td>
<td>Flippa K, Lena the Fashion Library</td>
<td>Stella McCartney, Vestiaire Collective</td>
<td>StageLabel</td>
<td>Louis Vuitton</td>
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Table 1. The CE models and luxury brands

This section has shown the possible ways, how different concepts drive development of CE from brand and consumer side, as well as how luxury can refine the models competitiveness and CE. Circular model’s concepts may contain more operational challenges and higher costs than other models for a luxury business, especially in B2C market, which why brands might find circular models uninviting. For B2B markets the model has been more attainable due to the control over partnerships (Circle Economy and Sitra, 2015). Circular model is an opportunity to especially large businesses, which can control over the supply chain for example via vertical integration, and therefore obtain operational advantage over the reverse logistics. Renting and Leasing model works for brands that offer large product mix to fulfil luxury consumers changing needs (e.g. Okonkwo, 2007, p. 67). Lena the Fashion Library for example provides several
brands in their collection focusing on vintage segment. The researcher argues that luxury second hand concepts belong to renting category, because durable and timeless luxury products may go over several users in a well functioning forum(s) (e.g. Vestiaire Collective) more often than in other second hand concepts. Any brand has benefits from Demand Management by emphasis on forecasting the needs of markets. Demand model doesn't need to promote up-cycling, but rather the benefits of mitigation of virgin materials trough overall mitigation of surplus stock. These CE models create a framework for luxury brands' repara\-bility, recyclability and reusability.

3.2 Luxury fashion concept

Key terms

Masstige: The word “masstige” derives from the words of mass and prestige (Silverstein and Fiske, 2003). It is the “new luxury” (see the definition next one below) concept usually resembling a brand, which conquers larger mass market than “old luxury brands”. Masstige tends to be more affordable than “old luxury” items, but is still perceived as luxury.

New- and old luxury: new luxury is usually referred to phenomena, which develops masstige brands (e.g. Silverstein and Fiske, 2002). Old-luxury often in this research refers older luxury brands, which characteristics appear as luxury's typical characteristics, defined by literature. These characteristics, such as premium prices, exclusivity, durability and timeless, are presented early in this section.

Luxury’s value driving characteristics, which are associated to re-usability, repara\-bility and recyclability, could drive CE business models. These models were defined in last section as servitization and circular (Sitra, 2015). When servitization model is applied, products need to be re-usable, because the servitization business models’ products prolong their typical life cycle through several users (renting and second hand concepts). Servitization is a market development opportunity to luxury brands.
Luxury when applied in CE may drive user’s resource efficiency, even if not being recycled. If circular concept is associated to recycle or reuse concepts, one may digress from the topic, forgetting that CE is about resource efficiency, which principles are built around reusing, reducing and recycling. The business model review made in the research of Circle economy (2015) supports the fact that, CE brings value via broader business model framework, than merely recycling of materials and products. Circular business models yet seem to attain their potential on B2B markets (2015), where B2C markets contain risk of cannibalizing their business. Luxury contains multiple factors, which can extend product’s life cycle, lowering volume consumption and consequently waste. For example products, which are connected to personal memories, may increase emotional attachment toward a product. Emotional value has been recognized to be essential characteristic of the perceived utility acquired from luxury products (Vigneron and Johnson 1999; Dubois and Laurent 1994). Meaningful memories and personal history in designs increases the attachment to products (Niinimäki, 2011). Several researchers have agreed that luxury product’s value can increase over time (Lasslop, 2002, p. 342; Kisabaka, 2001, p. 95; Kapferer and Bastien, 2012, p. 23).

In order to define luxury, this section starts by combining luxury’s economic position and characteristics defined by literature. Because luxury is relative concept, definitions require some kind of unanimous perception from group of people. Economics of luxury reveals, that group of people have accepted luxury’s categories, where belong products and services with certain characteristics, such as market value and multiple definitions presented shortly. Scepticism towards luxury’s economic opportunities may be high in the times of economic slow down. Undoubtedly the industry suffers from factors, such as Chinese consumers’ decrease in luxury consumption. Opportunity cost in the middle class consumption may currently be eminently high, including if middle-class consumers don’t accept luxury products over to many cheaper alternatives. This can
be an opportunity to masstige brands. World’s luxury market grows annually around 5-7 %. Bain & Company’s Luxury Goods Worldwide Market Study in 2014 estimated overall luxury goods market to be worth of 850 billion euros and driven primarily by luxury cars (10 %) and hospitality (9 %). Around 70 % of sold luxury products and services come from Europe (Erkko, 2015; the Economist, 2014). Personal luxury has four principal categories: fashion (ready to wear, couture and accessories), perfumes and cosmetics, wines and spirits, watches and jewellery (Jackson, 2004). Personal luxury goods tripled its size within 20 years by 223 billion euros in 2014, but growth slows down majorly due to the sluggish economies, gift giving regulations in China and impacts of the war in Ukraine. Tourists’ spending plays a significant role in growth of the luxury sector. Finland gets lots of tourists with high purchasing power, which is important, because Finland’s proportion from Europe’s luxury sales currently very low (Erkko, 2015). For example Chinese as a largest luxury consumer group spend abroad more than three times what they spend home (D’Arpizio et al., 2014).

Figure 7. Global luxury goods markets. Bain & Company. The Economist, 2014.

Literature in fashion retailing is a fairly new subject in academic literature. Deeper analysis began in the early 1990s in the International Journal of Retail & Distribution Management (Moore and Doyle 2010, Moore and Birtwistle, 2005). Despite the limitations in the literature, the ones, who have pursued to research the subject, have found a lot of similar dynamics on definitions. Old-luxury brands are portrayed to cults, such as Louis Vuitton (Okonkwo, 2007, p. 202) and Jimmy Choo (p.311). Kapferer describes brands, which empower consumers certain way as “cult of luxury brands” (2008, p. 2).
The cult-like phenomena of luxury have roots in ancient upper class Egyptians, time which is attributed to the birth of luxury (Okonkwo, 2007). Okonkwo (2007) and Kapferer (2012) claim that Ancient Egypt was the most prominent early stage attributed to the luxury fashion (2007). According to Kapferer, the price cannot define luxury, because it is not the measure of taste (Kapferer and Bastien, 2012, p. 27). “Luxury is not the opposite of poverty, it is the opposite of vulgarity” (famous quote by Coco Chanel). “Luxury defines beauty; it is art applied to functional items” (Kapferer, 1997, p. 253). The characteristics often associated to luxury, are heritage, distance, charismatic creator (e.g. Nueno and Quelch, 1998; Kapferer, 2012; Chevalier, 2008), aesthetics that comply with the taste of upper class (Kapferer, 2001, p. 322) uniqueness and exclusivity (O’Cass and Frost, 2002, Fionda and Moore, 2008), clear brand identity, emotional bond and history of high performance (Quelch, 1987; Doyle and Moore, 2010; Moore and Birtwistle, 2005; Okonkwo, 2007). Martine Assouline, famous luxury book publisher claims that the success of luxury brands have at least in common, the heritage, right designer and balance of creativity (quality) and marketing (Tungate, 2004, p. 26). Researchers find luxury as the main differentiation factor of a brand in a product category (Allérès, 1991; Kapferer, 1997), but the latent luxury constructs are influenced by personal views of what is perceived as luxury (Vigneron and Johnson, 2004; Kapferer and Bastien, 2012). Luxury is highly subjective and built on consumer perceptions, therefore the definition derives from personal motives (Kapferer, 2012; Vigeron and Johnson, 2004). Manufacturing location distinguishes a luxury brand from premium brand. “A relocated product is a soulless product (it has lost its identity)” (Kapferer and Bastien, 2012, p. 13). Location in terms of manufacturing, distribution channels, marketing communications have to all serve luxury brand strategy (Moore and Birtwistle, 2005; Kapferer and Bastien, 2012). Luxury is often associated to social stratification. Social stratification refers to the theory in which persons who share similar social class or group membership interact with each from the same group rather than with persons from other groups or classes (Prandy, 1999). Metaphor of symbolism about stratification defines what luxury brands mean to hedonist (Kapferer and Bastien, 2012):

“Inherited from ranks and titles of nobility in aristocratic times, today luxury brands are to civilians the equivalent of what medals are for military officers. They are a personal reward, a deep pleasure and a message about where the person stands in the social hierarchy. In China the luxury sector thrives, because nobody wants to be perceived to be at the bottom of the pyramid”
Kapferer’s arguments can imply that exclusivity and distance of luxury brands have a connection to the fact that while historical stratification is disappearing, humans still have some kind of need for social stratification order to escape the “social chaos and imitative disorder” (p. 17). This generates open space to pursue exclusivity. Exclusivity of luxury is an endeavour to be different, totally unique, which is why luxury brands never compare themselves (Kapferer, 2012, p. 67).

Fashion and premium products fit less to CE drivers than luxury, if we believe that the time-dimension a significant driver in CE driven business models. Literature opens these relationship differences. While premium products tend to lose their value over time (premium products’ value proposition is more depended on the price-quality ratio and performance), luxury brand’s value can grow during the product life cycle (Kapferer and Bastien, 2012). Premium brands provide high quality products, but they lack of intangible benefits to the extent, which luxury brands do. The intangible benefits make luxury priceless (see the Kapferer’s triangle below), while majority of fashion goods have lost significant proportion of their value at the end of the fashion season (Okonkwo, 2007; Jackson, 2004; Moore and Birtwistle, 2005; Bruce and Kratz, 2007). Seasonal factor conveys significant difference between luxury and fashion (Kapferer and Bastien, 2012, p. 67; Hines and Bruce, 2007). Fashion provides merely instant satisfaction, which doesn’t favour circularity and durability of products, or value to individual products, which generates volume shopping and consequently increases waste. Traditional fashion brands are depended on trends of changing seasons. Luxury brands create frameworks for fashion trends but their design communities have to respect the heritage of the creator (Nuño and Quelch, 1998). Furthermore, luxury contains more gift related value, than fashion and premium, making it more timeless.

![Triangle with luxury, dream, reality, seduction, fashion, frivolity, seriousness, priceless, gift, quality-price ratio, investment, performance](image)

Figure 8. Distinguishing luxury, fashion and premium. Kapferer and Bastien, 2012.
Literature implies, that the luxury consumer is transforming their values (Kapferer and Michaut-Denizeau, 2013; Hennigs et al., 2015; Bendell and Kleanthous, 2007). As the luxury industry continues to grow and capture wider consumer segments, sustainability issues employ supply side and policy makers increasingly, while consumers' interest towards environmental issues evolve. When in the latter decades personal success was reflected in form of luxury purchases, now the luxury “consumers want the brands they use to reflect their concerns and aspirations for a better world” (Bendell and Kleanthous, 2007, p. 5). Masstige, the disappearance of social stratification and increasing middle-class discretionary buying power are some factors that impact to the transformation of luxury consumer. Disappearance of social stratification relates to luxury’s opportunities to cover larger markets than ever before. This in turn generates masstige brands, which might not solve the problem of high consumption, because many masstige brands pursue fashion ideals. The drivers of the disappearance of the historical social stratification are globalization and online expansion as well as according to Silverstein and Fiske (2003) the improvement of discretionary buying power of middle class.

Luxury industry is a bit of peculiar. The law of supply could inverse the theory, when companies limit quantity supplied (though prices rise) in order to create exclusivity. However, selling high priced garment items, which majorly contain merely intangible value is a risky business, where oversupply is a ravine. Companies have to decrease prices to get closer to the equilibrium with demand. Decreasing such risks, while markets fragment is a natural movement, which develops new luxury categories. Growth of masstige brands drives the debate about the new position of luxury. Luxury products are timeless and classic, whereas fashion products are ephemeral and transient (Hines and Bruce, 2007, p. 137). Masstige products enable to include the concepts of luxury and fashion into the same territory in a consumer’s mind (i.e. modify position of luxury). The new positioning is possible mainly for two reasons: 1) some luxury brands have become fashionable in people’s mind because of their diversification and 2) they also employ high-profile fashion designers to boost the allure (create similar attributes and metaphoric products than) of their products which resemble the products of the times when only minority had afford to buy them (p. 137; Chevalier and Mazzalovo, 2008). “Day trippers” get their glimpse of a luxury (Kapferer, 2008, p. 96). Old luxury brands - which identity is built on exclusivity and rarity - have had difficulties to adapt in changed markets. New luxury comprises of products or services, which prices exceed barely of
traditional goods but are perceived as luxury. Such implies mass marketing opportunities to luxury sector. Ideally the prestigious image gap between new luxury and old luxury is tinier than the price gap between them (Truong et al. 2008). See the figure 9.

Figure 9. Example of a masstige strategy (Truong et al. 2008).

The new luxury concept and masstige originates from Silverstein and Fiskes Harvard Business review: “Luxury for the masses”. There are two major drivers of new luxury. Firstly, luxury goods market have increased, because the raising discretionary buying power of middle market consumers (e.g. raising income levels with different social phases,), developing tastes, the fact that new luxury goods offer similar artisanal touches of traditional luxury goods. Secondly new luxury goods can generate high volumes despite their relatively high prices. What is an example of a masstige brand? Vigneron and Johnson say that Emporio Armani is the more “popular Armani brand”, which though may be ranked lower, but still considered as luxury (2004, p. 487). For example one could view the Diesel brand as masstige; whereas the old-luxury fashion houses, such as Chanel, Dior, Armani and Gucci established ready to wear and jeans brands to offer products for new luxury market. Diesel’s popular product, the denim trousers, male’s collection average price is 191 eur (from 240 different items, source: Diesel's official web-store, 2015), Armani Jeans male’s denim trousers average price is 190 eur (from 25 different items, source: Armani’s official website, 2015); whereas the couture brand Giorgio Armani’s collection’s average would be somewhere closer to 1,400 eur (however, the range is much larger due to the versatility of tickets; from belts to blazers).
Luxury portfolios usually contain the couture brand on top followed by mass consumer targeted brands below (see the Burberry’s example from the figure 10). Couture brand as the most expensive brand are there in order to develop luxury image. Cheaper new luxury products enable the perception at similar or close level to more expensive old luxury products (Truong et al., 2008).

This section has studied luxury’s multidimensional definition framework, which opens characteristic differences between fashion and premium, and consequently explained why luxury could drive better CE than these two areas. The section has also explained the new luxury, new versatility in consumer segments and their relationship to new - and old luxury. Old luxury contains characteristics, which fully speak CE, however, more affordable and large market potential driving new luxury brands can be positioned the way, that their brand could be CE driven, even though fashion characteristics.

3.3 Brand building

Key terms

Brand identity prism: The prism is a six dimensional brand identity model originally developed by Jean-Nöel Kapferer. The dimensions are used as a framework to analyse brands in this research.
Brand positioning: Brands are positioned to a certain territory in consumers’ minds. Identity is the focus of research, however, as position utilizes identity’s dimensions, especially in repositioning, the theory cannot be skipped.

Brand image: Brand perception develops from brand messages, forming the image of a brand. Identity on the other hand is a larger element, which pursues to steer image.

Value proposition: Value proposition is used often to describe what value brand provides to consumer.

Luxury brands’ are not generally known of emphasizing sustainability in their value proposition, excluding few exceptions, such as Stella McCartney and Loro Piana. CE business models are not new, but how well CE ideals in brands are understood or known? Following section aims to generate tools in order to understand marketing communications in terms of brand building. Emphasis is to study theoretical dimensions of brand identity; in addition how they are modified and utilized in order to reposition brand is studied (because CE ideals are about building new type of value in brands). Luxury’s “true values” speak about CE, but most consumers don’t see the sustainability connection with luxury (see e.g. the work of Kapferer and Michaut-Denizeau, 2013). The research is facilitated by building framework to theory via brand identity prism analysis. The prism is utilized as a tool later in the analysis section. This section starts by scrutinizing literature’s definition of a brand and continues to demonstrate identity dimensions. The research doesn’t emphasize refined models (from prism), but the literature built around the prism is analysed.

According to Kapferer, brand is a pervasive element, emerging in economics, culture, sport, and even in religion; it’s a major symbol of our economies and postmodern societies (2012, p.7). Companies use brands to differentiate products and services from those of competitors. What would be there without brands? Without brands there would be commodity markets, which would merely compete with quality, price and availability (De Chernatony and McDonald, 1998, p. 10). Even great quality products are just a composition of materials if they fail to provide means end to customer, i.e. satisfaction to certain needs (like nice ride experience rather than bike).
Companies have two types of assets: tangible and intangible. Tangible assets refer to any physical entities such as buildings and manufacturing plants, whereas intangible assets refer to brands and e.g. company personnel’s capabilities (Rossolatos, 2012, p. 26). Brand equity is the set of intangible assets - which generates added benefits (value) to the businesses (Kapferer, 2008, p. 9). It is presumable, that elaborating intangible measures from brand equity, its assets - which amongst others are brand awareness, beliefs of exclusivity, superiority and emotional bonding (Kapferer, 2012, p. 7) – requires that subjective notions have to be accepted. Added value is a relative concept, which enables customers to make purchase decisions by comparing the superiority over the competing brands. For businesses it is important to identify how clusters of benefits of a products / services effect to increases in sacrifices (money, time, etc.) (De Chernatony, 2006, p. 45). Brands can blend functional and emotional values and benefits, making them powerful entities (De Chernatony, 2006, p. 4; Aaker, 1996, 177).

Brand concept refers in some cases solely to single aspect as logo on intellectual property law. Brand managers talk about whole system relating to the concept of augmented products or services, which are linked/identified by the name or logo making it a symbol (Kapferer, 2008, p. 12). Understanding of brand identity requires a deep dive below brand’s visible surface. Famous iceberg model distinguishes brand into two dimensions, visible and invisible elements. The visible part includes logo and name; i.e. any kind of graphical sign forming the trademark, the brand (De Cernatony, 2006, p. 11), whereas the invisible part includes brand’s values and culture. The visible part of the iceberg also includes signs associated to the brand in time, such as particular branded characters, actors, cartoons, colours/typefaces and a unique ways of arranging the elements (Rossaratos, 2012, p. 27).

![Figure 11. The branding iceberg (after Davidson 1997). De Chernatony, 2006.](image-url)
De Chernatory reasons the metaphor of pulling the invisible elements below the water aiming to explain that holistic nature of successful brands are not limited to marketing tools, such as the visible symbols, name etc., but implicit in the visible components are backed up by the invisible systems, such as co-ordination and planning of the important internal factors: e.g. committed staff, respected R&D department, enhanced logistics etc. (2006, p. 12).

Brand identity contains linking factors to two other concepts: brand positioning and brand essence, both driven by identity. *Brand positioning* usually follows, after the identity is clear to managers. “Positioning a brand means emphasizing the distinctive characteristics that make it different from its competitors and appealing to the public” (Kapferer, 2008, p. 175). Brand’s characteristics are strategically mapped against competitors (Okonkwo, 2007), and the aim of positioning is to place the brand image in the unique territory in consumers mind. However, when there is demand for certain qualities, many firms try to position their brands to those segments with similar positions. Brands would then need to find ways to set itself apart. Each firm must then to create unique set of benefits that appeal substantial clusters within the segment (Kotler and Armstrong, 2012, p. 232). Positioning can focus on brand identity’s several dimensions, and in short term highlight those, which fit to the vision and feed competition. Short case study in the Aaker’s book show’s real life example (1996, p. 178):

Saturn for example positioned itself during the first year as a world-class car. In subsequent years the positioning focused on a different subset of the brand identity: the customer relationship based on friendship and respect. The identity or value proposition did not change – just the focus of the position, and thus the communications program.

Thus according to Aaker, brand position can change without changing its identity by focusing on the appropriate dimension, and build communication strategies accordingly (Aaker, 1996, p. 178). For dynamic markets and extension of product categories, companies need more values or adaptable ones to adjust their positioning (Mazzalovo, 2008, p. 136). Aaker in the example (see the figure 12) shows gap between brand - identity and image. Positioning the brand should focus on better communication to target market, since the brand’s identity (goal) and image (user’s) differ from each.
Minimum before positioning brand would define target market, market segment and certain key product and brand attributes and benefits (Kapferer, 2011). Kapferer and Aaker both agree that before positioning a brand, the following questions should be asked: against whom the brand competes, who is the target audience and what benefits could they gain. The difference between identity and positioning can be quoted from Kapferer’s summary (2008, p. 171):

Modern competition calls for two essential tools of brand management: ‘brand identity’, specifying the facets of brands’ uniqueness and value, and ‘brand positioning’, the main difference creating preference in a specific market at a specific time for its products.

*Brand essence* is typical phrase for companies and advertising agencies to summarize brand’s identity and positioning (Kapferer, 2008, p. 197). The brands essence can be helpful to quickly answer the brand’s value proposition. See the Jack Daniels example in the figure below.

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**Figure 12.** Assessing the brand identity against the brand image. Aaker, 1996, p. 180.

**Figure 13.** Example of brand platform: Jack Daniel’s. Kapferer, 2008, p. 199.
Brand identity is the vision and core values, the unique set of brand associations, which creates a brand promise and drives loyalty (Kapferer, 2008, p. 171; Aaker, 1996, p. 68). Kapferer recognizes that the importance of managing identity in contemporary society derives from the several challenges companies face: communication is saturated which increase “noise”; bandwagon effect of marketing which challenges differentiation. Brand identity sends a single message amid wide variety of products and services; strongly individual and durable brand identities keep customers’ perception focused on one brand rather than several (Kapferer, 2008, pp. 172-173). Sometimes brand image and identity is confused with each. There is clear difference (De Chernatony, 1999, p. 165):

Identity is about ethos, aims and values that present a sense of individuality differentiating the brand, i.e. firm centred, while image is a holistic impression of the relative position of a brand among its perceived competitors, i.e. customer centred (van Riel and Balmer, 1997; Poiesz, 1989).

Brand identity is on the sender’s side (Kapferer, 2008); what the company wants the brand to stand for (Aaker and Joachimsthaler, 2000). Brand image is on the receiver’s side; how customers decode the signals from various brand messages (Kapferer, 2008). Companies pursue to shrink the gap between the image and identity (De Chernatony, 1999) or adjust positioning to the parts of identity which best respond the market needs (Aaker, 1996). If the gap between identity and image is too large, consumers tend to lose their interest and fail to decode messages (Laforet 2010, p. 123; De Chernatony 1999). The figure below illustrates the levels in between the brand managers and consumers. Challenge is to maintain such brand image, where consumers don’t doubt brand’s pervasive essence even when the company’s product mix spreads. Because consumers perceive brand from pyramid’s bottom to up, whereas companies manage the brand from top to bottom; consumer’s start from the tangible and real elements (Kapferer, 2012, p. 34).
Brand identity dimensions theory raises from literature in versatile demonstrations. According to Kapferer, the identity dimensions imply two elements, 1) coherent vision and 2) continuity. 1) Brands need to follow coherent vision because different stakeholder groups need to understand the messages sent through wide variety of products or services (Kapferer, 2008). Coherency development have raised a topic of “corporate branding”, which focuses culture management and employee involvement in identity enhancing (De Cherna tony, 1999, p. 159). Brands ought not be dealt as individual passive objects, but rather complex entities formed from different people and sub-cultures obtaining variety of values of their own. In the long run company’s initial philosophy about core values of creators and the implementation have changed while companies have grown in number of employees (1999, p. 160). 2). Continuity: Kapferer questions how time will affect the unique and permanent quality of the brand. Identity crisis is often the stage of a person, where he/she questions the identity and can become mobile if identity is too weak. People are the centre of constant self-evaluation, which may result in form of mobility, leaps in loyalty from brand to another (Niinimäki, 2011).

Another demonstration by De Chernatony and McDonald defines the dimensions as the components, which consumers evaluate in the brand selection process. The selection-criteria are seen, as the need to fulfill the mix of emotional and functional needs (De Chernatony, 2006; Aaker 1996; Bhat and Reddy, 1998).

Consumers rationalize their options (functional needs) but also have stored emotional needs when choosing the brands. Why would anybody buy Perrier’s bottled spring-
water, when there are available many cheaper labels with exact same function? The answer is what Perrier stands for, its position in consumer’s mind as a designer label, “which enables consumers to express something about their upwardly mobile lifestyles” (De Chernatony and McDonald, 1998 p. 371). Consumers attach their personal values to the brands (De Chernatony and McDonald, 1998, p. 118). Companies can then match brand personality with consumer’s self to increase attachment. Hence the right brand personality match with consumer’s ideal or actual self – and can generate brand loyalty (Malär et al., 2011). Because functional values are harder to sustain, much branding activity has focused on building emotional values (De Chernatony, 1999; Goodyear, 1996; Malär et al., 2011).

Kapferer’s brand identity prism provides a profound analysis of brands’ identities by elaborating brand into six facets: physique, personality, culture, self-image, reflection and relationship. It’s a rich construct to understand brands more than merely focus on positioning and therefore works as a powerful tool to understand the differences between brands (De Chernatony, 1999, pp. 165-168).

![Brand identity prism. Kapferer, 2011.](image)

The identity prism takes into account of message senders (picture of sender, e.g. corporation) and the receivers (picture of receiver, e.g. consumer). “Picture of a sender” illustrates sender’s representation of the brand. “Picture of recipient” as the message receiver decodes the representations by reflecting the brand image to their realization of the brand and the society’s codes (see the semiotics’ definition below). Kapferer
argues, that the modern communications theory reminds us, that when people communicate, they create representations of themselves. Comparatively brands speak about products and customers perceive brands as sources of products (Kapferer, 2008, p. 199). As such brand identity prism can be used as a tool to analyse brands’ core messages, which are driven between brand and consumer. Each facet of brand identity can be analysed via semiotics, i.e. disassemble their profound import (Kapferer, 2008). Semiotics is a science of sings that study “the life of signs”, what constitutes signs and what the laws govern them (Saussure, 1915). Berger claims, that semiotics appears in our everyday life. It makes us to read and interpret the meaning behind a variety of signs, but it also teaches us that these meanings are based on society and its codes (Kapferer, 2013, p. 26). According to Kapferer, researchers can “analyse the sending process by trying to discover the original plan underlying the brand’s objectives, products and symbols” (Kapferer, 2008, p. 189). By “the plan” Kapferer implies the fact that while brands are a plan, vision and a project, plan is hardly ever written down, which is why researchers are bend to explore “the marks left by the brand, i.e. the products it has chosen to endorse and the symbols by which it is represented” (2008, p. 189).

Among several researchers, personality facet is held, as one of the main components of brand identity (e.g. Aaker, 19996; Kapferer, 2008; Okonkwo, 2007). Brand personality facet is the way brand communicates if it were a human (Kapferer, 2008, p. 183). By assigning brand personality companies pursue to create human traits to a brand. Similarly as positioning gives a quick picture what brand can do to them, personality reduces information decoding by recognizing brand’s values through personality metaphor (De Chernatony, 1999, Aaker, 1996). King claims that people choose brands as they choose their friends (King, 1970). Communicating human characteristics from a brand has been pursued through celebrity endorsements, which have been proved to be effective way of communicate personality characteristics of the brand (Okonkwo, 2007). Advertisers and marketing practitioners were the first ones to coin the brand personality before the academic community accepted the concept (Kapferer, 2003, p. 144).

Physique facet can be set of salient objective features, which creates immediate associations about the brand, such as Coke’s dark colour; or it can be emerging set of objective features (Kapferer, 2008, p. 182). For example Coke’s dark colour is attributed to the “mystique” of the brand’s identity (2008, p. 183). Physique can be associated to concrete elements of the brand; such as logo and colours; or it can relate to a function
of a brand. For example blue jeans symbolize informality and youth (De Chernatony and McDonald, 1998, p. 116). De Chernatony argues that Kapferer’s “physique” and “personality” resembles positioning, which gives cues to stakeholders about brands performance characteristics and distinct capabilities (1999, p. 168).

Brand’s cultural import can relate to the brand’s country of origin (Kapferer, 2008, p. 185); e.g. Apple and California; Coca-Cola, Nike, Levi’s and America; Mitsubishi, Toyota and Japan; Chanel, Hermes and Paris. Locations represent certain unique cultural drivers. Calvin Klein’s minimalism was one of the counter acts towards the many French conspicuous haute couture brands. Another school looks culture in terms of organizational values (Rossolatos, 2010, p. 31). Brand’s inspirations is fed by the culture, i.e. the set of brand’s core values (Kapferer, 2008, p. 184), culture remains the facet which links “customers values” <-> “brand’s values” <-> “firm’s values”. Managers need to be attentive with corporate culture, when values are heterogeneous and/or when inappropriate culture drives unintended messages (De Chernatony, 1999).

Self-image is the customer’s outward reflection of the brand the way he/she feels about themselves. For example Lacoste’s customers picture themselves as the members of sport club. The self–image is also important in social context. Having two members using it and discussing it reflects like they were both part of it (Kapferer, 2008, p. 186).

Reflection is about how one perceives a brand’s typical users. Consumers use brands to build their identity. Reflection can resemble consumer’s goals. For example one would like to look younger, she/he would look for brands that symbolize those attributes usually characterize youth; young spirit, energizing etc. According to Kapferer, many managers pursue to communicate consumer’s true-self ignoring the fact that they don’t want to be portrayed as such (2008, p. 186). Exclusivity factor of luxury conflicts with masstige and some CE models because of the larger stratum of customers they contain. On the other hand, brands can use exclusivity in their reflection dimension, because consumers’ goals can be reflected above of their present social status, hence luxury’s reflection could be an opportunity for example to masstige brands.

Brands and consumers have a certain relationship, which brands can pursue to develop. For example, some luxury fashion brands symbolize self-esteem, which reminds a situation where a friend (the brand) trying to speak over to a friend (consumer) who is in a need to lift hers/his confidence. Dior’s grandiose and ostentatiousness symbolize
desire to shine like a gold (Kapferer, 2008, p. 185). Relationship develops after several interactions between brand and consumer. It is driven by brand personality (De Chernatony, 1999, p. 169). De Chernatony claims, that “symbolic meaning is strongly influenced by the people with whom the consumer interacts” (1998, p. 116). “Brands are valued for their symbolic meanings, helping consumers understand and express aspects of their self to others” (McCracken, 1993). Relationship dimension is highly driven by CE models, because the major difference in the models compared to typical linear models are their services emphasis. Furthermore, according to De Chernatony relationship is more dynamic facet than the construct, which believes in such customer-brand relationship, where brand would be passive object (1999). De Chernatony’s argues, that managers need to train the staff to recognize from the company’s core values in order to build appropriate relationships between other employees, stakeholders as well as customers.

Brand building section has gathered literature around identity construct. In addition, linking factors, positioning, brand essence and brand image were defined. Literature implies that brand identity establishes trough the message signaller. However, as identity dimensions’ construct includes self-image, reflection and relationship, the message receivers may develop large impact in the long run, on what the brand identity turns out to be. Next section pursues to utilize the theory and identity prism as tools to analyse the dimensions of CE driven luxury vision brand.

4 Analysis and Conclusion

Analysis was carried out via combination of consumer research and brand case study as well as implications from these. The goal was to study and test tangible methods, which study on the question of “how CE driven luxury brand identity is generated?” Literature explains, that brand’s core values and vision form an identity. Consumers reflect their values trough brands, which develops a buying behaviour. For example, aspirationals would readily buy sustainable products, should they draw together community of peers, who share similar values (Bemporad et al., 2012). Since the researcher believes, that consumers contain ambivalent values, which they cannot explicitly state, attitudes and perception towards luxury fashion concept and case CE model is researched rather than asking consumer’s directly without insinuating about their values in the form of questionnaire. Literature provides support to the method, which anal-
yses values through attitudes and behaviour. Several researchers argue, that attitudes, behaviour and values are interrelated factors (Rosenberg, 1960; Allport, 1961; Rokeach, 1973; Niinimäki, 2011), knowing attitudes and perception could enlighten consumers’ latent values, which could open gaps in relationship between the pursued brand identity and image. Renting and leasing model was chosen as the study case, since the model in fashion industry is relatively new and unknown to many, as well as the model provides advantages (or disadvantages) in different dimensions. Therefore thinking about the model could filter out comments resulted by irrelevant bias towards “green” concepts. Brand case study includes four different case brands. First case luxury brand Vestiaire Collective’s business model is a re-sale model, but as the business concept is services, three other luxury brands are analysed, aiming to provide similarities of which dimensions of these brands could drive CE.

Questionnaire’s research sample was gathered from 41 respondents from Finland’s different locations, using mainly southern Finland as the location. Although exiguous the sample may be, it is meant to test methods, and provide presentation on the dimensions of the subject. Furthermore, semi-structured questionnaire allows commentary enabling qualitative data to the analysis. Majority were Finns and approximately 3/20 were foreigners living in Finland.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Working</th>
<th>Working and studying</th>
<th>Studying</th>
<th>Unemployed</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number and (fraction)</td>
<td>23 (3/5)</td>
<td>10 (1/4)</td>
<td>3 (1/10)</td>
<td>3 (1/10)</td>
<td>2 (1/20)</td>
</tr>
<tr>
<td>Number and (fraction)</td>
<td>3 (1/10)</td>
<td>1 (1/50)</td>
<td>9 (1/4)</td>
<td>24 (3/5)</td>
<td>3 (1/10)</td>
</tr>
</tbody>
</table>

(x) = fraction of the sample

Table 2. The demographic profile of the sample
It should be appropriate to gather sample from large social stratum for the research. However, the thesis doesn’t provide distribution from the stratum (other than that can be implied from occupational status) and emphasis is to explore middle class consumers’ perceptions. Finding of valid average middle class income from people, who earn income from Finland, are relatively reliable source even without knowing the sample’s range (statistics data set) of income, because of the Finland’s economic equality position. Finnish income differential is way below average of Europe; 8th less differential from total of 32 countries (Official statistics of Finland OSF, 2015). Furthermore, average Finnish household earns disposable income (income after taxes) 27 927 USD annually, which makes Finland on 12th most earning in the corresponding list of OECD (Organization For Economic Co-operation and Development [OECD], 2015). Consequently, most Finns have relatively good terms to become “personal luxury goods” customers.

Earlier in this study the researcher dealt sustainability driven segment aspirationals founded in a large global research (see the page 15 to 17). Major number of aspirationals showed their concern on society’s consumption manners and responded to be willing to buy sustainability driven clothes, provided that the performance wouldn’t decrease. Inspired by the aspirationals’ values, the researcher wanted to test, how well the sample would respond by connecting sustainability and clothing purchases. Majority around 9/10 finds sustainability issues significant, while the average sensitivity level doesn’t correlate with this number (3/5 of “how important consumer finds sustainability in their garment purchases”). Researcher was also interested, whether there would be
distribution in between “community and “environment” concepts, but as the results show no difference, the only implication could be made from the minor number (1/5), which might tell the lack of true interest in “green consumerism”.

<table>
<thead>
<tr>
<th>Respondent finds ... significant while making clothing purchases.</th>
<th>environment</th>
<th>community</th>
<th>overall sustainability</th>
<th>Sustainability average sensitivity level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>1/5</td>
<td>1/5</td>
<td>9/10</td>
<td>3/5</td>
</tr>
</tbody>
</table>

Table 3. Sensitivity towards sustainability in garment consumption

Next phase’s aim was to explore luxury’s essence in respondent’s mind by letting to choose from different academic definitions, what luxury represents to them. The idea was to separate two segments, that is or isn’t typical luxury consumer, because knowing the segments would facilitate cross case analysis. After conducting cross case analysis by demonstrating the CE driven luxury concept as renting and leasing, findings generated three segments developing interesting results: A’s are called those to who are less interested about luxury, and two other segments which highlights C, to whom the concept of luxury may contain most magnetic character and B who might not be luxury driven, but are potential renting concept’s customers, because they see significant personal gains within the concept. Whilst A’s perception towards luxury was majorly indulgence and premium prices, or solely premium prices, implication could be that the person might find luxury uninviting, especially if the definitions come with negative echo in consumer’s perception (this should be asked in the future researches). Furthermore, some respondents stated their un-interest (to luxury fashion) clearly in comments space and hence were segmented in A’s. 1/2 of As’ believe renting model’s personal logistical obstacles inconvenient (returning and reclaiming clothes regularly) and 1/2 finds “saving money and no need to own clothes” as an advantage. Only 1/5 doubt about clothes endurance and 1/10 finds advantage in the fact that luxury or person’s favourite clothes become affordable via renting concept. This information emphasizes segment’s interested on efficient services, practicality and smaller prices, rather than need to own or rent luxury clothes, because luxury’s benefits are ignored in the responses. It may be rather difficult to draw CE driven behaviour via “luxury incentive” to the segment A. On the other hand, if A’s understands the “green” message, derived from the case concept, question rises, whether they would be driven by clever communicational emphasis? 3/10 of As find renting luxury as ethical, contributing to the envi-
ronment, which may imply that minority finds CE potential in the message. The future’s researcher needs to reassure that the interviewees understand the concept of CE driven luxury. Segment C also emphasize practicality and services, but they are also inclined more to acknowledge possibility personal gains within the model. While under 1/10 of the segment B stated doubting endurance, 7/10 sees the advantage in “saving money and no need to own clothes”. No one of Bs see the advantage in that the luxury becomes affordable through renting, diminishing the luxury’s magnetism. Those who answered for the “advantage of luxury becoming affordable” is generated the C segment, which strikes as most hedonist luxury driven segment. As’ however, who selected the advantage are deleted from the segment. No one of Cs’ see the advantage in renting model’s “saving money and not needing to own clothes”, which is paradoxical to the 100% of “luxury’s affordability advantage”. However, hedonist consumer might be more materialistic, wanting to own clothes eventually, which would explain the 0%.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Number of respondents</th>
<th>“Personal logistical” disadvantage in renting luxury concept</th>
<th>Saving money and no need to own clothes as an advantage</th>
<th>Doubts about endurance of materials afar several uses</th>
<th>Finds renting luxury ethical, contributing to environment</th>
<th>Finds an advantage as luxury becomes more affordable</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>14</td>
<td>1/2</td>
<td>1/2</td>
<td>1/5</td>
<td>3/10</td>
<td>1/10</td>
</tr>
<tr>
<td>B</td>
<td>16</td>
<td>3/10</td>
<td>7/10</td>
<td>Under 1/10</td>
<td>1/5</td>
<td>0</td>
</tr>
<tr>
<td>C</td>
<td>11</td>
<td>1/2</td>
<td>0</td>
<td>1/5</td>
<td>1/5</td>
<td>100%</td>
</tr>
<tr>
<td>Average</td>
<td>9/20</td>
<td>7/20</td>
<td>3/20</td>
<td>1/5</td>
<td>2/5</td>
<td></td>
</tr>
</tbody>
</table>

Table 4. The different segments of CE driven luxury brand’s consumers

B’s relationship to the concept emphasizes the fact, that consumer’s may be driven via concept’s personal advantage in simply renting. A and B are not driven by luxury. C is highly luxury driven. If C is reflected via CE driven luxury brand, they remind hedonist consumers, who want luxury, but are driven either cheap prices or high-volume fashion consuming opportunity. They may be driven still fashion ideals, as the characteristics imply, do not majorly see the CE contribution advantage in the renting concept. The brands, which aspire this concept, may emphasize “green” values, should they target As. They may emphasize fashion opportunities to Bs and luxury fashion to C. However, the “ownership of clothes” factor may be contradiction with Cs’ wants.

The research continued with perception modelling luxury. “Infinite” and “distance” are unpopular definitions implying that either the majority aren’t typical luxury consumers,
or the meaning of these terms was not understood the way they are emphasized by luxury researchers. The most popular term, “exclusivity” is a factor, which might prevent renting and resale models to maintain luxury image, when large stratum can access luxury.

![Bar chart of luxury perception](image)

**Figure 17. Perception of luxury**

Reactions and interest towards renting and leasing model “the Netflix of clothes” was tested via short introduction using Lena the Fashion Library as an example. The model was explained with condition that consumer’s favourite clothes would be available always neat and clean and in close proximity (proximity was mentioned as a challenge of Lena in Sitra’s research, 2015). General interest was relatively high, average 3/5. The respondents that gave 5 (i.e. most interested about the model) or 4 (Find it very interesting to test) like the idea of maintaining fashion element of seasonal changes, and understand the benefit of accessing luxury with affordable price:

“I get bored of the clothes I usually buy quickly so renting new and interesting clothes would be great, I don't mind the idea that I wouldn't own the clothes. I'd live to test new looks. Saving money” (5)

"If u want to use some clothes for a one night but don't want to buy it” (4)

"One usually wants a change after a while, so renting makes sense” (5)

“Why not to have Netflix of clothes?” (4)
Figure 18. Advantages of renting and leasing

Researcher also wanted to know if there was relationship between interest towards sustainability issues in garment purchases and interest towards renting model. As the figure below illustrates, the difference of interest towards renting and leasing had steeper differences, implying that it generates more difference in opinions. Correlation is also evident from the curve, which tells that same people are interested/uninterested to both issues simultaneously.

Figure 19. Relationship between two issues

The figure below illustrates the doubts towards certain disadvantages. The five different (+ other) doubts were chosen as the examples. Companies pursuing renting and leasing would have to pay attention to hygiene and convenience factors.
Standard deviation of attracted and non-attracted (about renting and leasing clothes) respondents, who selected hygiene (1,09), inconvenience (1,06) or both (1,06) as a factor, which raises doubts, was relatively high. This implies that the cluster is versatile, in other words, different persons obtain doubts, no matter how interested they are about the model. Where hygiene or inconvenience raise doubts among consumers, it is interesting whether brands could raise attractiveness by answering to consumers’ doubts through re-modelling their business and / or re-position their brand? Hygiene is a factor, which can be brand’s a) physique, e.g. when we talk about “clean” products. Depending on the meaning and the usage of the concept, if cleanliness means purity, concept can even be part of culture dimension, as in the Finlandia Vodka’s identity example, where Finland is described as “a cold, austere unspoilt, remote land”, (Kapferer, 2012, p. 196). This is important when building brand for international markets. Undoubtedly, one ought to utilize semiotic analysis in order to define the meaning of hygiene or convenience in such sense, that they can be broken down into meaningful interpretable marketing communications; i.e. find brand’s semiotic invariants (Kapferer, 2012, p. 34), the modality.

Versatility of the reactions (of the sample people) towards CE concept may imply the models’ rather extreme image. If image is extreme, question arises, whether it would be beneficial for CE driven brand to pursue soften image? Softening, on the other hand may be risky, if brand message is not coherent. Many respondents said they have nev-
er heard about renting model, which makes them hard to construct a perception based on the information, which derives solely from this questionnaire.

The consumer research has shown, that practicality and good services are an imperative aspect regardless of the differences of segments. Only few understand the environmental contribution of the renting luxury, while most see personal gains in the concept of renting luxury. The relationship dimension’s depth is also evident in the case brand study. Four small cases were studied. Vestiaire Collective is a luxury brand, which makes business trough services within the luxury industry. Other three brands LVMH, Prada and Stella McCartney are luxury brands, which each contribute to CE and green consumerism. Where Stella McCartney’s essence is in sustainable development and green values, LVMH and Prada are older luxury brands, which are now concerning different sustainable development dimensions. CE driven services and their products value are some factors, which have repositioned the brands.

Vestiaire Collective is a contemporary luxury fashion service brand. Luxury clothes get new life trough clever second hand business model, where Vestiaire operates as a dealer. Vestaire brings together sellers and buyers generating unique consumer marketplace for recycling prestige items. The relationship dimension of the brand contains several dimensions within, because Vestiaire is the middle-man in between the buyer and seller. Vestiaire is an archetype of a contemporary CE driven luxury brand, which does not manufacture clothes, but foster services, which drive to maintain luxury items in closed loops. Services are luxury driven. For example, risk of frauds to pass to the platform is decreased, since every sold every item is physically checked by the Vestiaire customer service staff. Furthermore, the type of brands ending up to sale goes trough careful filtering system. Personality dimension reminds values of “helpfulness” and “responsibility”. The selling phase is made highly simple, by providing seller simple well reasoned steps, and updates in the supply chain are followed with seller. Responsibility is established, because the brand markets its business model’s high-level quality assurance, as shown in the brand’s Youtube presentation (Vestiaire Collective, 2014). Culture is international and driven by young spirit. Vestiaire Collective was launched in 2009 by 6 co-founders. Co-founder Fanny Moizant is French born (Johnson, 2015). According to Kapferer, the culture research of a brand can start from country of origin (2011), but it remains questionable, whether new young brand such as Vestiaire, which is quickly developed into today’s global re-sale market (co-founded in 5 years according to Moizant: Johnson, 2015), have strong roots in a single place?
Offices are located in high fashion cities, Paris, New York, London, Berlin and soon in Milan and Madrid (Vestiaire Collective, 2016). Reflection and self-image may require consumer research, which is limited out of this research. However, as the brand conquers larger market share (in people) or different customers (i.e. social stratum can be either larger or contain different market), than in typical old-luxury market, question rises, whether Vestiaire can draw “hedonist” luxury driven consumers (the term “hedonist” defined as “those who love luxury and like to show it off” in the article of The Economist, 2014), if items become available to larger social stratum, than they would in typical old-luxury market. Finally the physique of the brand, its backbone, could be encapsulated quoting Moizant “On a daily basis we focus on converting more consumers to the concept of trusted pre-owned fashion” (Johnson, 2015). As the definition of “trusted pre-owned fashion” is salient objective features combination of the brand, it becomes the physique of the brand (see the argument on the page 36: “Physique facet can be set of salient objective features, which creates immediate associations about the brand”). This case study brings brand identity prism as in the figure below.

Prada is a good example of luxury’s pursuit to be recyclable and responsible to the environment. Prada implements cradle-to-cradle (C2C) philosophies throughout their products. For example, for their back bags "Prada replaced the use of nylon with eco-intelligent polyester and leather from salmon skin, a by-product of the fishing industry. In place of fabric designed with polyester, Prada uses a variety of biodegradable natural fibres and C2C synthetic fabrics" (Innovation Seeds, 2015). Furthermore, Prada created eco-friendly shopping bag, which contains 40% of recycled paper (Prada's CSR report, 2014). Most recycling models, as the theory section have shown, is a major challenge due to the need of large funds enabling the complex process. Prada has a favourable ground for generating C2C and recyclable products, thanks to their integrated value chain and the assets that enables such measures. C2C philosophy appears in the brand’s cultural dimension, as Prada’s employees are made aware of reducing and recycling waste on a daily basis (2014). Same philosophy applies in Louis Vuitton, which employees are trained to sort waste (Louis Vuitton, 2015). Prada’s code of ethics guide their daily practises on sustainability. Even brand’s official website’s front page includes link to “corporate social responsibility” (Prada, 2015).

Louis Vuitton is an example of a brand, which speaks durability and reusability of a luxury brand. The brand designs products, which defy time. The high quality craftsmanship-products are nurtured and draw the after sales market making Louis Vuitton
products extremely durable in consumers’ use phase. Over 50% of Louis Vuitton’s after sales annually are performed at Louis Vuitton’s repair workshops, while rest are performed in store and with local partners (LVMH, 2014, p. 40). This is an opportunity to the brand to take responsibility in the phase, which is typically the end of life cycle of a fashion product. Whilst LVMH has pursued environmental strategies impacting largely on the Louis Vuitton products, the Louis Vuitton brand fights against counterfeits and its strategic input to “decommoditization” has raised difficulty for competitors to imitate or to propose same value to their competing products (Riot et al., 2013). The products, which are exclusive, unique and everlasting in style, materials and craftsmanship are tradable to give new life from user after user. Managing supply chain is integral part of maintaining luxury’s uniqueness and to communicate product’s origins (2013). LVMH pursues ambitious life cycle development in all phases of supply chain to contribute overall environmental friendliness of their products (see the figure 21).

Figure 21. LVMHs versatile steps in the supply chain. LVMHs environmental report, 2014

Louis Vuitton uses rare raw materials, such as exotic skins, which raises controversial debate about ethical decisions of LVMH among consumer community (Kapferer and Michaut-Denizeau, 2013). Justification of the use of rare and exceptional raw materials (leather, gold etc.) is explained as opportunity to generate long lasting products, which are passed from generations to generations. This capital (high quality products and expertise) is their business success lifeline (LVMH, 2014).
There are not many luxury fashion brands, which are instantly associated to sustainable development to the extent which Stella McCartney is. Stella McCartney brand questions perception of luxury as the Beatles questioned music, which is why the brand can drive transformational consumer behaviour and draw consumers’ interest towards sustainable issues. "Stella McCartney is a lifestyle brand", said Stella in 2008, while the brand was launching campaign in Millenial Media, a large mobile advertising, “This initiative enables Stella McCartney to target, with a new approach, fashion consumers in the U.S., while also being true to the brand's efforts in environmental responsibility since the campaign is digital and avoids any wastage” (Business Wire, 2008). In 2003 Stella McCartney launched the brand’s first perfume, which is markets re-usability: “It is designed so that you can keep the bottle the bottle after you’ve finished with the perfume. I wanted the perfume coffret to be like a jewellery box” (Design Week, 2003). Going through Stella’s product mix, every little piece is marketed and associates to sustainable development. Stella’s vintage style fits well to reusable and durable products. The website gives detailed examples of the material sources and how they impact to environment and our society. The brand markets itself as a “vegetarian company” implying 100% of leather free. Leather as McCartney says, should not be used for the sake of fashion due to both ethical and environmentally friendly stand; as leather production is both environmentally harmful and ethically controversial. Although no leather is used, the company diligently says to be PVC free and work hard to prevent all toxic materials in their products. As such the company claims that 70% of their products are hand made, making the costs rise to skies. Such products are well recyclable and reusable. However, the costs are not marked up to consumers. Furthermore importance to recycling and what recycling processes such as recycling materials and cradle to cradle system, the brand contributes is also emphasized in the brand's website. Brand market's its values as responsible, honest and modern. The website proclaims, “we know we are not perfect”. As being forward looking, the brand markets itself: “dedicated to helping change people's perception of eco fashion" (Stella McCartney, 2015).

Luxury’s characteristics such as exclusivity, timelessness and craftsmanship can be positioned in multiple ways. The websites that now stress about environmental issues, twist the marketing emphasis of these characteristics. Otherwise, why Louis Vuitton’s or Prada’s web pages would raise up these characteristics in their environmental pages? While Stella McCartney’s essence is built around CE and sustainable development, LVMH and Prada can be utilizing their identity dimensions to re-positioning, because the CE driven values exists in the old-luxury identity.
CE drivers of the case brands emphasize services and community characteristics of a luxury brand. As was illustrated in the theory section, self-image has value in the social context (see the figure 22 and page 37). Furthermore, while Lena the Fashion Library generates value by telling its clients that community is for better good (Sitra and Circle Economy, 2015), Vestiaire Collective has leverage via community, nurturing CEs values. Luxury drives some people to pursue upper-class image, which is reflected through their consumption. When self-image drives the type of CE thinking, which draws people with certain values, the brand can be said to have generated a unique CE driven community. Culture can be built around cluster’s values, consolidating brand’s self-image and reflection dimensions. Brand could design such culture, where certain type of people reflects brand’s vision, and hence highlight brands personality.

This research has found benefits for a luxury brand emerging in some CE driven brand identity dimensions better than in others. Reason may be methodological, as primary data emphasizes via consumer research. Analysis of literature and primary data helped to formulate interesting subject paths. The role of consumers could provide implications, which may be useful, when thinking the concepts image dimensions of a brand identity. Main concept of the research, the CE driven luxury brand identity, was developed through steps, which included literature’s analysis of interrelated three core subjects one aiming to enhance brand identity research tool, while two others CE and luxury to enhance the concept. Thesis question was formulated by studying the major factors, which could drive the main concepts development. They were political drivers, brands opportunities and barriers, different types of luxury brands (e.g. masstige), con-
sumer behavioural issues and business model framework. Business concepts showed luxury brands’ opportunities, which were directed subsequently by designing a research questionnaire. CE driven luxury brand concept was integrated into the questionnaire, which looked the research sample’s attitudes and perception towards the presented subject. The data was interpreted in order to find clues about values and possible behavioural factors, that would implicate brand’s reflection and self-image dimensions. The goal was to provide a presentation, which drives reader’s interest into the contemporary topic, and provide future research paths.

5 Further research

The study was set out to explore how CE driven brand could generate luxury identity. The relationship between business models and consumers was analysed, and in turn revealed variety dimensions that could drive or slow-down the business success via CE driven luxury business concepts. Renting and leasing, resale, repair and warranty models aspire luxury’s opportunities, which show good direction especially if research continues in the subject of a brand’s consumer related dimensions. While there is general interest towards CE, but not many have heard it before, researcher who conducts interviews, needs to provide appropriate information to the respondents. The vision brand (see the figure 22) was generated by the combination of primary data and literature review. The vision is majorly a theoretical model, which established scientific results merely in the reflection and self-image dimensions. Future researchers need to study other dimensions better via primary data. Semiotic knowledge may facilitate the researcher, but comprehensive case brand study may provide results for business student. The renting luxury concept’s case study didn’t reveal, whether the interviewees understood the “green” message, not to mention would they be willing to scrutinize, or change their consumption behaviour. This research majorly revealed certain characteristics of categorized clusters. Segmenting could be consolidated by taking consumer research to another level via better sampling and refinement of research questions.

In order to create theory, the research has leaned on Kapferer’s identity prism as a guide to develop notions about different identity dimensions. The model was chosen, because its in depth nature of analysing a brand and because the time constraints of conducting the same with different models. However, a researcher who pursues to
analyse identity in depth from the sender’s side, De Chernatony’s model could be one alternative, as the theory emphasises staff’s impact into the brand identity.

A researcher would need to define, which brands are perceived as masstige brands and study consumer’s buying habits of masstige or old-luxury. The line may be thinner than is expected. If so, the masstige brands could drive CE better than this research have shown. This work’s renting and leasing concept case study provides some support to the fact that consumers drive on fashion’s characteristics. Furthermore, literature’s data about consumer segment “aspirationals” supports this claim, since CE driven aspirationals are also highly driven by fashion. If renting luxury has competitive advantage, do luxury brands build masstige identity?
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58


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The questionnaire sheet for the consumer research

**Circular economy’s and environment’s opportunity: luxury**

Luxury garment products tend to have longer use phase(s), than average of fast or traditional fashion item. In the scenario of consumers substituting most of their "fashion" consumption to luxury clothes could mean less consumption due to several reasons. Furthermore, successful implementation of some new business models could decrease overall garment consumption significantly and consequently make a favour to environment.

This questionnaire takes you about 5 minutes, and simultaneously you'll speed up one's graduation and maybe even contribute to environment. :) The answers will display to me anonymously. Help is very much appreciated!!!

<table>
<thead>
<tr>
<th>Age and occupation</th>
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<tbody>
<tr>
<td>I was born:</td>
</tr>
<tr>
<td>□ 1960 or before</td>
</tr>
<tr>
<td>□ 1961 - 1970</td>
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<tr>
<td>□ 1971 - 1980</td>
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<tr>
<td>□ 1981 - 1990</td>
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<td>□ 1991 - 1995</td>
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<tr>
<td>□ 1996 or after</td>
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<td>I am currently:</td>
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<td>□ working</td>
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<td>□ working and studying</td>
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<tr>
<td>□ unemployed</td>
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<tr>
<td>□ retired</td>
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<td>□ other</td>
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</tbody>
</table>

**Sustainable development**

Some academic researches have shown, that consumer’s don’t prioritize sustainability when buying luxury or fashion. How important do you find sustainability and environmental issues, when buying any kind of clothes?

Select one:

- Very important
- Important
- Somewhat important
- Less important
- Not important

**What sustainability issues are important to you, when buying clothes? Please select what you consider most important.**

Select one:

- Environment
- Animal rights
- Human rights
- Community
- Don’t find sustainability important when buying clothes

**What is luxury to you?**

Take few seconds and think of these brands: Gucci, Dior, Hermes, Louis Vuitton, Diesel, Calvin Klein, Levi’s. Luxury is relative. For one tap water can be luxury.

"What comes first in your mind, when the word “luxury” is mentioned?"

- Indulgence
- Premium prices
- Above two together
- Style and art
- Distance
- Above two together
- Exclusivity and rarity
- Strong values
- Weak values
- Infinite
Renting fashion

Some new brands offer fashion clothes for rent and leasing. The great example is Lena the Fashion Library from Amsterdam. The company offers large selection of rentable clothes against monthly payment of 19.95 eur. Take the cursor to "X" mark?

Select one:

- I am very positive that I would become a member
- Find it very interesting to test
- Find it interesting but not for me
- Don't find it interesting
- Find it bizarre idea

Why?

In case a brand with similar concept could offer your favorite clothing (no matter of the price of the original item) always rest and clean (the rent), the shop would be located in a close proximity, how do you find the idea of renting clothes?

What would be the best thing about renting clothes? Select one or two ideas.

- Luxury or my favorite clothes would become affordable.
- Changing style would be easy and regular.
- Have more space in closets
- Saving money and no need to own unnecessary clothes
- Ethical solution: contributing to environment
- Other

If you selected 'Other', please specify:

What would be the worst thing about renting clothes? Select one or two:

- Doubts about hygiene
- Doubts about endurance of materials after several uses
- Want to own clothes
- Find it inconvenient to return and take new clothes from the store regularly
- Doubt about selection's limitations, e.g. sizes, brands and styles
- Other