



The Impacts of Implementing Sustainability Practices on Luxury Brands Perception and Purchase Decision of Generation Y and Z

Sindhu Bhagaskara^(✉) and Nurdin Sobari

Universitas Indonesia, Jakarta, Indonesia
sindhu.bhagaskara01@ui.ac.id

Abstract. Sustainability is one of the most important concerns in almost every aspect of the present day. The scrutiny to have sustainability in luxury products has grown over time. However, luxury and sustainability, or what one might call sustainable luxury might sound oxymorons, while in fact, they have a lot of attributes in common. The concept of sustainable luxury has been developed immensely to cater to the current largest demographic, Generation Y and Generation Z. These two generations are more socially and environmentally conscious whilst also partake as the largest consumer demographic in luxury brands. This study examines the impact of implementing sustainability practices on luxury brands' perception and purchase intention by Generation Y and Generation Z. A quantitative survey research design was employed aiming at testing the model. It involved 350 participants which were divided into two groups. They were required to fill out an online survey focusing on either a luxury fashion marketing campaign or a luxury fashion marketing campaign with sustainability practices. The data were then analyzed by using structural equation modeling (SEM). The results of this study indicate sustainability practice message description positively impacts the purchase decision of luxury products by both generations Y and Z.

Keywords: Generation Y · Generation Z · Marketing · Luxury Goods · Sustainability Practices

1 Introduction

Sustainability is a term that has recently been used in various aspects of our lives. In the context of ecology, sustainability occurs when a biological system can support unlimited biodiversity and productivity by not utilizing or exploiting natural resources and ecological balance [1]. The United Nations (UN) has brought sustainability into a more general policy discourse and as well popularised the sustainable development concept as a policy through the Report of the World Commission on Environment and Development 1987 [2]. From that point forward, sustainable development is defined as a type of development that meets the demands of the present without jeopardizing the ability of future generations to satisfy their requirements [2]. In practically every industry, the idea of sustainable development has been adopted [3]. Many large companies have

made sustainability a priority or even the foundation of their business [4]. Recently there has been an increase in education and awareness regarding the level of energy consumed and the costs spent, the knowledge behind climate change, and the business effects that sustainability can have on the environmental and social aspects of the business [5]. Changes made to apply the concept of social challenges such as changes in individual lives and ethical consumerism can all contribute to sustainability [6].

Currently, generations Y and Z made up as much as 46% of the global population in 2021 [7], making these two generations the most crucial consumer segments. However, involving relatively young consumers is not an easy task for a company, given the characteristics and diversity of this group which is unique when compared to previous generations [8]. Both generations have high expectations for technology and innovation, as well as a desire to have high experience value in a variety of ways while remaining progressive and socially responsible [9]. These two generations are more socially conscious than other generations and are more concerned with climate change and environmental conditions. One of the industries that have become a favorite of Generation Y (Millennials) and Z is luxury fashion [10]. According to the survey, Generation Y will account for 50 percent of luxury goods sales by 2025, while Generation Z consumers have made up almost 10 percent of the market [11]. In 2021, the Y and Z generation consumer segments have proven to be successful in contributing 85 percent of the growth in luxury goods sales in the global market. Generation Y and Z's interest in luxury fashion is also followed by the values of concern for sustainability practices so that they want appropriate brands with their values [12]. Based on a study conducted by Nielsen, 73% of respondents from Generation Y are eager to pay more for a product from a sustainable or socially conscious company. Also, 81% expect the products they buy to be truthful in terms of marketing and cordially discuss their environmental impact [13]. With the demands of a large consumer segment, fashion industry players often integrate sustainable practices with their business models to maintain their status in the luxury fashion market [14].

One of the concepts that combine luxury fashion products with the concept of sustainability is a sustainable luxury, which is a general term that includes all luxury products ranging from fashion products to tourism that instill values and practices of sustainability [7]. Although luxury fashion and sustainability are contradictory words for most people, sustainable products have the same essence as luxury products, namely, both types of products require more ingenuity and design, as well as the use of natural materials, unique, high-quality, which usually scarce and costly [15]. Recently, more and more luxury brands are using the concept of sustainable luxury to enhance their brand image, increase innovation, reduce risks related to climate and ecological damage, and the most important goal is to attract more customers [16]. Previous research has found the connection between sustainable luxury and millennials' purchase decisions in getting luxury products [17], current research focused on millennials and Generation Z.

The findings of this study provide valuable information for premium brands targeting generation Y and Z consumers and seek to incorporate sustainability practices and campaign strategies into their products to improve the environment while retaining a high level of luxury.

2 Method

In contrast to the earlier study [17], which tested the research model using a between-subject experimental design, the current study used a quantitative research methodology. This study assigned two groups with two different questionnaires with different brand descriptions derived from Rolling & Sadachar’s experiment. The sample consisted of 380 males and females, divided into two groups consisting of 175 respondents, from both generations Y and Z (ages 17 to 35 years) that live in Indonesia and have interest and knowledge regarding luxury fashion and sustainability.

Before the main test, a pilot study was done on 27 respondents. The pilot study aimed to collect data regarding the definition and appropriate price range of a luxury fashion brand from the perspective of generations Y and Z. The result from the pilot study was used as the basis for brand description for the main test.

As for the main test, respondents were asked to rate their luxury impression, sustainability impression, attitude, and purchase intention. The survey utilized a Likert scale from 1 (strongly disagree) to 5 (strongly agree) for all questions.

Independent variables in this research are luxury impressions (LI) and sustainable impressions (SI). Luxury impressions have 10 dimensions, which are exclusive, prestigious, expensive, elitist, desirable, sophisticated, conspicuous, extravagant, and emotional. And snobbish. Sustainable impressions have 10 dimensions as well, which are recycling, selfless, on-indulgent, non-excessive, moral, environmentally friendly, fair, reusing material, using no animal products, and using no artificial chemicals. Meanwhile, the dependent variables are attitude and purchase decisions. Attitudes have five dimensions, which are appeal, goodness, pleasantness, favourableness, and likeableness. Purchase decisions have three dimensions, willingness to purchase, willingness to consider the opportunity to purchase, and the probability to consider purchasing. In this study, sustainable practice messages that showed in one of the groups acted as the moderating variable. Research framework shown in Fig. 1.

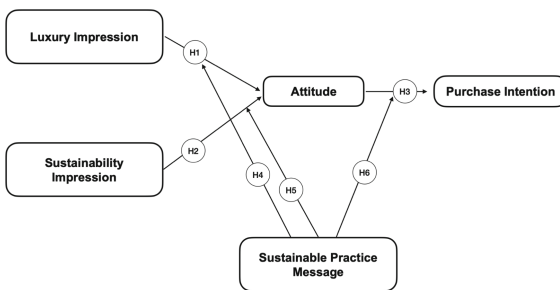


Fig. 1. Research Framework

3 Result and Discussion

3.1 Pilot Study

The pilot study revealed the price ranges that respondents feel are suitable for various luxury fashion products, such as clothing articles, accessories, shoes, and bags. As for the clothing article, as many as 16 people felt that the product was suitable to be priced above IDR 2,000,000. As for shoe products, 11 respondents felt that the product was suitable to be priced between Rp. 5,000,000 to Rp. 10,000,000. Accessory products such as wallets, hats, and belts have a divided response with 8 respondents feeling that the product is suitable to be priced in the range of Rp. 3,000,000 - Rp. 5,000,000 while another 8 respondents in the range of Rp. 5,000,000–Rp. 10,000,000. The bag products have more varieties of opinion, the price range of Rp 20,000,000–Rp 40,000,000, Rp 40,000,000–Rp 60,000,000 and above Rp 60,000,000 was each chosen by 6 respondents.

According to the findings of the pilot study, respondents refer to Chanel as a luxury fashion brand 14 times more frequently than any other brand. Dior and Louis Vuitton came in second place, receiving 10 mentions each. Hermes and Gucci are in third place with a frequency of 7 mentions each.

The Louis Vuitton brand will be used in additional research to describe the luxury fashion brand according to the findings from the pilot study. Although the Louis Vuitton brand is ranked second and parallel to Dior, when compared to the price range of products selected by respondents, it has the highest match. In addition, Louis Vuitton is also a subsidiary of LVMH which oversees other luxury fashion brands such as Dior, Givenchy, Marc Jacobs, Fendi, Stella, Loewe, Kenzo, Bvlgari to Celine. As a subsidiary of a luxury fashion conglomerate, Louis Vuitton should be able to represent the brand description of the other luxury fashion brands under the same company umbrella.

3.2 Main Test

Three equations were approximated as per the usual method to learn more about the moderating impact of sustainable practice messaging. The first model (Model A) uses both groups' complete data sets. The second model (Model B) was estimated using the data of Group 1 (without a sustainable practice message) and the third model (Model C) was estimated with the data of Group 2 (with a sustainable practice message). To determine the moderating influence of the sustainable practice message on generation Y and Z impression, attitude, and purchase intention, differences in path coefficients, effect sizes, and coefficients of determination were observed.

Structural model and hypothesis testing shown in Fig. 2.

The results indicate that the path coefficients of luxury impression to attitude (LI, $\beta = 1.158$), sustainable impression to attitude (SI, $\beta = 0.449$), and attitude to purchase intention (AT, $\beta = 1.310$) are significant predictors. The results favor the acceptance of suggested null hypotheses namely H1, H2, and H3.

To grasp the moderating role of sustainable practice message, the equation was separately estimated for Group 1 (without sustainable practice message) and Group 2 (with sustainable practice message). The statistics in Group 1 indicate that the parameter coefficients (LI) $\beta = 0.906$, (SI) $\beta = 0.444$ and (AT) $\beta = 1.334$ are significant and

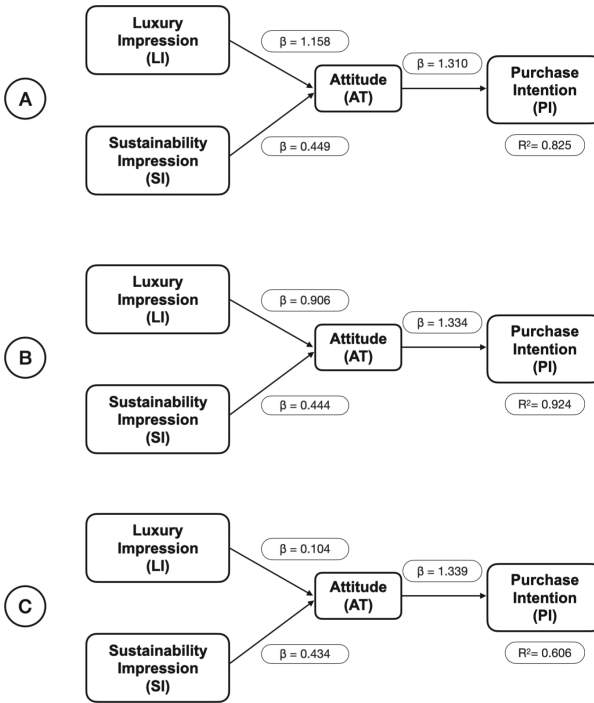


Fig. 2. Structural model and hypothesis testing (Model A, Model B, and Model C).

Table 1. Path coefficient comparison.

Path Coefficient	Model A All Group R2 = 0.825			Model B Group 1 R2 = 0.924			Model C Group 2 R2 = 0.606		
	β	T	P	β	T	P	β	T	P
LI \rightarrow AT	1.158	3.946	0.000	0.906	4.009	0.000	1.402	2.623	0.009
SI \rightarrow AT	0.449	8.798	0.000	0.444	7.920	0.000	0.434	4.072	0.000
AT \rightarrow PI	1.310	9.353	0.000	1.334	8.274	0.000	1.139	5.029	0.000

coefficient of determination is $R^2 = 0.924$. While the results of Group 2 indicate that the parameter coefficient of (LI) $\beta = 1.402$, (SI) $\beta = 0.434$ and (AT) $\beta = 1.339$ are significant.

Table 1 reproduces the comparative outcomes of the three estimated equations. In Group 1, the path coefficient LI \rightarrow AT is $\beta = 0.906$ and in Group 2, the path coefficient LI \rightarrow AT is $\beta = 1.402$. This result favors the acceptance of the H4 null hypothesis. As for the path coefficient of SI \rightarrow AT, Group 1 is $\beta = 0.444$, and Group 2 is $\beta = 0.434$. This result did not favor the acceptance of the H5 null hypothesis. This result shows that sustainable practice did not moderate the relationship between sustainability impression

and attitude. Lastly, the path coefficient $AT \rightarrow PI$ in Group 1 is $\beta = 1.334$, and in Group 2 is $\beta = 1.139$. These findings demonstrate a beneficial association between attitude and purchase intentions when a sustainable practice message is conveyed. The H6 null hypothesis is also acceptable considering the findings.

The results of this study can be used to create a marketing strategy by integrating a description of sustainability practices in luxury fashion brand campaigns. Marketers can be more aggressive in showing the efforts that have been made by luxury fashion brands in applying sustainability practices to build a better brand image and meet the ethical needs of consumers. Although most luxury fashion companies such as Louis Vuitton have made many efforts to apply sustainability practices and even make it a regulation, these efforts have not been widely exposed. Most luxury fashion brands claimed that implementing their sustainability practices is not only focused on the use of materials but includes other operational aspects. In addition, the results of this study can be used for luxury fashion companies that have not fully implemented sustainability practices, as their next consideration. This research also shows insight into how luxury fashion companies can have a more specific target market and the kind of campaign that works for them.

The samples obtained in this study are familiar with luxury fashion brands and sustainability practices so they may already have opinions or prejudices against the brands used. Respondents' previous experience and knowledge of the Louis Vuitton brand were neither measured nor analyzed. In further research, the sample used can be outside of the sample who already knows luxury fashion brands and sustainability practices to eliminate the possibility of having opinions or prejudices against the brands used. Descriptions of luxury fashion brands may also use fictitious brands to avoid preconceived opinions.

4 Conclusion

This study aims to examine the impact of sustainability practice implementation on luxury brand perception and purchase decisions by generations Y and Z. The findings show that in generations Y and Z luxury impression, sustainability impression, and attitude are significant predictors of purchase intention towards luxury fashion products. Additionally, the sustainable practice message strengthens the link between the attitude toward purchase intention and the luxury impression toward attitude by acting as a moderator. While the relation between sustainable impressions towards attitude was not strengthened by the moderation of the sustainable practice message. As a result, combining sustainability messages and luxury fashion brand information allows generations Y and Z to comprehend, interpret, and fuse impressions of both the sustainability and luxury of a company. These formed impressions and attitudes also have positive effects on their purchase intention. As a result, luxury brands that embrace sustainability can preserve both luxury and sustainability impressions in a balanced manner.

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