

# THE SIGNIFICANCE OF CSR DURING THE COVID-19 PANDEMIC IN THE LUXURY FASHION INDUSTRY – A FRONT-LINE CASE STUDY



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## ABSTRACT

COVID-19 has dramatically changed the economic scenery. Despite the austerity measures and decreasing resources, it might lead to an increase of the significance of Corporate Social Responsibility (CSR) as the key for sustainable growth and prosperity. The luxury fashion industry is known for its lavish commitment to CSR as expressed by owners and top management. However, the bottom perception is unclear. A longitudinal front-line case study of the perception of the significance of CSR by the low management and customers allows for filling in this vacuum and to comparatively assess the annual evolution from December 2019 to November 2020. The holistic Meta-Analysis using informal open-interview and mystery shopping techniques and the investigative questionnaire with the Pearson Chi-squared test reveals a fragmented and only slightly raised significance of the CSR by the low management and customers. This disappointing finding has inherent limitations and calls for further studies.

## KEY WORDS

corporate social responsibility (CSR), luxury fashion, case study

## JEL CODES

D01, I31, K20, L21, M14, M53, Q01

## 1 INTRODUCTION

The roots of the modern concept of sustainability goes back to the Universal Declaration of Human Rights by the United Nations Assembly in 1948 (“UDHR”). Although the general tenor of the UDHR proclaims individual rights, the UDHR includes indices for individual duties, see

Art. 29, and the concept of sustainability is getting ready to be matched by the responsibility towards the community, i.e. the future Corporate Social Responsibility (“CSR”). Following the UDHR, both sustainability and CSR are reflections of the need for value judgments about

justice in the distribution and use of resources (Marinova and Raven, 2006) in the context of human rights. Progressively, the three pillars structure of sustainability has been developed – economic (profit), environmental (planet), and social (people) pillars in order to reconcile available resources and needs of the increasing world population (Meadows et al., 1972). The United Nations has kept the leading role in the entire process, see the 1987 Brundtland Report and the United Nations Agenda 2030 from 2015 which brought 17 Sustainable Development Goals (“SDGs”) and 169 associated targets (MacGregor Pelikánová, 2018). Undoubtedly, a state’s led drive for sustainability is futile without the engagement of all actors, including businesses via their CSR, while using a multi-stakeholder and cross-partnership model (MacGregor Pelikánová, 2019a; van Tulder et al., 2016; van Tulder and Keen, 2018). CSR includes both (i) systematic and visionary features and is designed for soft law and self-regulation and (ii) corporate responsibility, with rather normative and moral features and designed for national law regulation (Bansal and Song, 2017). In sum, sustainability means that stakeholders with sufficient resources (Kolk and van Tulder, 2010) are not only economic, but as well social and political actors (Bunn, 2004) and consequently will embrace the CSR. It is not only about *prima facie* profitability based on classical investment analysis, but it is about real profitability based on the cost-benefit analysis which is able to take into account both internal and external negative and positive effects (Kovács et al., 2016). Only a genuine and deep pro-CSR attitude on all managerial levels can lead to the very desired “more sophisticated form of capitalism” (Porter and Kramer, 2011).

Naturally, sustainability is rather in the reach of international law, see the position of the United Nations, while CSR belongs clearly in the sphere of regional and national laws. Regarding the EU law and the law of EU member states, although the mandatory CSR law provisions have been emerging in the last decade (MacGregor Pelikánová and MacGregor, 2017), still the majority of CSR aspects is not regulated and it is up to the discretion of

businesses how they will proceed (MacGregor Pelikánová, 2019b). Although it is suggested that CSR decisions belong to long-term strategic choices and so are determined by the owners and/or top management of businesses, the role of middle-management and low management and customers should not be underestimated (MacGregor et al., 2020a, 2020b). CSR needs to be projected in management and be embedded into the organizational characteristics (Kantorová and Bachmann, 2018). This is manifest especially in certain industries, such as, for example, the luxury fashion industry, where the key values and competitive advantage determinants are linked to their luxury brands (MacGregor Pelikánová and MacGregor, 2019; MacGregor Pelikánová, 2019c).

The luxury fashion industry is put under the microscope due to its inherent features and particularities, including the proclaimed availability of resources, as the platform par excellence to demonstrate the dramatic potential of CSR to, through shared values (Chandler, 2017; Ujwary-Gil, 2017), achieve or lead to fantastic financial and even non-financial results (MacGregor Pelikánová and MacGregor, 2020). In addition, it represents an interesting mixed products field, combining (hopefully) luxury goods with luxury services, which can be pretty challenging in the central European setting (Žižka, 2012).

Since the evolution goes from the CSR cultural reluctance over to the CSR cultural grasp to a CSR cultural embedment (Olšanová et al., 2018), exactly the CSR cultural embedment should be noticeable at all managerial levels within the luxury fashion industry. The lavish and ostensible exclusive style (Han et al., 2010) should be eternal and overcome all crises. Prior studies and publications reveal the interest of top management of these businesses to engage even deeply in CSR and this in the context of the COVID-19 pandemic (MacGregor et al., 2020a, 2020b). Now it is time to take a 2<sup>nd</sup> step and to check the bottom perception. A longitudinal front-line case study of the perception of the significance of CSR by the low management and customers allows for filling in this vacuum and to comparatively

assess the annual evolution from December 2019 to November 2020. Namely, what about the current COVID-19 pandemic perception, how it has impacted the CSR trends and especially how it has changed the CSR attitude by front-line employees and customers? This leads to the need to explore the theoretical framework, including the statement of pertinent problems (2) and to conduct a research, including pri-

mary data research to be yielded with respect to both low management (front-line employees) and customers, and processed the resulting data by Meta-Analysis, simplified Dephi method and Pearson Chi-squared test (3). These highly relevant and appropriate methods lead to academically robust results, backed by holistic and critical argumentations (4), and culminate in the discussion and conclusions (5).

## 2 THEORETICAL FRAMEWORK

Modern management focuses on the entrepreneurship and innovations and it is well established that education and economic growth are related (Kocourek and Nedomlelová, 2018) as well as that innovations linked to marketing are indispensable for business success in the 21<sup>st</sup> century (Drucker, 2015). The drive for a competitive advantage with a competitive target and the determination in “capturing the core and broadening without diluting” (Moon et al., 2014) should match up with the three pillars sustainability, its 17 SDGs and all 6 CSR categories (Balcerzak and MacGregor Pelikánová, 2020; MacGregor Pelikánová and MacGregor, 2020). The luxury fashion industry, with its commitment to the exclusive scarcity and fancy inventions, should be fully compatible with that and lead to the satisfaction of all stakeholders – from customers (Olšanová et al., 2018) to investors. Indeed, the luxury fashion industry needs to overcome the traditional contradiction (Kapferer, 2010) and achieve the synergetic reconciliation of the true concept of luxury, originally associated with hedonism and prestige, with the concept of sustainability, originally associated with ethics, moderation and perhaps even altruism (Davies et al., 2012; Diallo et al., 2020). This implies that the luxury fashion industry needs to effectively and efficiently reflect all sides and shades of the sustainability and CSR and such a task is a true challenge (MacGregor Pelikánová et al., 2021).

Indeed, CSR entails various types of social responsibility (Schüz, 2012): economic, legal, ethical, etc. (Sroka and Szántó, 2018) and is centered on the eternal metaphysical dilemma

about what is right – morally and/or legally (MacGregor Pelikánová, 2019b). Consequently, only certain segments and aspects of CSR are covered by the law and made enforceable, i.e. it became a liability (Schüz, 2012). Namely, the EU law, via Art. 19a of Directive 2013/34, requires only large businesses to include in their management report a non-financial statement, aka CSR statement, about environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters (Pakšiová and Lovciová, 2019). Since the EU prefers a spontaneous evolution towards sustainability and CSR, it does not want to overregulate (MacGregor Pelikánová and MacGregor, 2020). As a result, the EU law does not further specify or develop this legal duty and basically leaves the CSR drive to be strongly determined and led by businesses themselves (European Commission, 2020a). Therefore, it is up to each business how genuinely, deeply and extensively it will engage in CSR (Arminen et al., 2018) and to what extent it will take advantage of that (MacGregor et al., 2020a). Arguably, there are eight ways leading to the sustainable corporate growth and one of them is about the achievement of an excellent reputation for social responsibility (Čech et al., 2018).

Ideally, the pro-CSR attitude should contribute to the competitive advantage, to an increase in the effectiveness and efficiency at all managerial and strategic levels, and to the improvement of the image of the business in the eyes of the public-at-large (MacGregor et al., 2020b). Businesses should not be reduced

merely to be dividend generators (Berman et al., 1999), instead, following the stakeholder theory, they should achieve a multi-spectral win-win under the auspices of value creation (Chandler, 2017; Ujwary-Gil, 2017). This victory should extend from sustainable and good financial performances (Rowley and Berman, 2000) over to an increase in market share (Ting et al., 2019) to the social, environmental and other achievements. Conversely, if the CSR is rejected or poorly selected or wrongly implemented, then it is a waste (Barnett, 2007) and an obstacle in achieving a competitive advantage (Scherer and Palazzo, 2011). This reflects traditional theories, which are suspicious regarding non-financial goals and which underline the issue of possible agency conflicts between managers, shareholders, environmental activists, etc. (Kovács et al., 2016). Arguably, even a correctly selected CSR can be futile, if it is not endorsed by all levels of management, i.e. the discrepancies in the CSR-attitude undermines the CSR potential to improve financial and even non-financial performance (Rodríguez-Fernández, 2016). Plus, even a well selected and homogeneously applied CSR is prone to be futile, if not properly communicated at large to all stakeholders (Turcu, 2015).

Socially responsible business practices should be an integral part of the sustainable corporate growth strategy of luxury businesses (Čech et al., 2018, 2019). This has been demonstrated via several empirical and case studies (Cerchia and Piccolo, 2019), which underlined the pivotal role of top management linking the reputation of luxury brands, reactively or proactively, with the CSR initiatives (Batat, 2019; Diallo et al., 2020). The top management got the message and thus attempts to provide customers with “a sustainable as well as a socially responsible luxury experience” (Batat, 2019) via both formal and informal channels (MacGregor Pelikánová et al., 2021). Since still not all consumers regard sustainability as an intrinsic element of a luxury product (Achabou and Dekhili, 2013; Davies et al., 2012; Kapferer and Michaut, 2015; Ki and Kim, 2016), the top management engages in endeavors showing that sustainability and luxury are related. In short, luxury brands seek

to convey images of good product quality, which last longer than non-luxury brands, and thus might be considered more sustainable (Diallo et al., 2020; Ki and Kim, 2016; MacGregor Pelikánová et al., 2021). However, the role of middle and low-management as well as various pools of customers should not be underestimated and this especially considering the still prevailing brick and mortar business mode in the luxury fashion industry (MacGregor et al., 2020a). Plainly, middle and low management represents a larger, and thus potentially more heterogeneous group than top management, and consumers represent an even much larger and diversified group. Therefore, members of these groups arguably differ dramatically regarding their inclination for long term orientation as “the fostering of virtues oriented towards future rewards, in particular, perseverance and thrift” (Hofstede, 2001) and the implied pragmatic, future-oriented perspective (Hofstede, 2001) towards hard work, planning, and perseverance (Bearden et al., 2006) as well high ethical values (Nevins et al., 2007) and sustainability (Diallo et al., 2020; MacGregor Pelikánová et al., 2021).

The CSR system is not self-sustaining and its implementation is neither automatic nor certain to lead to illustriously ethical behavior, i.e. the CSR of the business demands engagement at levels. Arguably, there is a lack of consistency between managerial levels (MacGregor Pelikánová and MacGregor, 2020). Nevertheless, until 2019, this discrepancy had not played any significant role and everything looked “fashionably pink”, regardless whether funny fur or free fur (MacGregor et al., 2020b). Then, after the still peaceful and, for the “crown”, aka royal luxury fashion industry, the prosperous Christmas of 2019, abruptly hit the COVID-19 pandemic. All citizens of Europe, with millions of confirmed cases, and thousands of deaths, were affected, and witnessed a resultant dramatic economic decline. The coronavirus gets its name due the outer peripheral, crown-like, consisting of the embedded envelope protein and allegedly emerged around 2002 in human beings (Abdul-Rasool and Fielding, 2010). Its version in 2012 got the name MERS, while in 2019 appeared the version SARS Covid 2,

which causes the disease called COVID-19 (Manojkrishnan and Aravind, 2020). Pursuant to the International Monetary Fund (IMF) and the World Bank, the COVID-19 pandemic has brought a global economic downturn which has not been experienced in at least seven decades, namely the global economy is to shrink by 5.2% in 2020 (World Bank, 2020). The impact on the EU was even worse than the global data. Indeed, the reoccurring and increasing trend of COVID-19 cases in the EU as well as the dynamics of the 1<sup>st</sup> and 2<sup>nd</sup> waves are worrisome (Kufel, 2020), while the EU economy experiences a deep recession and is to shrink by 8.7% in 2020 (European Commission, 2020b). The President of the European Commission, Ursula von der Leyen, proclaimed that “We must not hold on to yesterday’s economy as we rebuild” (European Commission, 2020c). In addition to supporting smart, sustainable and inclusive growth, there is a proposition that CSR should be an instrument addressing the pandemic COVID-19 as not a threat, but rather as an opportunity (European Union External Action, 2020; Turečková and Nevima, 2020). Accordingly, the answer to such an event as COVID-19 is a commitment to accountability by all stakeholders and the EU leaders, and top institutions hope that Europeans, especially European businesses, will follow this call and engage in appropriate convergence patterns leading to the sustainable entrepreneurship (Belz and Binder, 2017). Consequently, all levels of management, as well as other internal

stakeholders, should fully take advantage of the CSR potential for marketing as well as other business conduct aspects (Floridi, 2016; Lii and Lee, 2012).

Since one of the strongest CSR proponents has been the fashion industry and perhaps its only flaw was the above-mentioned shortcomings on the local front-line management level, the longitudinal holistic comparison via a case study seems highly appropriate. Indeed, what message about the impact of COVID-19 on the CSR attitude of front-line employees and customers can be extracted from the luxury fashion industry? The literature review provided above suggests purchasing decisions should be positively influenced by the business’s CSR ( $H_1$ ) and endorsed values ( $H_2$ ), regardless of external factors such as COVID-19 ( $H_3$ ). However, these are mere assumptions which need to be verified. Indeed, the complex problem of the CSR significance for various stakeholders and of the impact of COVID-19 on CSR attitudes in the luxury fashion industry leads to many questions. Even partial answers to some of them could bring forth useful and pragmatic information able to move CSR to a higher level and perhaps even to make the EU truly competitive in the global setting. Prior studies and publications by the authors provided a promissory message based on the attitude of top management (MacGregor et al., 2020a, 2020b), so what about the message based on the attitude of low-level management and customers?

### 3 METHODOLOGY AND DATA

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The selection of data and methods was implied by the statement of a problem and its principal and auxiliary questions and hypotheses as indicated above. The format of a case study involving front-line employees of luxury fashion businesses and their customers allows for identifying their attitude to 6 principal CSR categories, and value, and to see its evolution during the COVID-19 pandemic. Further, this facilitates the empirical comparison of such data yielded via open-interviews and mystery shop-

ping techniques regarding front-line employees of all top 10 luxury fashion businesses with data yielded via investigative questionnaire exploration regarding 50 customers of these businesses. The inherent differences in these two groups of respondents (front-line employees v. customers) and the divergence of the feasibility of getting information from them led to a distinct methodological approach to each of these groups. The unifying points were whether they focus on CSR ( $H_1$ ), on values ( $H_2$ ) and

change due to COVID-19 ( $H_3$ ) and this in dependency relationship to their age.

### 3.1 Methodology and Data Regarding Managerial Perception

In order to address the impact of COVID-19 on the CSR attitude in the luxury fashion industry as presented by its front-line management, the most logical and academically robust approach is to perform a case study before and during COVID-19 and to empirically compare the primary data yielded via open-interviews and mystery shopping techniques. The processing of such longitudinal data is to be done by holistic Meta-Analysis (Glass, 1976; Schmidt and Hunter, 2014), and while preferring modern qualitative methods (Silverman, 2013) over conventional quantitative methods. The goal is to see a CSR and value attitude and their changes during the COVID-19 pandemic as it is proposed by a small, but highly homogeneous sample which, due to its belonging to the CSR flagship industry, luxury fashion, has a relevancy for many other sectors and industries.

The employed case study format for this sample allows for the investigation of representative data (Yin, 2008), namely five of all 10 top ten luxury fashion businesses located in Prague's "Luxury Fashion Street, aka Prague's 5th Avenue," and this before the COVID-19 pandemic (December 2019) and during the COVID-19 pandemic (August 2020). The selection of this highly homogenous sample reflects the critically important role of competitors for businesses, especially in this extremely narrow segment – top luxury fashion (MacGregor Pelikánová and MacGregor, 2020). Tab. 1 identifies businesses involved in the case study.

The case study involving these ten businesses was performed in Prague in December, 2019 and in August, 2020, i.e. in the month preceding the first concerns about the COVID-19 pandemic and in the month of transition between the 1<sup>st</sup> and 2<sup>nd</sup> wave of the COVID-19 pandemic. The premises of these top luxury fashion businesses were physically visited by the Authors, who engaged in open interviews and

mystery shopping techniques in order to extract the CSR ( $H_1$ ) and value attitude ( $H_2$ ) and their changes ( $H_3$ ) as directly presented or indirectly implied by front-line management. The pre-selected shopping subject matters were leather handbags and purses and the entire shopping experience was centered about the following four open-ended questions:

- a) What is the competitive advantage of your product, i.e. in what area is your product better than products of the competition, especially the other four businesses?
- b) What is the meaning of your brand?
- c) Do you focus on sustainability and, if yes, how?
- d) What is the impact of COVID-19 on your business.

These four questions were raised during informal interviews to get direct answers and the products, premises and behavior of front-line management were observed so as to get indirect answers, aka mystery shopping suggestions. The interviews aimed to induce additional explanations and to provide sufficient opportunities to observe the interrogated persons as well as the entire setting. The information yielded directly and indirectly by these four questions was categorized based on the six well established CSR categories:

1. environment protection (Krause, 2015),
2. employee matters (Křečková Kroupová, 2015),
3. social matters and community concerns (Polcyn et al., 2019),
4. respect for human rights (MacGregor Pelikánová, 2019a),
5. anti-corruption and bribery matters (Šroka and Szántó, 2018) and
6. R&D activities (MacGregor Pelikánová, 2019c).

These six CSR categories reflect as well the famous six social initiatives: cause-promotion, cause-related marketing, social marketing, corporate philanthropy, employee voluntary work and socially responsible business practices (Čech et al., 2018). The qualitative content analysis (Krippendorff, 2013; Kuckartz, 2014;

Tab. 1: Ten top luxury fashion businesses – their origin, address, business revenue (2019), employees

| Group (Revenue 2019)          | Business       | Origin           | Address | Employees |
|-------------------------------|----------------|------------------|---------|-----------|
| LVMH (EUR 54 bill.)           | Louis Vuitton  | 1854 Paris       | 3       | DŠ, PV    |
| LVMH (EUR 54 bill.)           | Christian Dior | 1946 Paris       | 4       | EF, LŘ    |
| LVMH (EUR 54 bill.)           | Fendi          | 1925 Rome        | 12      | DF        |
| LVMH (EUR 54 bill.)           | Bulgari        | 1884 Epirus      | 13      | VM        |
| Kering (EUR 16 bill.)         | Gucci          | 1921 Florence    | 9       | MR, LH    |
| Kering (EUR 16 bill.)         | Bottega Veneta | 1966 Vicence     | 14      | VA        |
| Prada (EUR 3.2 bill.)         | Prada          | 1913 Milano      | 16      | MK, ER    |
| Dolce Gabanna (EUR 1.3 bill.) | Dolce Gabanna  | 1985 Milano      | 28      | MM        |
| Tod's (EUR 1 bill.)           | Tod's          | 1920 St. Elpidio | 13      | MA        |
| Furla (EUR 0.5 bill.)         | Furla          | 1927 Bologna     | 8       | MF        |

Note: based on Bloomberg and www pages of these business

Vourvachis and Woodward, 2015) and techniques are used along with the teleological interpretation were used to achieve proper categorization as well ranking via a simplified internal Delphi-Method (MacGregor Pelikánová, 2019a; Okoli and Pawlowski, 2004). Namely, each author independently categorized the fresh data, both either explicitly stated during interviews or implied by mystery shopping observation, and ranked it by using the scale (+) or (++) or (+++), i.e. a basic, general, abstract and not verifiable CSR commitment was ranked (+), while a genuine, concrete and verifiable CSR commitment was ranked (+++). To raise authenticity, quoting was included. Authors compared their results and readjusted them to achieve a consensus opening the door for glossing, Socratic questioning (Areeda, 1996). Such data was a foundation for a dual comparison – managerial attitude to CSR and values in December 2019 v. August 2020 and managerial v. customers attitude to CSR and values.

### 3.2 Methodology and Data Regarding Customers' Perception

The customers attitude to CSR and values was yielded via investigative questionnaire targeting the experimental documentation of preference and behavioral patterns of a highly relevant homogenous group of respondents. Namely, all respondents were women between 35 and 50

years of age, living in Prague and financially sufficiently stable, i.e. legitimate clients able to purchase products, especially leather handbags, from the top 10 luxury fashion businesses located in Pařížská street in Prague.

The questionnaire consisted of 2 sets of questions. The 1<sup>st</sup> set included 8 binary questions calling for yes-no answers and the 2<sup>nd</sup> set included 12 differentiation questions calling for absolute yes-rather yes-do not know-rather no-absolutely no answers. The given assignment allowing the experimental documentation was as follows “You have received a non-transferable voucher in the amount CZK100 thousand for the purchase of a leather bag by Christian Dior, Louis Vuitton, Gucci, Prada or Dolce Gabanna in Pařížská street during the next 24 hours. Shops are open and you will either use this voucher or it will lapse. Based on these facts reply to the following 8 + 12 questions.” Tab. 2 and 3 represent a simplified version of the investigative questionnaire, which was distributed in November 2020 both as an email attachment and via link survio.com to 50 pre-selected respondents satisfying the given criteria (35–50 years, Prague, finances).

These binary questions were the pre-cursors for differentiation questions focusing particularly on the six well established CSR categories.

In total, 48 of the 50 pre-selected respondents duly and timely completed and returned questionnaires. This quantitative search via questionnaire was further processed by the

Tab. 2: Simplified version of the investigative questionnaire – binary questions (YES – NO)

| Questions  |
|--|
| 1. I know the mentioned TMs and am sure which bag I will pick up.                  |
| 2. I will visit at least 3 shops and will select the bag accordingly.              |
| 3. During the choice, I will consider the quality and design.                      |
| 4. During the choice, I will reflect the values declared by the business.          |
| 5. During the choice, I will reflect the CSR of the business.                      |
| 6. During the choice, I will reflect on the customer care and own experience.      |
| 7. My choice will be influenced by the inconsistency and scandals of the business. |
| 8. My choice is the same as it was in 2019, i.e. before the COVID-19 pandemic.     |

Tab. 3: Simplified version of the investigative questionnaire – differentiation questions (absolutely yes ...)

| Questions How important is it for your decision whether the business does ... |
|---|
| 0. Fight against COVID-19   |
| 1a. Environment protection (animal protection and welfare)                    |
| 1b. Environment protection (rain forest protection)                           |
| 1c. Environment protection (recycling)  |
| 1d. Environment protection (energetic passivity)                              |
| 2a. Employees (positive and knowledgeable employees)                          |
| 2b. Employees (nice working environment)                                      |
| 3a. Social (local and regional charity and other projects)                    |
| 3b. Social (charity and other projects out of the EU)                         |
| 4. Global protection of human rights  |
| 5. Fight against corruption, bribery and illegality                           |
| 6. R&D  |

assessment through categorical data method, i.e. by a test of statistical significance performed on categorical data aka data that can be placed into nominal categories (Franke et al., 2012). The software Statistika and the method of quantitative signs of the Pearson Chi-squared test were employed to analyze two dependencies and a statistical analysis of the table frequency. For each of the 3 hypotheses, this was done by the contingency table  $2 \times 2$  to observe the dependency between two quantitative values. The level of significance was set as  $\alpha = 0.05$ . The requirements for the use of the Pearson Chi-squared test were satisfied ( $n > 40$ ). The template for the contingency was as indicated in Tab. 4, while Sign A is the age (split 35–42 years and 43–50 years), Sign B is the confirmation/rejection of the given hypothesis

(B1 yes, B2 no) and the  $n$  is the total number of respondents returning questionnaire ( $n = 48$ ).

The equation for this formula regarding the quantitative signs of dependency of the Pearson Chi-squared test was as follows:

$$\chi^2 = \frac{n \cdot (ad - bc)^2}{(a + b) \cdot (c + d) \cdot (a + c) \cdot (b + d)}$$

and the three hypotheses were as follows:

- $H_1$  – My choice is influenced by the CSR of the business and this depends upon my age.
- $H_2$  – My choice is influenced by the values shared by the business and this depends upon my age.
- $H_3$  – My decision is the same now (November 2020) as it was in 2019 (before the COVID-19) and this depends upon my age.



Tab. 4: The template for the contingency table

| Sign A                | Sign B1 (yes) | Sign B2 (no) | Addition     |
|-----------------------|---------------|--------------|--------------|
| A1 (# of 35–42 years) | <i>a</i>      | <i>b</i>     | <i>a + b</i> |
| A2 (# of 43–50 years) | <i>c</i>      | <i>d</i>     | <i>c + d</i> |
| Total                 | <i>a + c</i>  | <i>b + d</i> | <i>n</i>     |

## 4 RESULTS

The dual and longitudinal research of the managerial and customers' attitude brought very colorful results offering an interesting critical comparison and perhaps bringing more questions than answers along with a worrisome message.

### 4.1 Managerial Attitude

The first empirical field search via a case study entailing mystery shopping and front-line employee's interviews took place in December 2019. The leitmotif was to obtain information about a luxury leather bag, A4 format, and about CSR in general. Tab. 5 summarizes the data extracted from these shop visits and informal interviews with open ended questions, i.e. how front-line employees present their business and its CSR and values, as processed by the simplified Delphi-method.

Manifestly, internal stakeholder's attitudes differ and front-line employees from various businesses demonstrate various attitudes to CSR categories. The shop observation as well as interviews point to a general preference for environment matters, especially animal welfare (expect Dolce Gabbana), and no interest by strongly advanced SDGs – Human Rights and Anti-Corruption. Sadly, even R&D gets but very little interest. Regarding holding group consistency, Kering is much better than LVMH. The international v. national dimensions are as well noticeable (LVMH, Kering v. Prada, Tod's and especially Dolce Gabbana).

The second empirical field search took place in August 2020 and had similar features as the search in December 2019 and it added a deeper focus on the CSR, value and the COVID-19 pandemic. Due to business operation restric-

tions, re-emerging COVID-19 issues and the manner of the performance of the field search, only 5 out of 10 businesses could be analyzed. Tab. 6 and 7 summarize the results as adjusted by the simplified Delphi-method.

Manifestly, the differences persist and the general trend is rather for more CSR and values (Christian Dior) than less (Dolce Gabbana). However, it is questionable if this rather positive evolution is due to an elimination of inappropriate employees (EF from Christian Dior) due to the COVID-19 pandemic than the pandemic itself. In this respect, it is highly relevant to observe the reaction to the COVID-19 pandemic in August 2020 (where no compulsory measures were imposed by the law), see Tab. 7.

All five businesses had disinfection liquids available at the door, but only in LV were the clients required to use them. Christian Dior seems to maintain the same portfolio of products and a usual increase in prices, but obviously COVID-19 has led to dramatic changes in customer care. The arrogant and supercilious attitude was abandoned and a general interest in CSR seems to have improved. The reduction of staff was obvious at LV and led to poor customer care, namely, despite there being but few customers, for over ten minutes no sales clerk was available. In Gucci, the staff admitted that, due to COVID-19 there was a reduction in product selection and an increased drive for online shopping. In Prada, it was seen that there was an increase in prices due to the COVID-19 pandemic and a reduction of staff was noticeable. The paralyzing effect of COVID-19 in financial and even non-financial spheres was ostensible in Dolce Gabbana, where any interest in products, sales and CSR seems to have totally evaporated.

Tab. 5: Front-line employee's attitudes to 6 CSR categories in December 2019

| Business        | Environment | Emp. Matt. | Social | HumRight | Anti-Corr | R&D |
|-----------------|-------------|------------|--------|----------|-----------|-----|
| Louis Vuitton   | ++          | +          | ++     | 0        | 0         | +   |
| Christian Dior  | ++          | +          | ++     | 0        | 0         | ++  |
| Fendi           | ++          | ++         | ++     | 0        | 0         | ++  |
| Bulgari         | ++          | ++         | ++     | 0        | 0         | ++  |
| Gucci           | +++         | ++         | +      | 0        | 0         | +   |
| Bottega Venetta | +++         | ++         | +      | 0        | 0         | +   |
| Prada           | +++         | ++         | +      | 0        | 0         | ++  |
| Dolce Gabanna   | 0           | +          | +      | 0        | 0         | +   |
| Tod's           | +           | +          | +      | 0        | 0         | +   |
| Furla           | +           | ++         | ++     | 0        | 0         | +   |

Tab. 6: Front-line employee's attitudes to 6 CSR categories in August 2020

| Business       | Environment | Emp. Matt. | Social | HumRight | Anti-Corr | R&D |
|----------------|-------------|------------|--------|----------|-----------|-----|
| Louis Vuitton  | ++          | +          | ++     | 0        | 0         | +   |
| Christian Dior | ++          | +++        | ++     | 0        | 0         | +++ |
| Gucci          | +++         | ++         | +      | 0        | 0         | +   |
| Prada          | +++         | 0          | +      | 0        | 0         | ++  |
| Dolce Gabanna  | 0           | 0          | 0      | 0        | 0         | 0   |

In sum, the determination regarding all six 6 CSR categories and related values, as solemnly proclaimed by the owners and top management (MacGregor et al., 2020a, 2020b), remain not fully reflected by the low management and front-line employees. Indeed, they continue to not share any interest in certain CSR categories (4. HRs, 5. anti-corruption) and are only moderately interested in the other CSR categories (2. empl., 3. social and 6. R&D). Nevertheless, as opposed to the field search in December 2019, significant changes occurred in three out of five examined businesses. Firstly, Christian Dior has dramatically improved, dropping their arrogant attitude and showing a genuine general CSR interest. Secondly, Prada made the

same direct statements, but mystery shopping revealed serious flaws even in the previously excellent category (2. empl.). Thirdly, Dolce Gabbana totally lost interest in CSR, and this both based on the direct information from interviews and on the indirect information implied by observation. It appears that these changes were caused rather by the consequences of the COVID-19 than the pandemic itself. It is worth noting that no business from the observed sample moved to either a price reduction or the incorporation of COVID-19 concerns in its business strategies and employee's attitudes. Well, this is one side of the coin, and what about another side of the coin – customers facing these front-line employees and their attitudes?

Tab. 7: Reaction to the COVID-19 pandemic in August 2020

| Business       | Disinfection | Face masks | Selection of product | Price | Customer care |
|----------------|--------------|------------|----------------------|-------|---------------|
| Louis Vuitton  | Available    | Yes        | N/A                  | N/A   | Poor          |
| Christian Dior | Available    | Yes        | Same                 | Rise  | Excellent     |
| Gucci          | Available    | Yes        | Reduced              | Same  | Very good     |
| Prada          | Available    | Yes        | Reduced              | Rise  | Good          |
| Dolce Gabanna  | Available    | No         | Reduced              | Same  | Very poor     |

## 4.2 Customer's Attitudes

In November, 2020, 24 respondents aged 35 to 42 years and 24 respondents of aged 43 to 50 years returned the completed questionnaires and so allowed the further confirmation and/or rejection of the 3 given hypotheses. The Pearson Chi-squared test processing information and contingency tables for each of these 3 hypotheses are as follows.

- $H_1$  – My choice is influenced by the CSR of the business, i.e. how the business and its TM actively support sustainability as translated in 6 CSR categories and this depends upon my age.
- $H_0$  – There is not any dependence between these signs, i.e. respondents do not reflect the CSR of the given business.

Tab. 8: The contingency table for  $H_1$

| Sign A                | Yes | No | Addition |
|-----------------------|-----|----|----------|
| A1 (# of 35–42 years) | 10  | 14 | 24       |
| A2 (# of 43–50 years) | 12  | 12 | 24       |
| Total                 | 22  | 26 | 48       |

The value of the Pearson Chi-squared is  $\chi^2 = 1.166$  (converted 0.335) and the level of significance is  $\alpha = 0.05$ , i.e.  $\chi_{0.05(1)}^2 = 0.335$  (converted 3.841). Since  $\chi^2 < \chi_{0.05(1)}^2$ ,  $H_0$  is not rejected  $\Rightarrow$  there is no dependence between signs and respondents, based on their age, do not consider the CSR of the given business during their selection.

- $H_2$  – My choice is influenced by the values shared by the business, i.e. values actively endorsed and advanced by the business and this depends upon my age.
- $H_0$  – There is not any dependence between these signs, i.e. respondents do not reflect values proclaimed by the given business.

Tab. 9: The contingency table for  $H_2$

| Sign A                | Yes | No | Addition |
|-----------------------|-----|----|----------|
| A1 (# of 35–42 years) | 10  | 14 | 24       |
| A2 (# of 43–50 years) | 17  | 7  | 24       |
| Total                 | 27  | 21 | 48       |

The value of the Pearson Chi-squared is  $\chi^2 = 1.166$  (converted 4.148) and the level of significance is  $\alpha = 0.05$ , i.e.  $\chi_{0.05(1)}^2 = 4.148$  (3.841). Since  $\chi^2 < \chi_{0.05(1)}^2$ ,  $H_0$  is rejected  $\Rightarrow$  there is dependence between signs and respondents, based on their age, i.e. younger respondents care even less than older respondents about the values of the given business during their selection.

- $H_3$  – My decision is the same now (November 2020) as it was in 2019 (before the COVID-19) and this depends upon my age.
- $H_0$  – There is not any dependence between these signs, i.e. respondents decide differently – their decision making has changed between December 2019 and November 2020.

Tab. 10: The contingency table for  $H_3$

| Sign A                | Yes | No | Addition |
|-----------------------|-----|----|----------|
| A1 (# of 35–42 years) | 11  | 13 | 24       |
| A2 (# of 43–50 years) | 19  | 5  | 24       |
| Total                 | 30  | 18 | 48       |

The value of the Pearson Chi-squared is  $\chi^2 = 1.166$  (converted 5.688) and the level of significance is  $\alpha = 0.05$ , i.e.  $\chi_{0.05(1)}^2 = 5.688$  (3.814). Since  $\chi^2 < \chi_{0.05(1)}^2$ ,  $H_0$  is rejected  $\Rightarrow$  there is dependence between signs and especially younger respondents decide differently, i.e. their decision making has changed between December 2019 and November 2020.

These results need to be appreciated in the context of additional information provided by the questionnaire investigation. Firstly, 65% of respondents have already purchased merchandise in the value of at least CZK 10 thousand from these luxury fashion businesses in Pařížská street. Secondly, the most favorite are Louis Vuitton, Prada and Christian Dior. Thirdly, over 93% of them consider during the selection process their customer experience, but only 35% of them are concerned regarding possible scandals and inconsistencies. Fourthly, the most important CSR concerns are, for them, the animal welfare, protection of rain forests and employee's care. In contrast, only a little interest is generated by the engagement in the fight against the COVID-19, social concerns and

human rights protection, while research and development and fights against corruption and bribery are almost ignored.

Hence, the message can be summarized – customers assign a rather small and diverse importance to the CSR and values shared by the businesses and, although their decision making has changed due to COVID-19 (especially

by younger respondents), the engagement of the pertinent business in the fight against COVID-19 is, for customers, basically irrelevant. Further, sadly, younger respondents care less about values than older respondents. Generally, the direct hands-on personal experience, often earned based on the face-to-face meeting, prevails.

## 5 DISCUSSION AND CONCLUSIONS

The confrontation of the achieved results regarding low-managerial attitudes with customer's attitudes and ultimately with previously published papers, reveal a set of rather surprising and worrisome revelations calling for further verification, explanation and mitigations. Indeed, the significance of CSR during the COVID-19 Pandemic in the Luxury Fashion Industry as shown by the Front-Line Case Study involving front-line employees and their potential clientele remains very fragmented, diversified and not aiming towards the values as conventionally expected and advanced by the EU. Indeed, despite inherent limitations, especially due to the limited size (10 businesses and 48 fully replying customers) the study sheds a new light in the field and reveals discrepancies and a lack of readiness to embrace COVID-19 as an opportunity to move to the sustainable entrepreneurship. The cliché that “crises magnifies the prior difference” appears all too true in regard to the CSR attitude in the luxury fashion industry, at least if a bottom-up perspective is employed. However the proposition that “crises bring new opportunities” seems not matching here.

The number of customers and their readiness to spend money for luxury products in Prague has decreased for a myriad of reasons and perhaps the most significant is the reduction of the flow of tourists. In such a context, it might be expected that these businesses would try to address these challenges by new special editions of products and an appeal for shared sustainable values (Chandler, 2017; Ujwary-Gil, 2017) and CSR in general. One might expect, even more, that these businesses will return,

in a modern manner, to their very roots and attempt to combine digitalization and global demands with the commitment to maintain an illustrious quality (Olšanová et al., 2018), high value recognition and implied scarcity. Based on the well-established dynamics of modern entrepreneurship (Drucker, 2015), it might be expected that a transformation will occur, resulting in new trends for a sustainable luxury fashion industry.

All wrong, the impact of COVID-19 on the CSR attitude in the luxury fashion industry, at least at the lowest level, is not perceived as an opportunity for a transformation towards a sustainable entrepreneurship pro-actively embracing CSR. The proclamation of Ursula von der Leyen “We must not hold on to yesterday's economy as we rebuild” (European Commission, 2020c) is well conceived and ill received. Regarding the four open-ended questions, the following responses of front-line management based on the case study in December 2019 and August 2020 can be offered:

- a) the competitive advantage of our product is due to the outstanding material, hand processing in Italy, a long tradition and great care of animals;
- b) our brand has historic roots, is linked to celebrities and high quality, occasionally as well to charity;
- c) sustainability is not critical for us, we are moving against using animal fur and for saving energy and that is that;
- d) there is a staff reduction, price increases and our future is threatened, we do not like that and generally do not know what to do.

Well, the COVID-19 problem is not about to be solved here, instead it appears that it creates a set of other problems which could turn out to be, perhaps, even more dangerous. If even the internal stakeholders do not follow the same values, ideally compatible with the CSR, then there is very little hope left and older studies suggesting the contradiction between luxury and sustainability should be resurrected and revisited (Achabou and Dekhili, 2013). Further, this confirms prior research regarding both managers and consumers suggesting that business ethics and CSR are perhaps close, but for sure still sufficiently distinct (Fischer, 2004), and the links between them (Weller, 2020; Ferrell et al., 2019) as well as their relationships to business operations per se and profit maximization remains unclear (Diallo et al., 2020). To put it differently, the old question re-emerges – if the value co-creation is dropped, then why have a luxury fashion industry at all? This is extremely worrisome and touches upon the *raison d'être* of the luxury industry and perhaps even the modern concept of CSR. The performed study during the COVID-19 pandemic in Prague surprisingly suggests that customers care less than expected regarding CSR and values of these luxury fashion businesses.

Specifically, customers assign a rather small and diverse importance to the CSR and values shared by the businesses and, although their decision making has changed due to the COVID-19, the engagement of the pertinent business in the fight against COVID-19 is, for customers, basically irrelevant. Processing of stated hypotheses led to disappointing CSR results – neither CSR nor values of the business play a significant role in decision making by respondents ( $H_1$ ,  $H_2$ ) and younger respondents seem to care even less than older ones while being more prompt to modify their decision making process due to the COVID-19 ( $H_3$ ). These findings contradict the, so far, prevailing general pro-CSR tenor (Chandler, 2017; Rowley and Berman, 2000; Ting et al., 2019; Ujwary-Gil, 2017) and support the more cautious academic stream stressing that only effective, efficient, perfectly tailored and communicated CSR

is relevant, otherwise it is a waste (Barnett, 2007; Scherer and Palazzo, 2011). As a matter of fact, these findings are totally compatible with the proposition that the discrepancies in the CSR-attitude undermines the CSR potential to improve financial and even non-financial performance (Rodríguez-Fernández, 2016) and that even a well selected and homogeneously applied CSR is prone to be futile, if not properly communicated at large to all stakeholders (Turcu, 2015).

A detailed elaboration of results of the performed case study points out that the direct hands-on personal experience, often earned based on the face-to-face meeting in luxury fashion boutiques in Pařížská, prevails. Hence luxury fashion customers in Prague agree, or at least are not insulted, with front-line employees stressing (a) outstanding materials, high quality and animal welfare along with (b) historic production roots, and (c) underplaying sustainability. Perhaps they share their (d) passive resignation bordering with nihilism. Czech low management and consumers fit in the picture presented by the academic stream proposing that sustainability is not perceived as an intrinsic element of a luxury product (Achabou and Dekhili, 2013; Davies et al., 2012; Kapferer and Michaut, 2015; Ki and Kim, 2016) and that there are dramatic differences in the perception of certain luxury businesses and brands (Diallo et al., 2020). This lends even more relevance to, so far, underplayed prior studies, such as about the fit between luxury and sustainability for different types of products, which found greater fit for enduring rather than ephemeral products – e.g. jewelry made from extremely rare materials was perceived as more sustainable than clothing (Janssen et al., 2013). It will be highly interesting to observe how this will work for luxury handbags in the future, because some luxury fashion businesses are completely departing from high quality rare materials (e.g. Prada and Gucci dropping exotic fur) and rather opt for non-lavish and arguably strongly pro-sustainability materials (e.g. Prada using old fishing nets and artificial fur).

In sum, the performed front-line case study contributes to the, so far, split theory about the

general (in)significance of the CSR in four directions. Firstly, it supports the, as yet, minority academic stream calling for a more cautious and lean approach (either effective, efficient, perfectly tailored and well-communicated CSR or no CSR at all). Secondly, it proposes that CSR is moderately significant during the COVID-19 pandemic in the Luxury Fashion Industry. Thirdly, it argues there are basically no signs about the synergy effect of SDGs and about the drive to use the crisis as an opportunity to “get better”, regardless if this would mean being ‘more green’ (EU commission) or more effective and efficient (Drucker theory) or closer to fundamental values (ethics). Fourthly, it moves to a *prima facie* controversial proposition that front-line employees and customers care little for sustainability and once the halos of the top quality and perfect customer service extinguish, then even the lights in the shops in Pařížská street should turn off. The rather vain luxury fashion industry can vainly hope to avoid a downfall in such an idle futility and business relic anachronism. And if the CSR and values are not the priority for those by whom it might be expected to go for it the most, then what about the rest?

These are serious propositions contributing to the current theory and practice and they potentially shake the, so far, prevailing academic stream. At the same time, it must be emphasized that these propositions have inherent limitations and call for further studies. Firstly, the group of top luxury fashion businesses and respondents needs to be expanded. Secondly, it would be illustrative to consider as well the attitudes of the front-line management of these businesses in other countries, in order to check out whether we deal with national particularities or global trends. Thirdly, the longitudinal aspect deserves further expansion and so it would be highly relevant to see further trends by performing a similar case study in six months and in one year, for example. Fourthly, it appears relevant to, next year, explore the CSR reports of these businesses and their Codes of Ethics, so as to see how the top management evolved (however this data will not be available before the Summer of 2021).

Despite these limitations, we strongly believe that this study presents the real situation and is a great second step in the pioneering endeavor to map the (lack of) transformation of the CSR-attitude due to the COVID-19 pandemic in the luxury fashion industry.

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