

ΠΑΝΤΕΙΟΝ ΠΑΝΕΠΙΣΤΗΜΙΟ ΚΟΙΝΩΝΙΚΩΝ ΚΑΙ ΠΟΛΙΤΙΚΩΝ ΕΠΙΣΤΗΜΩΝ

---

PANTEION UNIVERSITY OF SOCIAL AND POLITICAL SCIENCES



SCHOOL OF INTERNATIONAL STUDIES COMMUNICATION AND CULTURE

DEPARTMENT OF INTERNATIONAL, EUROPEAN AND AREA STUDIES & DEPARTMENT OF  
COMMUNICATION, MEDIA, AND CULTURE

INTERDISCIPLINARY POSTGRADUATE STUDIES PROGRAMME

«DIGITAL TRANSFORMATION: E-DIPLOMACY, E-CAMPAIGNING AND DIGITAL LAW»

SPECIALIZATION: E-CAMPAIGNING

Crisis Communication in Luxury Branding: Managing Digital Reputational Risks in the  
Social Media Era

MASTER'S DISSERTATION

Maria Papageorgiou

Athens, 2025

Examination Committee

Betty Tsakarestou, Associate Professor, Panteion University (Supervisor)

Vasileios Roungas, Assistant Professor, Panteion University



Copyright © Maria Papageorgiou, 2025

All rights reserved. Με επιφύλαξη παντός δικαιώματος.

Απαγορεύεται η αντιγραφή, αποθήκευση και διανομή της παρούσας διπλωματικής εργασίας εξ ολοκλήρου ή τμήματος αυτής, για εμπορικό σκοπό. Επιτρέπεται η ανατύπωση, αποθήκευση και διανομή για σκοπό μη κερδοσκοπικό, εκπαιδευτικής ή ερευνητικής φύσης, υπό την προϋπόθεση να αναφέρεται η πηγή προέλευσης και να διατηρείται το παρόν μήνυμα. Ερωτήματα που αφορούν τη χρήση της διπλωματικής εργασίας για κερδοσκοπικό σκοπό πρέπει να απευθύνονται προς τον συγγραφέα.

Η έγκριση της διπλωματικής εργασίας από το Πάντειον Πανεπιστήμιο Κοινωνικών και Πολιτικών Επιστημών δεν δηλώνει αποδοχή των γνώμων του συγγραφέα.

### **Statement of non-plagiarism and assumption of personal responsibility**

I declare that the work submitted is the result of my original research and does not use third party intellectual property or texts produced by AI applications without the necessary citations. In addition, I assume all legal and administrative consequences resulting from plagiarism.

To my beloved parents and friends, for their endless support.

## **Abbreviations**

SCCT: Situational Crisis Communication Theory

IRT: Image Repair Theory

LVMH: Moët Hennessy Louis Vuitton

ESG: Environmental, Social, Governance

CSR: Corporate Social Responsibility

## **Acknowledgments**

I would like to sincerely thank my supervisor for her constructive guidance and insightful feedback throughout the structuring and completion of this thesis.

## Table of Contents

<b>Statement of non-plagiarism and assumption of personal responsibility</b> .....	3
<b>Abbreviations</b> .....	5
<b>Acknowledgments</b> .....	6
<b>Table of Contents</b> .....	7
<b>Abstract</b> .....	9
<b>Introduction</b> .....	10
<b>Literature Review</b> .....	14
2.1 The concept and evolution of luxury.....	14
2.1.1 Traditional luxury.....	14
2.1.2 Evolution of luxury consumption.....	15
2.2 Luxury and sustainability: From contradiction to compatibility.....	17
2.2.1 The perceived paradox between luxury and sustainability.....	17
2.2.2 Shifting consumer expectations and the role of sustainability.....	18
2.2.3 Sustainability as an extension of the luxury essence.....	19
2.2.4 Examples of sustainable luxury practices.....	20
2.2.5 Sustainability, reputation, and risk.....	21
2.3 CSR and ESG in the luxury context.....	21
2.3.1 Corporate Social Responsibility (CSR).....	21
2.3.2 Environmental, Social, and Governance (ESG).....	22
2.4 Crisis communication and reputation management.....	23
2.4.1 Defining crisis and organizational readiness.....	23
2.4.2 Phases of crisis management.....	24
2.4.3 Attribution Theory.....	26
2.4.4 Situational Crisis Communication Theory (SCCT).....	27
2.4.5 The role of social media in crisis communication.....	28
2.5 Image Repair Theory.....	29
2.5.1 Theoretical foundations.....	29
2.5.2 Image repair in the digital era.....	30
2.5.3 Application to luxury branding.....	31
2.5.4 Synthesis and implications.....	31
<b>Methodology</b> .....	32

<b>Case studies</b> .....	35
1. Introduction.....	35
2. Background: Loro Piana’s heritage, identity, and position in luxury .....	35
3. The Italian labor exploitation scandal (2025) .....	36
4. The Peruvian vicuña controversy (2024) .....	40
<b>Discussion</b> .....	43
4.1 Conceptual framing: Luxury, sustainability, and crisis .....	43
4.2 Redefining luxury: heritage, ethics, and sustainability .....	44
4.3 Stakeholders’ expectations from ethical luxury .....	46
4.4 Interpreting Loro Piana’s crises through SCCT and IRT.....	48
4.5 LVMH and corporate governance challenges in luxury .....	49
4.6 Media framing and the construction of public meaning.....	52
4.7 Toward trust repair: challenges and opportunities .....	53
<b>Contribution to the research field</b> .....	56
<b>Future research</b> .....	56
<b>Epilogue</b> .....	57
<b>References</b> .....	58

### List of Figures

Figure 1. Chronological overview of the 2025 labor crisis involving Loro Piana in Italy.....	38
Figure 2. Chronological overview of the 2024 vicuña sourcing controversy involving Loro Piana in Peru .....	43

## **Abstract**

This thesis examines how luxury brands attempt to rebuild trust and restore their reputation after a crisis having to do with ethics and sustainability-related challenges, also jeopardizing their very identity and core values. As the criteria that shape luxury have been redefined, prioritizing sustainability and transparency over aesthetics, stakeholders now evaluate luxury brands based on their moral commitments and actions. To indicate these shifts, Loro Piana will be leveraged as a case study. More specifically, two crises of the brand will be analyzed: the 2025 Italian labor exploitation case, concerning subcontracting practices in illegal workshops, and the 2024 case, regarding the inequitable compensation of indigenous communities producing Loro Piana's most precious fiber.

This study employs Situational Crisis Communication Theory (SCCT) and Image Repair Theory (IRT) to analyze stakeholders' attribution of responsibility, as well as Loro Piana's responses and media framing, through qualitative media analysis. The findings indicate that the denial strategies of the Maison concerning the crises, contradicted stakeholders' expectations for essential corrective action and transparency within the brand, thus reinforcing the suggestion of vulnerable governance structures within Loro Piana's mother company, LVMH.

*Keywords:* Luxury redefinition, Loro Piana, ESG, LVMH, corporate governance

## Introduction

Luxury. An ambiguous and individualized concept, associated in common knowledge with prestige, appearances, and -quite often- superficiality. Still, during the last couple of years, luxury has undergone a profound redefinition. Today, when we speak of refined and genuine luxury, we no longer solely refer to its distinctive characteristics of craftsmanship, heritage, and unparalleled quality; new, once phenomenally incompatible concepts with the unrestrained world of luxury have come into the spotlight. Concepts such as sustainability, ethics, experiences, and transparency have entered the luxury industry's once-exclusive domain, becoming contemporary luxury's defining forces. This shift highlights a wider social transition: stakeholders nowadays demand ethical practices, making sustainability not merely a charming add-on but a prerequisite that further enhances the high-quality nature of the luxury product and adds to its symbolic value. Consumers increasingly perceive luxury consumption not as a lifestyle activity, but as a meaningful experience, expecting the brands they choose to mirror their ethical and sustainable values. Nowadays, luxury brands are increasingly held accountable by stakeholders, who demand full transparency and knowledge regarding how, under what conditions, and through which processes a product arrives in their hands. Sustainability, ethics, and essential consumer experiences are an integral part of luxury, validating its authenticity and credibility. Additionally, this triad also acts as the main axis through the lens of which this thesis is conducted, which in turn examines how this triad (sustainability-ethics-and experiences) frames the expectations through which luxury brands are interpreted and judged, especially when crises and tensions regarding ethical issues arise.

Furthermore, crises are of particular interest in the field of luxury, where the role of authenticity and trust is a crucial aspect of its value and heritage. More broadly, crises across industries usually concern operational lapses, often exposing and revealing the misalignment of certain brand practices with their ethical and sustainable commitments. In luxury, however, the threats of a crisis require extra masterful handling, as they challenge not only the products but the very characteristics that put the brand in a

privileged position; they destabilize its heritage and the long-established relationship of trust it has built with stakeholders through its deliverables. Moreover, a crisis related to ethical sustainability issues extends beyond challenging the brand's reputation. It destabilizes and contradicts the very core of the brand's luxury nature, in an industry where delivery of excellence in every aspect is, in fact, a prerequisite. Within this context, crisis communication theory, and more specifically, Situational Crisis Communication Theory (SCCT) and Image Repair Theory (IRT), provide the theoretical framework, in order to comprehend how stakeholders attribute responsibility, also suggesting strategies that brands could leverage to defend their credibility and reputation.

More specifically, the Loro Piana crises, which this thesis examines, constitute a characteristic example of the dynamics mentioned above. A Maison with a heritage of over a hundred years, Loro Piana has established a leading position in what defines quiet luxury. Synonymous with excellent craftsmanship and pure materials, Loro Piana has cultivated an image of authenticity and trust. Nevertheless, the acquisition of the brand by the French leading luxury conglomerate LVMH placed Loro Piana within a completely different operational concept. The brand went from being run by a family to being part of a conglomerate, with intricate supply chains and demands for production of more products in a shorter timeframe. A turning point for Loro Piana, the LVMH acquisition may have presented it with new vulnerabilities, foreign to a previously family-run brand. The very moment that appeared to be the Maison's peak, being part of the leading luxury conglomerate, could have presented it with weaknesses – a paradoxical moment for the brand, balancing between success and vulnerability.

These vulnerabilities could be argued to have contributed to the emergence of the two consecutive crises, which we will examine in this thesis, in 2025 and 2024. The analysis will begin with the latest of the two cases, regarding labor exploitation in subcontracted workshops in Italy, and will continue with the 2024 case, which concerns inequitable compensation of the indigenous community producing Loro Piana's most emblematic, luxury material. The Loro Piana cases were chosen as a starting point, as

they highlight ethical and governance challenges, and are related to a broader supply chain oversight challenge within the luxury industry. The analysis begins with the most recent crisis, in order to underline the continuity of the issues examined, showing a progressive development in accordance with the previous crisis. Both crises came in contrast with Loro Piana's core values: craftsmanship and authenticity, thus challenging the brand's ethical commitments. Additionally, the fact that Loro Piana was acquired by LVMH raised questions about governance within the conglomerate, making stakeholders consider that the crisis was not entirely Loro Piana's responsibility.

In this context, this thesis examines the ways luxury brands seek to protect and restore their reputation when confronted with sustainable and ethical-related crises. Additionally, it aims to explore how the redefinition of luxury through sustainability and ethics has shaped and redefined stakeholders' expectations, as well as how responsibility is attributed when such crises come to light. Also, SCCT and IRT theories will be leveraged to interpret how effectively Loro Piana handled its recent (2025 and 2024) crises.

As a result, the research question of this thesis is: How do luxury brands navigate and attempt to restore their ethical identity and reputation when sustainability and ethics-driven crises challenge their core values?

Moreover, methodologically, this thesis employs qualitative media analysis. Taking into account the crucial role of the media in these crises, the contribution of esteemed international news outlets to the narrative concerning the Loro Piana crises will be examined. Additionally, the crisis communication strategies of the two Loro Piana cases will be analyzed through Situational Crisis Communication Theory (SCCT) and Image Repair Theory (IRT). By employing this methodology, we will gain a better understanding of the brand's responses, as well as how narratives of responsibility and credibility are shaped in the public sphere.

Finally, it examines how the concepts that once monopolized luxury (i.e., heritage, exclusivity, craftsmanship) coexist with stakeholders' demand for sustainability, transparency, and ethics. In addition, it is argued that Loro Piana's cases are not merely

to be seen as operational lapses, but as events that reveal how sensitive contemporary luxury can become when its very foundations are compromised. These case studies further underline the shift in luxury; the future of luxury depends not only on aesthetics but is inextricably linked to sustainability and ethics.

The structure of this thesis, following the introduction, continues with a literature review on the evolution of luxury, the role of sustainability and ethics in the redefinition of luxury, the integration of ESG and CSR in the luxury industry, and crisis communication, focusing on Attribution Theory, Situational Crisis Communication Theory, and Image Repair Theory. Then, it continues with methodology, followed by an analysis of the two Loro Piana crises. Then follows the section encompassing the discussion of this thesis, followed by directions for future research, and the conclusion.

## Literature Review

### 2.1 The concept and evolution of luxury

#### 2.1.1 Traditional luxury

Ever since the beginning of time, luxury has consistently exerted a particular allure for people of all backgrounds. Synonymous with exclusivity, premium craftsmanship, and heritage, luxury was historically available only to the affluent few who could afford such expenditures, thus acquiring a more socially distinctive character.

Moreover, a plethora of definitions regarding luxury has been proposed. More specifically, Berry (2022) reframes the philosophical foundations of luxury and argues that luxury exceeds its utilitarian dimension, symbolizing social distinction as well. Similarly, Achabou and Dekhili (2013) also underline the psychological satisfaction that the purchase of luxury products offers to consumers. At the same time, according to De Barnier et al. (2012, as cited in Kapferer & Michaut-Denizeau, 2014), luxury is characterized by particular elements that set it apart from other goods that are deemed “exclusive”, these being superior quality, delivered through craftsmanship and durability, a hedonistic nature aligned with beauty and pleasure, a certain level of exclusivity that creates a sense of inaccessibility, selective distribution, limited availability, and a higher cost compared to basic goods, as well as an artistically innovative nature. In the same context, Ko, Costello, and Taylor (2019) describe luxury as a concept with multiple definitions that is relative, has evolved over time, and is open to new interpretations. Likewise, according to Kunz, May, and Schmidt (2020), what is perceived as a luxury product by each consumer is subjective, since what constitutes luxury and necessity varies from person to person.

Originally, luxury was delivered by skilled artisans to the few. However, nowadays, with the further expansion of the luxury sector (varying from apparel to transportation, hospitality, etc.), a plethora of new brands have emerged, aiming to deliver the desired sense of luxuriousness to consumers. More specifically, according to Kapferer and Michaut-Denizeau (2014), ever since the 1990s and with the entrance of investors and conglomerates into luxury brands, a massification of luxury has been

taking place. As a result, a greater number of people wish to acquire luxury products, in order to feel that they belong to a privileged category of people, with luxury brands aiming to satisfy that need by creating more affordable lines, using materials of inferior quality. All of the above contradicts the basic principles of luxury by delivering inferior quality and craftsmanship.

In the early industrial and modern eras, luxury goods were reserved for the few, being synonymous with flamboyance and opulence. The acquisition of such goods was synonymous with success and social mobility, a symbol of prominence and prestige. These superfluous and excess characteristics, traditionally attributed to luxury, make luxury phenomenally distant from concepts like sustainability and moderation (Kapferer and Michaut 2015), which will be examined later on in this chapter.

Nevertheless, with the passage of time and with the evolution of society as a whole, the traditional and conventional concept of luxury has been redefined, in order to better encompass the influence and change brought about by technology and social and environmental consciousness (Shukla, Rosendo-Rios, Dubois, Valette-Florence, & Stathopoulou, 2025). The aforementioned factors democratized luxury, making it more accessible to consumers, and contributed to how luxury has evolved from the purchase of products to the acquisition of experiences, or, as Ozdamar-Ertekin (2019) so aptly notes, from “having” to being.

### **2.1.2 Evolution of luxury consumption**

In recent years, a revolution of what we once knew as luxury has been taking place. Societal values are being entirely transformed towards more humane directions, having a direct impact on consumers. Nowadays, new layers are constantly being added to what we once defined as luxury, directly influenced by the transformation of society as a whole (Shukla et al., 2025). As a result, consumers have become more selective in acquiring luxury products and, at the same time, more sensitive towards ethical and environmental issues. Ostentatious displays of wealth and excessive displays of branding have now given way to a more refined and conscious approach towards luxury (Keinan

et al., 2020). The consumers' values have shifted. They are now better informed about controversial issues, and they have certain standards they expect to be met by the brands of their choice. As Cvijanovich (2011), (as cited in Hennigs, Wiedmann, Klarmann, and Behrens 2013) noted, we have moved from "conspicuous" to "conscientious" consumption.

This evolutionary shift towards how we perceive luxury has been primarily attributed to the younger generations of consumers and especially Millennials (Keinan et al., 2020), but to the so-called Generation S as well (people not defined by their date of birth, but by their commitment to a more sustainable future, Eccles, 2015)

For them, the consumption of luxury products is not a symbol of status or belonging to a certain elite, but a form of self-expression. They wish for ethically crafted products that align with their own values and identity. Furthermore, Millennials have moved away from simply buying mere products, no matter how luxurious they are. They seek meaningful experiences, adding another layer to the once materialistic concept of luxury. Taking all the above points into account, Keinan et al., (2020) point that the younger generations shape the future of luxury consumption and thus luxury brands are aiming to move from the past to the future, satisfying the demands of the consumers for a more ethical, culturally relevant, transparent and sustainable approach towards luxury that goes beyond a language of prestige, to the expression of one's own identity. Moreover, taking all these changes into account, Keinan et al. (2020) refer to the emergence of a new form of "purpose economy", aiming for the perseverance of conscious production in luxury, along with profitability.

Additionally, the digital revolution has also played a major role in altering luxury as we knew it. Traditional luxury characteristics, such as limited accessibility, have been altered. Digital advancements have brought new perspectives into the luxury experience, such as e-commerce, social media, and digital branding, further renewing the shopping experience. Additionally, social media has also contributed greatly to democratizing access to luxury, improving consumer engagement, and playing a major role in constructing the brand's identity (Shukla et al., 2025).

Thus, contemporary consumers are co-creators of the meaning of luxury. In contrast to the traditional essence of luxury, larger audiences now play an important part in how luxury is perceived. The consumers' growing awareness regarding ethical and social issues, as well as their preference for quiet and sustainable luxury, has altered the meaning of luxury, moving from luxury as we knew it to the "modern" or "new" luxury (Shukla et al., 2025). As Keinan et al. (2020) point out, luxury brands are becoming more innovative and creative to satisfy the growing demands of consumers. Therefore, luxury brands must now balance their brand's heritage, history, and craftsmanship with the growing demand for transparency, ethical responsibility, and sustainability. This dynamic shift has led scholars as Achabou and Dekhili (2013) to question whether these terms, luxury and sustainability, so seemingly contradicting, can truly coexist, a topic we'll further analyze in the following sections.

## **2.2 Luxury and sustainability: From contradiction to compatibility**

### **2.2.1 The perceived paradox between luxury and sustainability**

Sustainability is a crucial issue of our time, which concerns a plethora of different sectors and is highly prioritized on the political agenda. As was emphasized in the 2013 United Nations Climate Summit, it is a major need that the economy of the future is developed in a sustainable way. Moreover, the 2016 Paris Agreement further highlighted the importance of sustainable consumption (Keinan et al., 2020). Before proceeding further with the connection between luxury and sustainability, it is worth defining this concept, which will be examined in this section. The World Commission on Environment and Development (1987) defined sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Kapferer & Michaut-Denizeau, 2014). Ever since, plenty of new layers have been added to that definition, such as equality and inclusiveness (Galdwing et al., as cited on Kapferer & Michaut-Denizeau, 2014).

Even putting sustainability and luxury in the same sentence was perceived for decades as an oxymoron. As Ozdamar-Ertekin (2019) points out, how does the

ostentatious, superficial indulgence and frivolous nature of luxury harmonically coexist with the altruistic, ethical, and sober nature of sustainability (Achabou & Dekhili, 2013; Al-Issa, 2024; Kapferer & Michaut-Denizeau, 2014; Keinan et al., 2020)? The luxury industry is a vast sector that includes a variety of industries, ranging from fashion, cosmetics, and food to vehicles, hospitality, and travel. Furthermore, the luxury sector has always striven to satisfy all the needs of its customers and meet all their expectations. One can therefore understand that in a sector that has been so much associated with a lifestyle that is synonymous with consumption, aiming to satisfy all the needs of such demanding consumers in a way that could be harmful for the environment, if not done in a sustainable manner (Keinan et al., 2020).

In contrast to the aforementioned dichotomy, there are several atemporal arguments, that plenty of the characteristics of luxury goods align with sustainability. More specifically, the timeless craftsmanship of luxury products has been passed down from one generation to another, while also preserving artisan methods from local communities, and is in an indirect way linked to sustainability (Kapferer & Michaut-Denizeau, 2014). Furthermore, the durability and longevity of luxury products, as well as the slow pace of their production, align with sustainable practices as well (Ozdamar-Ertekin, 2019). As Kapferer & Michaut-Denizeau (2014) conclude, sustainability is nowadays an element that is synonymous with quality, which further enhances luxury. Additionally, as Hennigs et al. (2013) write, sustainability should be perceived as an opportunity for luxury brands, as it differentiates them and further enhances their value. Moreover, as Achabou and Dekhili (2013) point out, in an era where the brand name alone is not enough, luxury brands must incorporate ethical and environmental values, in order to build a lasting relationship with their consumers. After all, as Keinan et al. (2020) point out, anything that pollutes cannot be perceived as high quality at all.

### **2.2.2 Shifting consumer expectations and the role of sustainability**

As already mentioned above, several factors have contributed to the emphasis being placed on the implementation of sustainable practices in the luxury sector. The need for

sustainability, as expressed by officials and by consumers as well, made brands implement sustainable practices. However, an attitude-behaviour gap has been identified by Kapferer and Michaut-Denizeau (2014), since consumers appear to be prioritizing aesthetics instead of looking for the implementation of sustainable practices when buying luxury goods. The researchers speak of selective avoidance, so as not to ruin the dreamlike experience of luxury shopping and the so-called “luxury to escape” from everyday hardships, with information about possible harm being caused (Keinan et al., 2020). To quote the CEO of LVMH, Bernard Arnault, luxury is “The ordinary of the extraordinary people and the extraordinary of ordinary people” (Kapferer and Michaut-Denizeau, 2014).

Still, according to Kapferer and Michaut-Denizeau (2014), the fact that sustainability is not the first factor consumers take into account does not undermine their concern for the implementation of sustainable practices. In fact, consumers appear to believe that it is expected that luxury brands comply with the ethical and responsible standards, as they expect them to be exemplary in every aspect. In addition, in the cases that consumers become aware of the adoption of unethical and environmentally harmful practices by brands, they often proceed to boycott and express negative reactions (Kapferer and Michaut-Denizeau, 2014).

### **2.2.3 Sustainability as an extension of the luxury essence**

Sustainability further enhances the very essence of luxury. The very own values of sustainability bring luxury back to its original roots and reconnect it with authenticity, local craftsmanship, and respect for human and natural resources. As Fiorani, Bosco, & Gerio (2022) mention, sustainability can harmoniously coexist with luxury, but still, brands should not overlook how to preserve their own identity and heritage and balance it with sustainability and innovation.

It is particularly interesting to note not only how luxury brands have evolved in embracing sustainability, but also how this redefinition could set a certain example to be followed by other sectors. Luxury brands, according to Kapferer and Michaut-Denizeau

(2014), have always been trendsetters of their own, often imitated by others. Therefore, their initiative to adopt ethical and sustainable practices, as well as their initiatives towards more conscious and transparent sourcing, manufacturing, and distribution of products, could inspire other sectors (Fiorani et al., 2022).

#### **2.2.4 Examples of sustainable luxury practices**

According to Kapferer and Michaut-Denizeau (2014), one could easily question how luxury could come out of sustainability, especially when, in the past, prestigious brands have become synonymous with leather or fur products. Still, there are characteristic examples of brands and luxury conglomerates that have integrated ethical and sustainable practices into their agenda and goals, making them their utmost priority.

For instance, Stella McCartney is a pioneering example of ethical consciousness, as she led the way for sustainability incorporation, becoming the first large-scale luxury brand globally to fully commit to sustainability (Ozdamar-Ertekin, 2019). Being a vegetarian brand at its core, Stella McCartney adopted transparency and ethical practices, developing substitute materials of high quality and excellent craftsmanship, instead of using animal-derived products. Her products retain all the characteristics of luxury, thus putting an end to the conversation around how sustainability lacks quality and aesthetics, and proving that luxury can be sustainable (Keinan et al., 2020).

Furthermore, leading conglomerates in the luxury sector, such as Kering and LVMH, have taken a leading role in implementing Environmental, Social, Governance (ESG) and ethical labor practices, aiming to make their company a leading example in the field of sustainability. Both conglomerates focus on transparency, the sustainable turnaround of factories, carbon emissions, etc. (Fiorani et al., 2022). More specifically, LVMH launched the Life 2020 program, aiming to protect biodiversity, take action against climate change, promote the circular economy, and adopt transparent practices (Keinan et al. 2020). Also, according to Keinan et al. (2020), Kering, though smaller in size than LVMH, has developed a rather ambitious agenda around sustainability. Its “Crafting Tomorrow’s Luxury” roadmap (2017-2025) also outlines a holistic sustainability strategy

that focuses on climate action, biodiversity, responsible supply chains, and innovation through circularity.

### **2.2.5 Sustainability, reputation, and risk**

In the era when sustainability has evolved from optional to an expectation, consumers are more critical of brands that do not adopt sustainable practices. As Fiorani et al. (2022) point out, luxury brands are more prone to criticism as they are not an everyday life necessity. Taking into account the importance that consumers place on sustainability, luxury brands are more prone to reputational risks if they do not comply with sustainable practices and consumer expectations. More specifically, due to the speed and influence of social media, a mere act of misconduct from a brand could take gigantic proportions and potentially lead to a crisis, endangering consumers' trust towards the brand and leading to reputational risk (Kapferer & Michaut-Denizeau, 2014).

Nowadays, companies that show a genuine commitment to sustainability and that incorporate transparent communication are more likely to gain stakeholders' trust and build brand credibility. Additionally, the adoption of ethical practices further differentiates them and could potentially create more value for the stakeholders (Karaosman, Morales-Alonso, & Brun, 2017).

Finally, sustainability now functions not only as a moral framework for companies to take into account, but also as a reputation management strategy. Brands that incorporate it into their strategy further strengthen their legacy and future, and the ones that do not, risk potential lack of relevance.

## **2.3 CSR and ESG in the luxury context**

### **2.3.1 Corporate Social Responsibility (CSR)**

The "ethics era" we live in calls for the adoption of Corporate Social Responsibility (CSR) by companies (Davies & Lee in Achabou & Dekhili, 2013). More specifically, the demand of customers for responsible practices and communication brought CSR to the center of a company's strategy. As Kunz, May, & Schmidt (2020) note, CSR is the company's

commitment to profitability, while also taking initiatives that have a positive impact on society as a whole. Furthermore, according to D'Anolfo, Amatulli, De Angelis, & Pino (2017) as CSR could also be defined the efforts of a company for social well-being and ethical acting that surpass the requirements set by the law or environmental groups. Additionally, CSR has two dimensions, them being internal and external. The internal dimension has to do with environmental impact, workplace health and safety, and human resources management. The external one has to do with local communities and more specifically with transparency throughout the supply chain, as well as global and environmental challenges (D'Anolfo et al., 2017).

The purpose of CSR is to serve two goals: an intrinsic one and an extrinsic one. The intrinsic purpose aims at acting ethically, and the extrinsic one at improving the image of a certain brand. Also, CSR aims for the brand's name to be associated with positive concepts in the consumer's mind. Moreover, plenty of luxury brands incorporated CSR into their strategy. As we mentioned earlier, Stella McCartney also embodies CSR in the very center of the brand's identity, instead of treating it as an obligation. Ultimately, CSR allows brands to preserve their heritage, while also implementing innovation. It fosters stakeholders' trust and alleviates possible reputational risk (Achabou & Dekhili, 2013).

### **2.3.2 Environmental, Social, and Governance (ESG)**

The Environmental, Social, and Governance (ESG) framework is an innovative initiative that has revolutionized business and consumption as we knew it. While CSR is voluntary, ESG comes to further revolutionize the luxury sector by transforming the ethical initiatives into a transparent system of corporate responsibility.

ESG has been well integrated into the luxury sector. As Fiorani et al. (2022) note, luxury conglomerates such as Kering and LVMH are appearing to be leaders in regard to the implementation of ESG principles, setting it as the main purpose of their respective agendas. For instance, Kering's Crafting Tomorrow's Luxury roadmap (2017–2025) and its Environmental Profit and Loss (EP&L) accounting system translate the ecological and

social impact of the organization into monetary value, thus linking sustainability performance to financial decision-making. In parallel, LVMH's LIFE 360 has encapsulated sustainable practices into all of its Maisons, thus leveraging sustainability as a business driver and not as a mere compliance requirement.

As Jin (2024) highlights, by adhering to ESG principles, companies enhance consumer loyalty and also build a stronger reputation, aligning with ethical and sustainable practices.

Furthermore, as Karaosman et al. (2017) emphasize, a transparent and ethical supply chain further reinforces stakeholders' trust and brand equity. Also, as Achabou and Dekhili (2013) note, consumers reward corporate consciousness and ethical luxury when implemented in a transparent way. ESG provides stakeholders with standardized metrics in order to responsibly verify the implementation of such practices.

In conclusion, ESG transforms sustainability from an aspiration to a measurable standard, synonymous with excellence and transparency. ESG adds yet another layer to the definition of modern luxury, ensuring ethical and sustainable practices, as per the consumers' demand. As Fiorani et al. (2022) and Jin (2024) mention, ESG has nowadays become an inseparable part of modern luxury's identity and also a prerequisite of excellence.

## **2.4 Crisis communication and reputation management**

### **2.4.1 Defining crisis and organizational readiness**

In a time of constant change (e.g., digital innovation, social media, economic factors, globalization), crises are inevitable for organizations. Coombs (2007, 1995) defines a crisis as a threat that could potentially harm an organization's reputation if not managed effectively. Reputation damage could shake stakeholders' trust in the organization in question and, as a result, affect their purchase intentions and disrupt the organization's economic interests. According to Rosenthal (2001), as cited in Björck, Bläse, & Bastida (2024), crises disrupt the established order within the organization concerned and cause turmoil and upheaval. Also, the lightning speed of social media has the potential to

exacerbate the crisis further and magnify its impact. As Björck et al. (2024) point out, the heightened interconnection, globalization, and technological advancements have made crises more multifaceted, with consequences that might be difficult to erase from collective memory.

Based on the unexpected nature and rapid escalation of crises, Jin (2024) highlighted the importance of crisis readiness, introducing it as a new theoretical framework in the crisis field (Jin, Wang, & Shivers, n.d.). More specifically, the concept of readiness goes beyond the traditional notion of preparedness. It is not just a certain plan before a crisis, but a multidimensional approach that is based on three pillars: multilevel efficacy, a mindset of mental readiness and continuous learning, and a dynamic process that allows adaptability and swiftness.

#### **2.4.2 Phases of crisis management**

The main purpose of crisis management is to protect the organization's reputation and its stakeholders from potential crises and their consequences. According to Coombs (2007), crisis management is not a one-dimensional process, but is divided into three phases, all of which aim to prevent the impact of a crisis or alleviate it. More specifically, it is categorized into the following: a) pre-crisis, b) crisis response, and c) post-crisis phase.

The pre-crisis phase aims at the preparation needed to be done before the crisis, so that the organization is ready to face a potential crisis in case it arises. Also, it aims at mitigating potential factors that could lead to a crisis by implementing specific measures. This preparatory phase involves the creation of a preventive crisis management plan, the formation of an appropriately trained crisis management team, and putting the aforementioned preventive measures into action through several crisis simulations. More precisely, the crisis management plan is not a manual that should be followed mechanically, but rather a guide on how to manage possible crisis scenarios regarding the organization concerned. The outbreak of a crisis calls for no delays and demands

immediate and accurate information to the stakeholders. Moreover, the formation of a crisis management team is essential and varies depending on the nature of the crisis (i.e., tech department, etc.). Still, the core members forming the crisis management team (public relations, legal department, security, tech department) must be tested in crisis scenarios. Coombs (2007) also states that the training of spokespersons by the public relations department is essential, as it ensures that employees are accurately informed about the crisis and the organization's stance.

Furthermore, the second phase of crisis management, crisis response, is the actions of management after the crisis hits. As mentioned above, the initial response after the crisis hits should be delivered in less than an hour after the event. While the organization might now not have new information about the crisis, it states that it's present and in control of the situation. The lack of response from the organization would lead to an "information vacuum", allowing media, potential competitors, and social media users to spread various inaccurate information that might be harmful to the company and its reputation. Furthermore, the organization's statement should express concern for those affected by the crisis. Additionally, reputation repair strategies are put into use at this stage; these will be analyzed later in this chapter.

Finally, the last phase is the post-crisis phase, which occurs when the crisis is no longer at its peak, but still requires certain attention. According to Coombs (2007), follow-ups must be made, so that the stakeholders are informed about the further corrective actions of the organization, if it is to blame. Also, the organization must deliver its promises (if done) in order to help the ones harmed in any way during the recovery process. Moreover, in the aftermath, crises are also to be seen as learning experiences. It is an opportunity for the organization to evaluate itself and proceed with improvements.

### 2.4.3 Attribution Theory

Attribution theory suggests that people try to identify the reason why events, in our case, crises, happen. In other words, individuals try to understand the root cause behind a sudden and unexpected event. According to Coombs and Holladay (1996), attribution theory provides us with the necessary framework to understand how people perceive such events and how they attribute responsibility.

More specifically, people try to pinpoint the reason behind the crisis, either attributing the cause to internal factors (attributing the crisis to the organization concerned) or external factors (factors that are not related to the organization and/or are out of its control). As pointed out by Dunkan and Russel (1992) in Coombs and Holladay (1996), there are specific dimensions individuals take into account when making attributions, such as locus (who caused the event), stability (whether the cause of the event is repeated or not), personal control (whether the actor could have prevented the event or not) and external control (whether the reason of the event can be controlled). Ultimately, the way individuals interpret these factors determines their attitude and reaction toward the actor.

Coombs and Holladay (1996) were the first to apply attribution theory to crisis communications. They concluded that the way individuals perceive responsibility regarding a crisis shapes their reaction towards the organization. In the case that the amount of responsibility is high, they appear to be critical, and when it's low, they tend to be sympathetic. Furthermore, when stakeholders conclude that the reason for the crisis was controllable and due to misconduct from the organization's side, they express negative emotions towards the organization, thus causing greater reputational harm. On the other side, when they perceive that the cause is out of the organization's control, the amount of responsibility they attribute to the organization is reduced.

Overall, this connection between assigning responsibility and attribution serves as the central theoretical foundation for later crisis communication models. According to the above, the organization ought to be more accommodating of its statements if the

people attribute greater responsibility to it. Finally, attribution theory was the foundation on which the Situational Crisis Communication Theory (SCCT) was developed, which explains how an organization should choose its crisis response strategy so as to align with the crisis at hand.

#### **2.4.4 Situational Crisis Communication Theory (SCCT)**

The Situational Crisis Communication Theory (SCCT) was developed by Timothy Coombs and is one of the main theoretical frameworks in crisis communication. SCCT makes use of the principles of attribution theory, which explain how people interpret certain events, and then, by identifying the type of crisis, the crisis manager develops a response that better fits the crisis at hand. As mentioned above, according to SCCT, people attribute responsibility based on their perception of who is to blame, which guides their behavior toward the organization and thus affects its reputation (Coombs, 2007).

More specifically, SCCT categorizes crisis types into clusters: a) the victim cluster, which entails crises with minimum attribution responsibility of the organization, b) the accidental cluster, which applies a small degree of blame to the organization for the crisis (e.g. human or technological errors), and c) the preventable cluster, which includes crises for which the organization is deemed as responsible. The preventable category of crises could potentially be the most threatening one for the organization, as the reasons that led to it lie within the organization's responsibility (e.g., neglect, misconduct) (Claeys, Cauberghe, & Vyncke, 2010).

Each one of the aforementioned crisis types brings a different reputational threat to the organization, and thus, the crisis response strategy to be used differs, based on the crisis's characteristics and the risk it brings with it. As Coombs (2007) points out there are clusters of crisis response strategies such as: a) attack on the accuser (challenging the opposing side's implications that a crisis exists), b) denial (refusing the occurrence of said crisis), c) excuse (the crisis manager tries to mitigate the

organization's accountability), d) victimization (highlighting and reminding that the organization as also affected by the crisis), e) justification (trying to downgrade the harm or damage caused by the crisis), f) ingratiation (aiming to build goodwill by reminding the stakeholders the past positive actions of the organization), g) corrective action (trying to make amends and make up for the damage caused, e.g. compensation), h) full apology (accepting responsibility publicly and issuing an apologetic statement). Moreover, aligning the crisis response strategy to the type of crisis and the attributed level of responsibility is expected to result in more positive outcomes. On the contrary, applying a mismatched strategy, for instance, denying responsibility in a crisis that is deemed preventable, could lead to negative reactions from the stakeholders and thus hurt the organization's reputation (Coombs & Holladay, 1996).

Coombs (2007, 2001) places great importance not only on the crisis type, but also on the performance history of the organization, stating that the crisis responsibility should also be assessed based on the past history of the organization and the severity of the crisis as well. In the case that an organization has a past history of crises or has even treated stakeholders with no empathy, the public tends to attribute even greater responsibility to the organization, considering that this new crisis is another layer of mishaps in an already strained pattern. The organization's reputation before the crisis affects the perception of responsibility held by stakeholders (Coombs, 1998). A positive pre-crisis image and reputation, for instance, may contribute towards softening stakeholders' reactions, contrary to a negative pre-crisis history.

#### **2.4.5 The role of social media in crisis communication**

Social media has entirely altered the way crises have evolved. In particular, whether it has to do with crisis communication, crisis escalation, and image repair, the speed and impact of social media have completely altered the dynamics of a crisis. According to Veil, Buehner, and Palenchar (2011), social media's instantaneous sharing of information, participatory culture, and scrutiny may have a dual impact on a crisis. On the one hand, these factors further enhance an organization's communication with the

stakeholders and are helpful towards image and reputation recovery, but on the other side, the risk of crisis escalation in unpredictable rhythms is also present.

Furthermore, as we mentioned above, real-time updates, expression of empathy, and valid information sharing are essential during a crisis. According to Veil et al. (2011), social media brings new aspects into the crisis management field, as it allows monitoring online discourse, which can be proven valuable in order to both prevent and manage a crisis. Moreover, social media fosters two-way communication and engagement with the stakeholders, helping organizations receive real-time feedback and mitigate crises as well. Ultimately, social media presents both advantages and vulnerabilities when it comes to crisis and reputation management, which can serve both as vulnerable tools and crisis escalators.

## **2.5 Image Repair Theory**

### **2.5.1 Theoretical foundations**

The Image Repair Theory (IRT) was developed by Benoit and provides us with a framework on how to rebuild an organization's reputation after a crisis or misconduct, for the organization to safeguard its position in the public eye and safeguard its reputation. The process of image repair begins by identifying the kategoria or any negative remarks concerning the organization, followed by the formation of an appropriate response to mend the organization's reputation (Nazione & Perrault, 2019).

IRT proposed five strategies in order to formulate an appropriate response strategy for repairing the organization's image, taking into account the level of responsibility attributed to them. The first is denial, in which the organization concerned denies involvement in the case. The second is evasion of responsibility, which can be done by shifting the blame or by stating that the transgression was a response to provocation. The third strategy is reducing offensiveness, which, as we mentioned above, can be carried out through bolstering (reminding the stakeholders of past

positive actions of the organization), minimization (undermining the seriousness of the situation), differentiation (pointing out past transgressions of greater impact made by competitors), transcendence (casting a more positive way to view the crisis at hand) and compensation (providing something in return, to make up for the wrongdoing). The two final strategies are corrective action (taking measures to reduce the recurrence of the transgression) and mortification (expressing true remorse and apologizing) (Benoit, 2013).

Furthermore, the main criterion based on which a certain strategy is chosen is the attribution of responsibility. Strategies such as denial or evasion are employed when the organization is deemed as responsible up to a minimum extent. On the other hand, when the responsibility for the transgression lies completely upon the organization, more accommodating strategies, such as corrective action and mortification, are deemed necessary in order to mend the situation. Benoit's typology has become a reference point for crisis communication practitioners, as it sets the framework for image restoration.

All in all, SCCT and IRT deal with attributed responsibility and communication strategies, and though they work on different levels, they are interconnected concepts. SCCT provides us with a framework, stating which strategic response better suits the type and the extent of a crisis, while IRT provides the tools so that the organization's message is communicated in a way that restores trust. The combination of these two frameworks offers a valid approach for reputation recovery.

### **2.5.2 Image repair in the digital era**

According to Nazione and Perrault's (2019) study, using IRT in the social media context improves the opinion of the stakeholders, in contrast with paying attention to or deleting online dissatisfactory comments. More specifically, not responding to comments or removing them was perceived as a denial or evasion strategy, thus attracting negative remarks from the public. On the contrary, the use of an apologetic strategy created a perception of perceived caring, extracting positive feedback, showing

that when a crisis is handled with empathy in the social media context, it could potentially improve the reputation of a certain organization.

### **2.5.3 Application to luxury branding**

In a sector such as luxury, the organization's reputation is aligned with the brand's identity, thus, the way communication is framed is crucial. More specifically, in the luxury industry, an industry so keen to maintain its exclusivity, strategies that are open towards corrective action are deemed as rather relevant (Akbar & Deegan, 2021). As mentioned above, a crisis can be seen as an opportunity for improvement and value in organizations, especially from brands that aim to keep their heritage contemporary and exclusive. Through carefully crafted storytelling following a crisis, luxury brands show goodwill and set higher standards in order to learn from previous errors.

### **2.5.4 Synthesis and implications**

The aforementioned frameworks highlight that effective crisis communication is strategic, as much as it is symbolic. A plethora of factors, such as valid assessment regarding attribution of responsibility, shall be made, as well as aligning the deliverable message with the stakeholder's expectations. The rapid speed of crises nowadays calls not only for a message that is both accurate and represents the core values of the organization. Especially in the case of luxury brands, crisis communication goes beyond damage control to reinforcing the brand's legitimacy and reintroducing it to the stakeholders in an authentic and ethical way.

## Methodology

This thesis employs a qualitative, media-based case study design. It focuses on analyzing two recent, contemporary case studies that arose within Loro Piana, beginning with the most recent one: the Italy labor exploitation scandal (2025), followed by the Peruvian vicuña-sourcing crisis (2024). The adoption of a case study allows the in-depth examination and understanding of how reputational crises unfolded -as it examines them within their real-life context- the responses, as well as stakeholder expectations (Carter, S., n.d.).

Data for this analysis were gathered from reputable international journalistic sources of different categories. More specifically, financial and business-related media are encompassed, such as the Financial Times, Forbes, and Fox Business. Additionally, leading news outlets such as Reuters, Le Monde, and the New York Times are included, providing up-to-date developments on the crises, highlighting their moral and ethical impact, and serving as the primary source of information for the brand's official statements. Moreover, fashion industry media, such as Business of Fashion, Glossy, and the Fashion Network, are also included. They showcase the broader context regarding the crises and how they affected not only the brand but the luxury industry as a whole, by placing the Loro Piana crises within a wider pattern of similar crises in the luxury sector. Bloomberg is also included, as it played a key role in bringing one of the Loro Piana crises to the spotlight by publishing an investigative article. These vast media categories address broad audiences, reveal different aspects of the crises, and underscore not only the crises' moral dimensions but also corporate governance, ESG compliance, and the importance of due diligence and supply chain oversight. The selection of these outlets was made due to their crucial role in bringing the cases to the spotlight and thus serving as primary sources of what ultimately constituted a crisis. Also, the media outlets mentioned in this thesis provide a detailed picture of the crises to be analyzed, offering new information and useful insight for the structure of the case studies, due to their journalistic credibility and reliance on verified sources. Furthermore, the role of these outlets in amplifying public opinion regarding the crises

was a key factor in their selection, considering the media's leading role in shaping the narrative of these crises. Moreover, the brand's social media (e.g., Instagram) was also taken into account during these two crisis periods. More specifically, official statements were not issued on the brand's social media, but on traditional news media. Additionally, no user comments regarding the crises were granted an answer, making the brand's social media absence relevant in the analysis. Taking Entman's (1993) framing theory into account, the way the media choose to present the crises affects how they will be perceived by stakeholders and the level of responsibility they will attribute. As highlighted above, these journalistic outlets were also sources of Loro Piana's official statements, as the brand did not issue an official statement on its official page. Silent periods on the brand's social media page, as also highlighted by news outlets, were also included in order to obtain a complete picture of the crises.

In addition, qualitative media framing analysis was employed to analyze the gathered data. The analysis examined the role of news outlets in shaping the leading narrative of the two crises, as well as how they presented the events. It also examined the outlets' contribution through documenting and portraying the events, and stakeholders' attribution of responsibility. The approach adopted in this thesis is interpretive and theoretical, mainly focusing on identifying the way media framed the coverage and the narrative patterns. Furthermore, Situational Crisis Communication Theory (SCCT) and Image Repair Theory (IRT) were also used to interpret how stakeholders attribute responsibility and how organizations should align their strategies with the attributed responsibility. Additionally, it highlights the role of previous crisis history within the brand, which, combined with the sources employed by news outlets, is deemed essential for better understanding the crises examined in this thesis and is deemed crucial for crises in the luxury sector. Also, IRT offers strategies that could be leveraged in order to gain a better understanding of organizational responses regarding Loro Piana.

A comparative discussion of the two case studies highlights that despite their differences concerning the source of the crises, the two case studies share a

commonality having to do with the violation of stakeholders' expectations from the brand, regarding both their denial of their part in the crises, and also concerning the luxurious nature of the brand. Additionally, the two crises also included infringement of ESG commitments and were met with both media and public scrutiny.

Furthermore, the methodological limitations of the thesis include the reliance on media sources, since journalistic sourcing may not always reflect the complete reality within the organization concerned. Also, the lack of primary data from the brand, due to periods of silence, is also addressed as a limitation.

Finally, this methodological approach enables the delivery of a media-driven examination of how a luxury brand handles reputational crises at a time when stakeholders' expectations from the luxury industry have been heightened, and media criticism has reached a global level.

## Case studies

### 1. Introduction

Loro Piana, LVMH's emblematic, luxurious Maison, has built its own separate reputation in the luxury industry over the years. When other brands showcased ostentatiousness, Loro Piana remained loyal to its discreetness and understated elegance, further building and embracing its reputation as a brand that is synonymous with quiet luxury. The Maison has built a reputation around quality luxury, putting extra care into sourcing supreme quality materials, while also being committed to sustainability and ethical values.

Despite the above, though, two major crises around the name of Loro Piana have recently arisen, making stakeholders question the brand's commitment to sustainable practices.

In this chapter, Loro Piana's Italian labor exploitation scandal (2025) will be examined, as well as the vicuña sourcing scandal in Peru (2024). For the examination of the cases, Situational Crisis Communication Theory (Coombs, 2007) and Image Repair Theory (Benoit, 2013) will be integrated to evaluate the way Loro Piana shaped its responses regarding the crises, how the stakeholders attributed responsibility, and also what these accusations reveal about sustainability and ethical practices in the luxury industry.

### 2. Background: Loro Piana's heritage, identity, and position in luxury

The history of Loro Piana is deeply connected with craftsmanship, heritage, and superior quality. One of Italy's most historic luxury brands, and internationally recognized as synonymous with quiet luxury, Loro Piana has carved its own path in the luxury industry.

Tracing its origins to the early nineteenth century, Loro Piana began its first steps by trading wool, only to become a formal establishment in 1924, in Quarona, Piedmont. During a plethora of achievements in the twentieth century, under the direction of Sergio and Pier Luigi Loro Piana, the brand became international, specializing in luxury materials (LVMH, n.d.). Ever since 2013, the Maison has been part of the luxury

conglomerate LVMH Moët Hennessy Louis Vuitton (LVMH), and Frédéric Arnault serves as its CEO.

Loro Piana's brand identity is structured on sourcing fibers of exceptional quality and transforming them into clothing through excellent craftsmanship, combining heritage with technical expertise.

Also, the brand's identity was shaped a great deal by its portrayal of commitment to sustainability, with initiatives such as sourcing fiber from various indigenous communities and its commitment to various sustainable purposes, such as the preservation of endangered species like vicuñas.

The brand's reputation was put at risk during the last two years, when the Italian labor exploitation scandal arose in 2025 and the vicuña controversy in Peru in 2024, both of which will be examined in the following sections.

### **3. The Italian labor exploitation scandal (2025)**

In an era where luxury is shaped by the demands of luxury consumers of the future (Millennials and Gen Z), the industry has evolved, incorporating terms such as ethics and sustainability. Consumers are now well-informed, aiming to purchase a product that is not simply luxurious in its craftsmanship, but also has an ethical background. As mentioned above, Loro Piana has always been synonymous with quiet luxury, emphasizing the superior quality of its products and promoting an ethical and sustainable profile. Therefore, the brand aims to align with today's consumers' expectations of superior luxury companies: for the Maison to not just be a brand, but a representative and architect of the quiet luxury culture.

Nevertheless, in 2025, a year in which ESG has become a key requirement and strategic priority of luxury brands, violations of an ethical nature in the luxury sector still come into the spotlight, despite companies' commitment to ethical practices.

In this section, we will examine the latest case of labor exploitation that came into the spotlight in the luxury industry: the 2025 Loro Piana scandal in Italy.

Loro Piana's latest ethical crisis came into the spotlight in mid-July. Nonetheless, the LVMH Maison stated that it had gained knowledge of the event on May 20th, as investigations had already begun. More specifically, the Carabinieri Police Labor Protection began investigating a factory located in the northwestern suburbs of Milan (Reuters J.14), following a report from a worker concerning severe labor mistreatment (Forbes 2025). According to Forbes (2025), the worker reported "sweatshop" working conditions, while, as reported by Reuters (2025), his employer resorted to physical violence (leading to forty-five days of treatment) after requesting to be paid his owed wages, which reached the amount of ten thousand Euros. Investigators proceeded with the arrest of the Chinese owner and the closing of the factory, while also discovering that the factory produced Loro Piana jackets (Forbes, 2025). Additionally, the Carabinieri were also faced with a variety of violations. As reported by the Guardian (2025), the unit found ten Chinese workers, five out of whom were undocumented immigrants. Additionally, beyond the physical violence the workers were subjected to, the seriousness of the situation was further heightened by the fact that workers were forced to work seven days per week, for up to ninety hours, for an hourly wage of less than 5 euros. Aside from that, illegally set up rooms that served as living facilities for the workers were found inside the factory, all the while the living conditions were unhygienic (Reuters, 2025; Le Monde, 2025).

Furthermore, as highlighted by the Financial Times (2025), an investigation conducted found that Loro Piana had handed the clothing production to a company that did not have the necessary equipment for production purposes, and, thus, in turn outsourced the production to workshops located in Italy, which employed Chinese workers, to reduce expenses. As stated by the Court of Milan, Loro Piana enabled the exploitation to take place due to negligence, and placed the LVMH Maison under one year of court monitoring, which indicates that a judicially appointed administrator will oversee Loro Piana's affairs (Le Monde, 2025). What is more, the court underlined that the aim of the monitoring is not to be seen as a punishment, but rather as a preventative measure, aiming to combat the weaknesses in the company's supply chain

and, thus, appointing Commissioner Micaella Cecca to oversee the brand’s progress (Financial Times 2025; Glossy, 2025; Le Monde, 2025).

Moreover, it is deemed essential to emphasize that Loro Piana faces no criminal investigation. An investigation is being conducted regarding the owners of the subcontracting companies for proceeding with the employment of undocumented workers, and for exploitation as well (Reuters, 2025). Additionally, legal action was taken against the two Chinese owners of the workshops that engaged in labor exploitation, as well as against two Italians for occupational health and safety offenses (Le Monde, 2025). Similarly, the court proceeded to issue fines and regulatory sanctions, while also suspending the operation of the aforementioned Chinese workshops due to safety violations and illegal labor.

As Loro Piana stated to the Guardian, there was no information from the supplying company regarding the existence of subcontractors, and also noted that the brand gained awareness of the aforementioned case on May 20th, and saw to the termination of all relations with the supplier within a period of less than twenty-four hours (Guardian, 2025). Additionally, as reported by Fox Business, Loro Piana proceeded with the statement that the company “firmly condemns any illegal practices and reaffirms its unwavering commitment to upholding human rights and compliance with all applicable regulations throughout its supply chain,” further noting that the brand is “continuously reviewing and will continue to strengthen” its control and audit activities, in line with its Code of Conduct (Fox Business, 2025).



Figure 1. Chronological overview of the 2025 labor crisis involving Loro Piana in Italy

It is also worth examining the above through the theoretical lens of the Situational Crisis Communication Theory (SCCT), Coombs (2007), in order to understand the level of responsibility the stakeholders attribute to Loro Piana and also how the Maison should respond accordingly. More specifically, the 2025 Italian labor exploitation scandal is attributed to the preventable crisis cluster, as proposed by Coombs (2007). The scandal surfaced due to insufficient monitoring of the practices of Loro Piana's subcontractors, leading to the previous exploitation conditions. In such cases, where the crisis could have been prevented had the company been more cautious, stakeholders expect the brand to acknowledge full responsibility, issue a public apology, and proceed with corrective action. On the contrary, Loro Piana's communication strategy deviated from taking responsibility and adopted a denial strategy ("we were unaware"), and also a diminishing strategy, by denying responsibility and shifting the blame to external factors, by stating that Loro Piana had not been informed of the subcontracting practices (Reuters, 2025). Moreover, the corrective action taken by the brand was minimal, since it was limited to strengthening the audit activities, which cannot be considered adequate in a preventable crisis that led to labor exploitation (Fox Business, 2025). Contrary to SCCT recommendations, the crisis response adopted by the brand misaligns with the type of crisis based on the attribution of responsibility by stakeholders. Moreover, applying Benoit's (2013) Image Repair Theory, Loro Piana's response adopts evasion of responsibility and bolstering. As mentioned above, the LVMH Maison sought to distance the brand's name from responsibility by attributing responsibility to the supplier for adopting subcontracting practices. At the same time, the brand in its statement stresses its commitment to human rights and legal practices, without acknowledging the negligent oversight of its supply chain. Such a strategy could lead to a reduction in the brand's credibility and affect its long-standing reputation as an ethical and sustainable brand, thus undermining consumers' trust, especially when consumers' expectations regarding ethics and transparency are high.

In addition, the crisis caused a havoc of reactions on social media, such as TikTok and Instagram, and was also reported in esteemed international media. The New York

Times, Financial Times, Reuters, and the Guardian brought the case into the spotlight, pointing out the contrast between the brand's ESG commitments with the exploitation. At the same time, the media also reported the systemic lapses in the luxury supply chain in Italy, and their impact on the credibility and reputation of the "Made in Italy" label (Financial Times, Guardian, New York Times, Reuters, 2025). This coverage by the media further highlighted the distance between the brand's message and the reality of what is being conducted in its supply chain, applying pressure to the brand's reputation and stressing the inconsistencies and omissions of its statements.

#### **4. The Peruvian vicuña controversy (2024)**

In 2024, Bloomberg published an article regarding Loro Piana's vicuña supply chain in Peru, examining the conditions under which this fiber is sourced. The vicuña fiber products are synonymous with the brand and are also a trademark of its high quality and identity. They are sheared by indigenous Andean communities, such as Lucanas.

Vicuñas are animals that live in the Andes, at an altitude of over 4,000 meters. Due to extreme weather conditions and high altitude, they are born with fine, temperature-regulating fibers, which are then processed by Loro Piana. It is a precious fiber that, as per the Inca tradition, was only ever fit to be worn by kings, aptly called "fiber of the gods" (Loro Piana, n.d.).

Moreover, as highlighted by the 2024 Bloomberg article, the Lucanas community, which is responsible for capturing and shearing the vicuñas, received a rather limited compensation of approximately \$280 per kilogram of fiber, while sweaters made from this fiber are sold by Loro Piana for prices up to \$9,000. According to Bloomberg, the trade has had no positive impact on Lucanas' lives. The community's living conditions are unhealthy, and they live in poverty (Bloomberg, 2024). Additionally, this disproportionate compensation does not reflect the severity and danger of such a task –

capturing and shearing a wild animal such as vicuñas, which are known for being aggressive towards humans (Bloomberg, 2024).

Following Bloomberg's revealing report, Peru-born U.S. Congressman Robert Garcia addressed a letter to Loro Piana's Chairman, Antoine Arnault, and chief executive, Damien Bertrand, calling on the company to answer to Congress (Business of Fashion, 2024).

Additionally, the Bloomberg article highlighted the broader context beyond the case itself. More specifically, leveraging a regulatory shift that took place in 2000, which allowed, aside from indigenous communities, companies to shear vicuñas on land they own, Loro Piana proceeded with the purchase of 2,000 hectares of land close to Lucanas, while also applying for permission to shear vicuñas within its property. Along with the shearing, the brand also included a proposal for the construction of a 12.5-kilometer fence around the land, to ensure that the vicuñas wouldn't wander out of the property. This initiative was criticized as "semi captivity", seeing that vicuñas are wild animals who are meant to be free, and not captured. The brand's application was granted in 2010, with Loro Piana being the first brand to shear vicuñas, without providing compensation to the indigenous communities for the fiber.

Furthermore, the fact that the vicuñas enclosed on Loro Piana's land increased, the amount of money paid by Loro Piana to indigenous communities for shearing decreased, with the amounts varying from \$420 per kilogram in 2012 to \$330 per kilogram in 2022, and finally \$280 per kilogram in 2023 (Serfor data, as cited in Bloomberg, (2024). At the same time, the community's income decreased by about 80%, falling from 1,877 kilograms of fiber in 2012 to 460 kilograms ten years later (Bloomberg 2024).

The company did not immediately release a response ahead of the Bloomberg article and paused updating its social media accounts, despite the comments it received (Business of Fashion 2024). The absence of communication regarding the issue led to the spread of criticism and created a perception of avoidance. When the brand later released a statement, it categorically refused the accusations ("We formally refute these

allegations”) and stated that “Loro Piana has paid nearly \$20 million over the past 10 years to its Peru-based suppliers to buy vicuña yarn” (Fashion Network 2024). Additionally, it acknowledged that the situation might be challenging for some, and committed to proceed with initiatives that will strengthen its control over its supply chains, ensuring that compensation is equally distributed (“despite everything, aware that the situation may be challenging for some, Loro Piana will carry out initiatives on the ground in Peru to further strengthen its control of the local supply chain, in order to ensure that the sums paid to the organisations in charge of the harvesting are equitably allocated and redistributed”) (Fashion Network 2024).

Taking into account all the above, it is relevant to examine how Loro Piana shaped its public response, implementing SCCT (Coombs, 2007) and Image Repair Theory (Benoit, 2013). Within the context of SCCT, the Peruvian incident response aligns with strategies typically used in the accidental crisis cluster, taking into account that Loro Piana positioned itself as a company that is a victim of misinformation, rather than one that carries responsibility for inequalities. Through this framing, the brand employed denial and diminishment responses to reduce perceived responsibility. From the perspective of Image Repair Theory, the company adopted denial, since it rejected any wrongdoing on its part, justification, by referring to investments with long-term impact, and, finally, bolstering, by referring to partnerships with communities.

Nevertheless, the findings presented by the Bloomberg (2024) article not only brought the case to the spotlight but also further risked Loro Piana’s reputation by reporting the difficulties faced by communities that were showcased as an essential aspect of the brand’s commitment to sustainable luxury.

Overall, the Peruvian crisis came into contrast with Loro Piana’s previous commitments. The clothes made from the luxurious fiber, which was considered a symbol of sustainability and craftsmanship, are sold for thousands, while the people producing the fiber live, as reported by Bloomberg, in poverty. This dichotomy raises questions about the brand’s commitment to ESG. All in all, the vicuña crisis is not to be

seen as an isolated case, but should be taken into consideration, as the need for monitoring the supply chain of luxury brands becomes imperative.

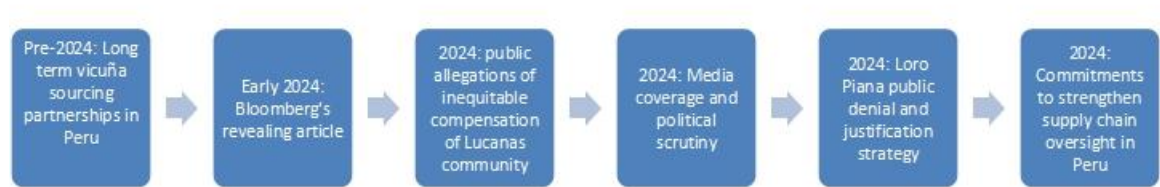


Figure 2. Chronological overview of the 2024 vicuña sourcing controversy involving Loro Piana in Peru

## Discussion

### 4.1 Conceptual framing: Luxury, sustainability, and crisis

This discussion illustrates that sustainability, experience, and ethics are inseparable components that shape modern luxury and are also linked to brand credibility. The literature demonstrates the vivid transformation of the luxury definition; once built on concepts such as exclusivity and scarcity, its defining components have shifted to ethical behavior, transparency, responsibility, and respect towards stakeholders. In the same context, sustainability has also transitioned from an attractive add-on to being a well-established common requirement, and consumer experience has progressed from a sensory to a meaningful experience, evaluated based on brand responsibility and authenticity.

In this evolving context, crises test the very authenticity of a brand, seeing as it brings to the spotlight whether operational brand procedures align with its ethical and

sustainable commitments. For luxury brands, in particular, that are based on heritage, trust, and craftsmanship, crises are bringing to the forefront their very identity, with any misalignment between commitment and reality threatening not only the brand name, but the very meaning of luxury, with brands often needing to redefine what they stand for.

This discussion brings together insights from the literature, as well as the two Loro Piana crises analyzed above, in order to examine how luxury brands maintain their ethical identity when exposed to morally and sustainably related crises, and what these reveal about stakeholders' expectations and crisis communication in luxury. The analysis initially zooms out in order to situate crises in the broader social context that demands aligning luxury with ethics, then zooms in to interpret the details of the two Loro Piana crisis strategies, media framing, and stakeholder reactions and expectations.

Finally, the chapter examines if and to what extent Loro Piana's responses regarding the crises were adequate to repair stakeholders' trust, or whether they reveal governance vulnerabilities within the luxury Maison and the LVMH conglomerate.

## **4.2 Redefining luxury: heritage, ethics, and sustainability**

In collective knowledge, the term luxury has long been defined by concepts such as craftsmanship, heritage, exclusivity, and prestige, often giving it a superficial dimension. Nevertheless, over the last decade, luxury has been radically redefined at its core, becoming interlinked with terms such as sustainability and ethics, ushering in a new era, and moving from "conspicuous to conscientious consumption" (Wiedmann, Klarmann, and Behrens 2013 as cited in Hennigs et al., 2013). It is no longer an isolated, prestigious category, but is related and accountable to social expectations around sustainability and ethics. Over the past decade, the implementation of sustainable practices has been imperative, with both official sources and consumers urging industries to adopt ethical measures within their production lines and supply chains (Keinan et al., 2020). In addition, younger consumer groups, such as Generation Z, Millennials, and Generation S have played a significant role in redefining the values of modern luxury (Eccles, 2015),

(Keinan et al., 2020). Their commitment to transparency and ethics turns sustainability from being optional to a major expectation. Also, in today's society, consumers have access to a wide array of information, thus making purchasing decisions critically, based on their own values. Therefore, the modern luxury experience is not solely evaluated by material quality, but by the extent to which brands incorporate sustainability (Achabou & Dekhili, 2013). Stakeholders' demand for ethical and sustainable products has played a central role in redefining luxury, making luxury brands aim to preserve their craftsmanship and heritage, in alignment with innovation and ESG practices (Fiorani, Bosco, & Gerio, 2022). Thus, the adoption of ethical and sustainable practices enhances luxury's nature, as it adds to its excellence and demonstrates that luxury experience is not defined solely by luxurious materials, but by aligning with experiences defined by transparency, sustainability, and ethical practices. Moreover, as Keinan et al. (2020) note, anything that causes harm or pollutes contradicts the excellence and high quality attributed to the very essence of luxury. Given the above, the redefinition of luxury through sustainability and ethics is the lens through which we will examine the following crises from Loro Piana. This redefinition sets the framework and the expectations through which we will evaluate this Maison, which is under the umbrella of the luxury conglomerate LVMH Moët Hennessy Louis Vuitton, thus operating within a framework of increased stakeholders' expectations for excellence in all forms.

Finally, the Loro Piana crises further demonstrate by example what determines contemporary luxury, as well as the challenges arising from the infringement of these characteristics. Loro Piana has established its reputation through its excellent craftsmanship and pure quality. At a time when other brands focused on ostentatiousness, Loro Piana promoted quiet luxury: prioritizing quality and pure simplicity over excessive displays of overbranding (Shukla et al., 2025). Additionally, the commitment of Loro Piana towards sustainable and ethical practices further makes the two crises more challenging. These two crises come into contrast with the very essence of quiet luxury, which is based on authenticity and credibility. Furthermore, the Loro Piana cases underline luxury brands' vulnerability when they are accused of actions

opposite to their moral commitments to stakeholders. This conflict between the brand's very identity and operational reality, leads us to the main question of this analysis: how can a luxury Maison restore trust when a crisis threatens its defining identity?

#### **4.3 Stakeholders' expectations from ethical luxury**

Stakeholders' expectations have been refined, giving greater emphasis on morally charged issues, thus further adding to the reasons that could constitute a contemporary crisis. As highlighted in the literature review, the majority take for granted that high-priced brands, committed to delivering exceptional quality, have taken all the necessary measures to guarantee ethical and respectful work conditions, as well as an ethical and transparent supply chain, equivalent to the excellence they commit to deliver. Also, stakeholders tend to interpret luxury through the prism of ethical credibility, where the symbolic brand value (i.e., heritage, prestige) alone is not enough. It needs to be accompanied by demonstrated transparency and responsibility. In the luxury industry, stakeholders no longer view transparency as a choice; they view it as an essential part of authenticity. This ethical contradiction is prevalent in the luxury industry, where components such as heritage, authenticity, and trust are major characteristics of the brand experience. Thus, when a brand's ethical deliverables oppose stakeholders' expectations, a sense of betrayal prevails among consumers (Kapferer and Michaut-Denizeau, 2014). According to Cheah, Shimul, and Teah (2022), consumers are skeptical of the brand when it is accused of misconduct.

In addition, the Loro Piana cases confirm the major role of transparency in redefined luxury. The revelation of labor exploitation scandals in the brands' supply chains in Italy (2025) and Peru (2024) created uncertainty among stakeholders about the extent to which Loro Piana was loyal to its commitments. These revelations did not just bring to the spotlight operational lapses, but they questioned the brand commitments on which Loro Piana was built, the brand's very identity. Attribution theory plays an essential role in clarifying these reactions. As mentioned above, stakeholders'

expectations of luxury brands are high, and thus, the amount of responsibility attributed to the brand in crises deemed as preventable is higher (Coombs and Holladay, 1996). In a brand with Loro Piana's heritage and sustainable commitments, stakeholders attributed responsibility to the brand for not taking the necessary measures to prevent the crisis. Additionally, the brand's positioning further intensified the attribution of responsibility, since stakeholders considered supply chain control to be the luxury Maison's responsibility.

Furthermore, as ESG integration has become a common demand, stakeholders' expectations are further amplified, demanding that companies turn their commitments into actions. Seeing as Loro Piana is part of the LVMH conglomerate, both media and consumers examined the two crises holistically, as part of a greater pattern of governance issues across LVMH, attributing, as we will see in more detail below, responsibility not only to Loro Piana but also to the luxury conglomerate. The multidimensional attribution of responsibility highlights a shift: stakeholders do not evaluate the brand alone, but treat it as part of a wider system (i.e., LVMH), whose potential governance failures affect not just the brand, but the conglomerate as a whole. Additionally, the media presented the events emotionally, which played an essential role in forming public opinion and weakening Loro Piana's defensive narrative. Also, the vast amount of information spread by the media shaped public opinion and preceded official statements. The case of Loro Piana reinforces the conclusion that when a brand of that magnitude is reportedly involved in employing unethical practices, the reputational consequences could be to its disadvantage. Finally, both cases illustrate how consumers' ethical expectations can act as a reference point for the brand but also cause potential reputational damage, as we will see in the following examples. The shifts and expectations mentioned above highlight that ethical requirements have been heightened in modern luxury, making ethics not an attractive add-on, but a prerequisite in order to preserve brand credibility.

#### 4.4 Interpreting Loro Piana's crises through SCCT and IRT

It is worth examining these two crises through Situational Crisis Communication Theory and Image Repair Theory, which reveal contradictions between Loro Piana's responses and stakeholders' expectations. More specifically, the most recent crisis (Italy, 2025) brought to the spotlight that part of Loro Piana's production was subcontracted to workshops employing illegal immigrants, reportedly working under violent and unsanitary conditions and receiving disproportionate payment (Reuters, 2025; Le Monde, 2025). As mentioned above, the Italian case constitutes a preventable crisis, seeing as it lies within the brand's responsibility to monitor its subcontractors. This categorization is essential, as stakeholders tend to attribute greater responsibility to a brand that could have prevented the crisis (Coombs and Holladay, 1996). Also, the fact that the brand was placed under judicial monitoring further intensified the sense of responsibility around the brand name. Moreover, contrary to SCCT principles, Loro Piana's response strategy was misaligned with the crisis at hand. While the brand terminated cooperation with the subcontractors within 24 hours, it adopted a denial strategy, minimizing responsibility by stating it lacked knowledge of the events, while committing to strengthening audit activities (Guardian, 2025). This type of response highly contradicts SCCT's expectations that, in a preventable crisis, the organization should be accommodating, acknowledge fault, and proceed with corrective action (Coombs and Holladay, 1996). Moreover, according to Image Repair Theory, the response adopted by Loro Piana aligned with evasion of responsibility and bolstering, which are not deemed as suitable for preventable crises (Benoit, 2013). These strategies further heightened the belief that there are contradictions between Loro Piana's ethical commitments and operational practices, thus failing to meet stakeholders' expectations. Nevertheless, these strategies proved inadequate to counter the already formed narrative that Loro Piana's ethical commitments were not applied, thus lacking substance.

Furthermore, the Peruvian controversy (2024), prior to the Italy case, raised ethical concerns among stakeholders, as the crisis brought to the spotlight the poverty and inadequate compensation of the indigenous community shearing Loro Piana's most prestigious raw material. The brand's delayed response denied any responsibility, stressing the Maison's commitment to supporting indigenous communities, stating that it will take initiatives to ensure that compensation is distributed equally (Business of Fashion, 2024).

Taking SCCT into account, Loro Piana belatedly stated misinformation, thus adopting a strategy belonging to the accidental crises cluster. Additionally, from the perspective of IRT, the brand adopted a denial strategy, denying its involvement in the allegations, while also adopting justification and bolstering by referring to initiatives in collaboration with local communities. Nevertheless, the brand's delayed response and silence on social media further contributed to stakeholders' attribution of responsibility to the brand for disproportionate compensation for its highly priced products. Also, a plethora of unfavorable comments filled the Maison's accounts during that time, highlighting stakeholders' disappointment with the handling of the situation.

Building on the comparison of the two crises, a pattern of thematic continuity is noted. Both crises illustrate a contradiction regarding Loro Piana's brand narrative and its operational process. Additionally, the brand's choice to employ a denial strategy, instead of demonstrating accountability, is deemed as contradicting, especially in an industry where credibility and ethics are so essential. Most importantly, though, both crises underline the fragility of modern luxury when its key characteristics -ethics and sustainability- are compromised.

#### **4.5 LVMH and corporate governance challenges in luxury**

It is critical to broaden the scope to interpret Loro Piana's crises, focusing on the role of Loro Piana's mother company, LVMH. Loro Piana maintained its family-owned Maison reputation until 2013, when LVMH acquired an 80 percent stake, integrating the Maison into the luxury conglomerate (Reuters, 2013). The brand's shift from family-run to being

part of a conglomerate was deemed constructive, as it would allow further expansion under the LVMH umbrella. Still, the acquisition appears to have presented oversight challenges regarding the supply chain, as well as when it came to preserving the brand's intimate, family character. With this acquisition, Loro Piana's heritage and values ought to align with expectations of a corporate environment, that could at times differ from its own values. In this case, the brand's heritage could be jeopardized not only by its own vulnerabilities but by a pattern of weaknesses within the conglomerate, which stakeholders interpret by evaluating not only Loro Piana but also LVMH itself. Therefore, Loro Piana's practices may have had to adjust to corporate structure, with its multi-layered management and greater production demands, in a short time. This brings us to an essential concern: that as Loro Piana expands within LVMH, maintaining its values and identity might prove to be challenging.

In Loro Piana's case, being part of the world's most prestigious luxury group might have brought vulnerabilities, seeing as the brand entered an environment where supply chain oversight was more complicated, the expectations for efficiency and a larger amount of deliverables were greater. This highlights how a phenomenally ideal acquisition by a leading luxury conglomerate might have further exposed Loro Piana to ethical risk. It is a would be a rather oxymoronic scenario: Loro Piana's own success, which made it desirable by LVMH, ultimately exposed it to vulnerabilities, thus turning an acquisition synonymous with expansion into a weakness. In that case, the case of Loro Piana could be paralleled with the structure of a classical Greek tragedy; it is at the moment the central hero reaches its pinnacle that hybris emerges, leading to its downfall. More specifically, the moment that seemed to be the brand's peak might have been the beginning of its vulnerability, suggesting that the crises did not necessarily arise from inherent shortcomings of Loro Piana but could be related to LVMH governance structures. Within this framework and taking into account the cost-reducing prioritization of conglomerates in general, such expense-reducing practices could have been adopted within the conglomerate to reduce costs in the supply chain. Such a strategy could have resulted in more complex, less transparent supply chains, thus

undermining ethical and sustainable practices due to a lack of oversight on the production line.

Moreover, other LVMH Maisons have also been reported to have unethical labor practices. One of them is Dior, a prominent Maison of the luxury conglomerate (Business of Fashion, 2024). The existence of “crisis history” on labor exploitation further enhances the suggestion of a lapse in supply chain oversight within LVMH. As highlighted by Coombs (2007, 2001), the existence of history within a conglomerate can escalate stakeholders’ reaction and attribution of responsibility to the conglomerate. Furthermore, another indication regarding LVMH’s vulnerable supply chains could be its abstention from initiatives that monitor sustainability metrics, such as “The Fashion Pact”, an initiative by the G7, to reduce fashion's negative impact on the ecosystem (Olatubosun et al., 2021). To date, LVMH remains absent from the Fashion Pact’s member list (The Fashion Pact, n.d). All the above suggest that Loro Piana could be part of a governance issue in the conglomerate’s subcontracting system.

As a result, due diligence implementation within LVMH appears to be crucial, not only for practical reasons but also to enhance the brand’s credibility and alignment with its official ethical commitments. Due diligence is not simply a mere obligation in Loro Piana’s case, but an assurance of respect from the brand to its stakeholders. Also, the Loro Piana case indicates gaps in LVMH’s due diligence, raising questions regarding the extent to which the luxury conglomerate can live up to the ethical expectations of stakeholders. Finally, the abovementioned crises not only affect Loro Piana but also LVMH. These cases in LVMH Maisons indicate a vulnerability, questioning the extent to which the conglomerate can live up to its ESG commitments and implement them within its Maisons, risking its credibility.

Nevertheless, it is worth noting that the vulnerabilities identified in Loro Piana’s supply chain may not be entirely related to the brand’s integration within LVMH. Given the fact that Loro Piana was a family-owned Maison, it might already have had certain limitations in supply chain oversight, which might have gained visibility after the brand’s integration into a corporate framework. Furthermore, integration into a conglomerate

should not be solely connected with negative consequences, as it presents immense opportunities for the integrated brand.

#### **4.6 Media framing and the construction of public meaning**

In both cases, the media played a pivotal role in bringing the crises to the spotlight and shaping public opinion. In contemporary crises, narrative is not determined by the company itself, but also by news outlets, social media, and public discourse, as illustrated by the Loro Piana cases. Investigative journalism, in particular, gave a more emotional narrative of the events, focusing on workers' exploitation by the highly esteemed brand. More specifically, in the case of the Italian labor exploitation crisis, Reuters and Forbes focused on allegations of workers' mistreatment and sweatshop working conditions, as well as disproportionate payment (Forbes, 2025; Reuters, 2025). At the same time, the Guardian reported the police investigation and the work environment in which laborers worked for excessive hours (Guardian, 2025). It is essential to understand that the media did not just inform the public; they shaped public opinion to a great extent by documenting the case not as a one-time incident, but as part of a pattern of lapses. This framing contributed to stakeholders' disappointment, as it revealed a problem within luxury, not a one-time scenario, by highlighting the contradictions between luxury's reality and its ethical commitments. Additionally, as already mentioned above, Bloomberg revealed the Peruvian crisis, publishing a rather detailed article about the poverty conditions of the community from which Loro Piana produces its \$9,000 sweaters, stating that they receive inadequate compensation, thus underlining the exploitation (Bloomberg, 2024). This narrative is framed emotionally, as it further highlights extreme inequality. Furthermore, media like the Financial Times and New York Times framed the wider picture of the crises, highlighting the effect this pattern of crises could have on the reputation of the Made in Italy label as a whole, further presenting other similar cases (i.e., Giorgio Armani, Valentino Bags Lab Srl, Alviero Martini) (Guardian, 2025). By suggesting other similar cases, the media

suggested a challenge in the luxury industry. The initiative of Italian authorities to place brands (i.e., Loro Piana, Dior) under judicial monitoring to maintain the prestige of Made in Italy products was further highlighted by the media, intensifying perceptions of governance failure. As a result, the way the crises were presented by news outlets and social media played an essential part in shaping public opinion before Loro Piana addressed the issue. Additionally, the Maisons' delayed public response further allowed third parties to reflect negatively on the crises, highlighting the importance of an immediate response following a crisis, as noted by Coombs and Holladay (2007), since in crisis communication, a delayed response could be seen as avoidance and unwillingness to accept responsibility. This delay in delivering an instant public response created an “information vacuum”, thus allowing the media to control the narrative and amplify the crisis. Also, the denial of responsibility and lack of action further limited the brand’s ability to mitigate the negative narratives, allowing the media to lead the narrative regarding both crises. In reality, the media became the primary storytellers of both Loro Piana crises, with Loro Piana holding a more reactive rather than a proactive role towards the crisis narrative. This highlights the importance of immediate crisis response, as well as the damage the loss of narrative control can hold for luxury brands, for which authoritative storytelling is part of their very identity.

#### **4.7 Toward trust repair: challenges and opportunities**

Since both crises are no longer at their peak, the post-crisis phase is a critical stage during which the brand should aim to restore its legitimacy, a key component of the brand experience. In the luxury industry, trust holds a symbolic role, since it validates the brand’s heritage and authenticity. Given the fact that quiet luxury symbolizes craftsmanship and purity, stakeholders expect the brand to visibly return to its founding commitments, demonstrating respect and sustainability - a concrete corrective action to regain consumers’ trust. The quiet luxury character of the brand further amplifies stakeholders’ ethical expectations. As noted by Coombs (2007), organizations ought to

prove they have genuinely learned from the crisis and redefine their practices. Essential corrective action, not mere commitments, would prove Loro Piana's honest intentions for repair. Given that the crises arose within its supply chain, the brand ought to strengthen its supply chain oversight by conducting rigorous audits to prevent similar cases of exploitation. Also, equitable compensation frameworks for the indigenous communities in Peru, as well as partnerships that will further empower them, should be initiated. Change-making corrective action would reconnect Loro Piana's brand identity with its original ethical values and commitments. Additionally, as Coombs (2007) suggests, the brand should follow up with stakeholders and adopt transparency within its supply chain. By implementing these measures, Loro Piana would satisfy stakeholders' expectations, showing initiative for essential repair. On the contrary, the brand's response was restricted to promises of limited corrective actions, which were contrary to stakeholders' expectations. Furthermore, considering that Loro Piana is under the LVMH umbrella, action should be collective within the group. Both Loro Piana and LVMH ought to alter their culture to embody the values they claim to represent. On top of that, for Loro Piana to regain stakeholders' trust, the Maison needs to reconstruct its brand experience so it aligns with its commitments of responsibility, sustainability, and ethics. Additionally, implementing Coombs' SCCT theory, the importance of a crisis team should be highlighted. Given the delayed responses from Loro Piana, which misaligned with stakeholders' attribution of responsibility, the enhancement of the brand's preventive measures is deemed essential. As highlighted in the literature review of this thesis, the existence of an up-to-date crisis manual, entailing plans and strategies for a plethora of potential crisis scenarios arising from the brand's activity, is crucial. Such a manual would provide necessary guidance on how to respond to different kinds of crises, saving the brand time and enabling it to issue a response on time. Additionally, a crisis manual should entail the appointment of a crisis team, with predetermined responsibilities for each member, should a crisis arise. In both Loro Piana crises, the brand delayed its responses and abstained from social media, thereby allowing the media to lead the narrative; a crisis strategy would have enabled the brand to issue

statements immediately and gain control of the narrative. Also, in the context of preventative crisis management, the formation of a crisis monitoring team would be crucial. Its main responsibilities would be monitoring what is written on news outlets and social media concerning the brand, and identifying potential warning signals, thus allowing the brand to promptly address the issues and gain control before a crisis escalates. It is unclear whether Loro Piana had an in-house crisis team or if the crisis was handled centrally by LVMH. However, the above findings suggest that the formation of an in-Maison crisis team would be beneficial, as it would be better aligned with Loro Piana's values and identity, and would have better knowledge of the brand's vulnerabilities, testing crisis scenarios through crisis preparedness tests.

Trust repair for Loro Piana is possible, but optional. The brand will have to take meaningful action to ensure that these two crises do not have a lasting effect on its reputation. Without meaningful action, however, the attempts at trust repair will be deemed as symbolic, further amplifying stakeholders' reservations.

The aforementioned Loro Piana crises showcase the shift in the luxury industry. Stakeholders now perceive and evaluate luxury not only based on aesthetics, but also place great emphasis on sustainability and ethics. Additionally, ethical violations are not only negative for the brand, but contradict the very essence of luxury. Taking authenticity, SCCT, and IRT into account, emphasis on accountability and corrective action over denial strategies is further heightened. Finally, these crises demonstrate by example that both Loro Piana and, by extension, LVMH should genuinely incorporate sustainable and ethical practices. It depends on the Maison's efforts to reclaim stakeholders' trust, by making the most out of the crises, seeing as authenticity is the future of luxury.

### **Contribution to the research field**

This thesis contributes to the field of luxury by examining how contemporary luxury's redefinition unfolds under the prism of sustainability and ethics. It addresses a gap in the literature by analyzing the recent Loro Piana crises, which have not yet been extensively examined in academic research, thus contributing to crisis communication and ethical accountability in the luxury sector. Through the two Loro Piana cases, it examines how crises related to sustainability and ethics in contemporary luxury brands are evaluated based on stakeholders' moral expectations and how they shape the reputational outcomes. Additionally, through Attribution Theory, SCCT, IRT, and qualitative media analysis, responsibility attribution and the choice of strategies aligned with the nature of the crisis are highlighted. Finally, the case of Loro Piana highlights the limitations of denial strategies and the growing demand for transparent practices within conglomerates like LVMH, as well as the potential relationship between crises within luxury Maisons and the conglomerate they are incorporated into.

### **Future research**

Future research could further examine up to which extent luxury brands integrated into conglomerates had to alter their own internal structures, practices, and values. Taking into account that integration into corporate groups has been related to loss of identity for brands and shift to corporate structure, potential research regarding the positive outcome of such a merger could be beneficial. Additionally, management models for brands operating under a conglomerate umbrella, while also preserving the brand's distinctive characteristics and without violating consumers' expectations, could also be further investigated

## Epilogue

Through the analysis of the two Loro Piana cases, the radical shift in the meaning of luxury is confirmed in practice. The documented disruption caused by the crises in a Maison that until recently was equivalent to excellence, concretely underlines that the aesthetic criteria once defining luxury can no longer retain their credibility, thus demonstrating the importance of ethical practices. The case studies previously analyzed indicated that the challenges of the ethical lapses were not merely limited to the brand's reputation, but further expanded to destabilize trust in the luxury industry itself.

SCCT and IRT further indicated that Loro Piana's response to the crises with denial strategies, contradicted their preventable nature and the attributed responsibility by stakeholders, as well as their expectations from a luxury Maison of Loro Piana's caliber to undertake responsibility. Additionally, the portrayal of the events from the media contributed to shaping stakeholders' reactions, highlighting the cruciality of the organization concerned in a crisis to be in control of the narrative. Moreover, the cases demonstrate that reputational risks in brands that are part of conglomerate umbrellas ought to be examined holistically.

In conclusion, trust and image repair in luxury require both effective action as well as a demonstrated commitment to sustainability and ethics. The cases of Loro Piana indicate that the capacity to integrate ethical and sustainable practices within their structures is the game-changer and a creation of their future relevance.

## References

1. Achabou, M. A., & Dekhili, S. (2013). Luxury and sustainable development: Is there a match? *Journal of Business Research*, 66(10), 1896–1903. <https://doi.org/10.1016/j.ibusres.2013.02.011>
2. Akbar, S., & Deegan, C. (2021). Analysis of corporate social disclosures of the apparel industry following crisis: An institutional approach. *Accounting & Finance*, 61(2), 3565–3600. <https://doi.org/10.1111/acfi.12712>
3. Al-Issa, N. (2024). Redefining luxury: Exploring the natural connection with sustainability beyond labels. *Cogent Business & Management*, 11(1), 2423054. <https://doi.org/10.1080/23311975.2024.2423054>
4. Benoit, W. L. (2013). Image Repair Theory and Corporate Reputation. In *The Handbook of Communication and Corporate Reputation* (p. 213–221). John Wiley & Sons, Ltd. <https://doi.org/10.1002/9781118335529.ch19>
5. Berry, C. J. (2022). The Idea of Luxury: Revisited. *Luxury*, 9(2–3), 185–202. <https://doi.org/10.1080/20511817.2022.2183542>
6. Björck, A., Bläse, R., & Bastida, P. (2024). Becoming crisis-ready: A systematic literature review on corporate crisis readiness and the process to achieving it. *Journal of Contingencies and Crisis Management*, 32(3), e12614. <https://doi.org/10.1111/1468-5973.12614>
7. Carter, S. (n.d.). Case study method and research design: Flexibility or ambiguity for the novice researcher? University of Southern Queensland
8. Cheah, I., Shimul, A. S., & Teah, M. (2022). Sustainability claim, environmental misconduct and perceived hypocrisy in luxury branding. *Spanish Journal of Marketing – ESIC*, 27(1), 1–20. <https://doi.org/10.1108/SJME-02-2022-0012>
9. Claeys, A.-S., Cauberghe, V., & Vyncke, P. (2010). Restoring reputations in times of crisis: An experimental study of the Situational Crisis Communication Theory and the moderating effects of locus of control. *Public Relations Review*, 36(3), 256–262. <https://doi.org/10.1016/j.pubrev.2010.05.004>
10. Coombs, W. T. (1995). Choosing the Right Words: The Development of Guidelines for the Selection of the “Appropriate” Crisis-Response Strategies. *Management Communication Quarterly*, 8(4), 447–476. <https://doi.org/10.1177/0893318995008004003>
11. Coombs, W. T. (1998). An Analytic Framework for Crisis Situations: Better Responses From a Better Understanding of the Situation. *Journal of Public Relations Research*, 10(3), 177–191. [https://doi.org/10.1207/s1532754xiprr1003\\_02](https://doi.org/10.1207/s1532754xiprr1003_02)
12. Coombs, W. T. (2007). Protecting Organization Reputations During a Crisis: The Development and Application of Situational Crisis Communication Theory. *Corporate Reputation Review*, 10(3), 163–176. <https://doi.org/10.1057/palgrave.crr.1550049>

13. Coombs, W. T. (2007). *Crisis Management and Communications*.
14. Coombs, W. T., & Holladay, S. (2001). An Extended Examination of the Crisis Situations: A Fusion of the Relational Management and Symbolic Approaches. *Journal of Public Relations Research*, 13(4), 321–340. [https://doi.org/10.1207/S1532754XJPRR1304\\_03](https://doi.org/10.1207/S1532754XJPRR1304_03)
15. Coombs, W. T., & Holladay, S. J. (1996). Communication and Attributions in a Crisis: An Experimental Study in Crisis Communication. *Journal of Public Relations Research*, 8(4), 279–295. [https://doi.org/10.1207/s1532754xjpr0804\\_04](https://doi.org/10.1207/s1532754xjpr0804_04)
16. D'Anolfo, M., Amatulli, C., De Angelis, M., & Pino, G. (2017). Luxury, Sustainability, and Corporate Social Responsibility: Insights from Fashion Luxury Case Studies and Consumers' Perceptions. In M. A. Gardetti, *Sustainable Management of Luxury* (p. 427–448). Springer Singapore. <https://doi.org/10.1007/978-981-10-2917-2>
17. Entman, R. M. (1993). Framing: Toward clarification of a fractured paradigm. *Journal of Communication*, 43(4), 51–58. <https://doi.org/10.1111/j.1460-2466.1993.tb01304.x>
18. Fiorani, G., Bosco, F., & Gerio, C. D. (2022). Measuring Sustainability in the Luxury Fashion Sector: A Comparison between LVMH and Kering. *Modern Economy*, 13(3), 356–369. <https://doi.org/10.4236/me.2022.133020>
19. Hennigs, N., Wiedmann, K.-P., Klarmann, C., & Behrens, S. (2013). Sustainability as Part of the Luxury Essence: Delivering Value through Social and Environmental Excellence. *Journal of Corporate Citizenship*, 2013(52), 25–35. <https://doi.org/10.9774/GLEAF.4700.2013.de.00005>
20. <https://roberteccles.com/are-you-a-member-of-generation-s/>
21. <https://us.loropiana.com/en/our-world/vicuna>
22. <https://www.fashionnetwork.com/news/Loro-piana-refutes-accusations-of-unfairness-towards-peruvian-suppliers,1618266.html>
23. <https://www.bloomberg.com/features/2024-lvmh-loro-piana-vicuna-sweater-labor/>
24. <https://www.businessoffashion.com/opinions/sustainability/italy-luxury-supply-chain-scandal-fix/>
25. <https://www.businessoffashion.com/podcasts/sustainability/the-debrief-high-luxury-cheap-labour-inside-loro-pianas-sweatshop-links/>
26. <https://www.forbes.com/sites/pamdanziger/2025/07/16/loro-piana-joins-growing-list-of-luxury-brands-tied-to-worker-abuse/>
27. <https://www.foxbusiness.com/retail/lvmh-luxury-label-loro-piana-under-court-monitoring-alleged-labor-abuse-undocumented-workers>
28. <https://www.ft.com/content/e9970f24-8e0e-4cd6-a35d-eb13c9b8f657>
29. <https://www.glossy.co/fashion/luxury/inside-the-loro-piana-scandal-labor-abuse-court-oversight-and-the-myth-of-sustainable-luxury/>
30. [https://www.lemonde.fr/en/economy/article/2025/07/15/italian-fashion-house-loro-piana-put-under-court-administration\\_6743394\\_19.html](https://www.lemonde.fr/en/economy/article/2025/07/15/italian-fashion-house-loro-piana-put-under-court-administration_6743394_19.html)
31. <https://www.lvmh.com/en/our-maisons/fashion-leather-good/loro-piana>
32. <https://www.nytimes.com/2025/07/28/fashion/sweatshop-ethical-clothes.html>
33. <https://www.reuters.com/business/retail-consumer/lvmhs-loro-piana-put-under-court-administration-italy-over-labour-exploitation-2025-07-14/>

34. <https://www.reuters.com/business/retail-consumer/some-investors-demand-change-lvmh-after-probe-into-dior-contractors-2024-07-23/>
35. <https://www.reuters.com/en/italy-moves-safeguard-fashion-sector-reputation-after-labour-scandals-2025-07-22/>
36. <https://www.thefashionpact.org/our-ecosystem/>
37. <https://www.theguardian.com/fashion/2025/jul/24/made-in-italy-is-the-label-just-another-luxury-fashion-illusion>
38. Jin, Y. (2024). The Effectiveness of ESG and Sustainability on Luxury Brand. *Transactions on Economics, Business and Management Research*, 13, 347–352. <https://doi.org/10.62051/p79nwg57>
39. Jin, Y., Wang, Y., & Shivers, B. N. (χ.χ.). *READINESS: THE KEYSTONE OF CRISIS MANAGEMENT ARCHITECTURE*.
40. Kapferer, J. N., & Michaut, A. (2015). Luxury and sustainability: A common future? The match depends on how consumers define luxury. *Luxury Research J.*, 1(1), 3. <https://doi.org/10.1504/LRJ.2015.069828>
41. Kapferer, J.-N., & Michaut-Denizeau, A. (2014). Is luxury compatible with sustainability? Luxury consumers' viewpoint. *Journal of Brand Management*, 21(1), 1–22. <https://doi.org/10.1057/bm.2013.19>
42. Karaosman, H., Morales-Alonso, G., & Brun, A. (2017). Strike a Pose: Luxury for Sustainability. In M. A. Gardetti, *Sustainable Management of Luxury* (p. 145–161). Springer Singapore. <https://doi.org/10.1007/978-981-10-2917-2>
43. Keinan, A., Crener, S., & Goor, D. (2020). Luxury and environmental responsibility. In F. Morhart, K. Wilcox, & S. Czellar (Ed.), *Research Handbook on Luxury Branding*. Edward Elgar Publishing. <https://doi.org/10.4337/9781786436351.00031>
44. Ko, E., Costello, J. P., & Taylor, C. R. (2019). What is a luxury brand? A new definition and review of the literature. *Journal of Business Research*, 99, 405–413. <https://doi.org/10.1016/j.jbusres.2017.08.023>
45. Kunz, J., May, S., & Schmidt, H. J. (2020). Sustainable luxury: Current status and perspectives for future research. *Business Research*, 13(2), 541–601. <https://doi.org/10.1007/s40685-020-00111-3>
46. Nazione, S., & Perrault, E. K. (2019). An Empirical Test of Image Restoration Theory and Best Practice Suggestions Within the Context of Social Mediated Crisis Communication. *Corporate Reputation Review*, 22(4), 134–143. <https://doi.org/10.1057/s41299-019-00064-2>
47. Olatubosun, P., Charles, E., & Omoyele, T. (2021). Rethinking luxury brands and sustainable fashion business models in a risk society. *Journal of Design, Business & Society*, 7(1), 49–81. [https://doi.org/10.1386/db\\_s\\_00020\\_1](https://doi.org/10.1386/db_s_00020_1)
48. Ozdamar-Ertekin, Z. (2019). Can Luxury Fashion Provide a Roadmap for Sustainability? *Markets, Globalization & Development Review*, 4(1). <https://doi.org/10.23860/MGDR-2019-04-01-03>

49. Shukla, P., Rosendo-Rios, V., Dubois, D., Valette-Florence, P., & Stathopoulou, A. (2025). Luxury: Where Next? *Psychology & Marketing*, 42(10), 2524–2534. <https://doi.org/10.1002/mar.22244>
50. Veil, S. R., Buehner, T., & Palenchar, M. J. (2011). A Work-In-Process Literature Review: Incorporating Social Media in Risk and Crisis Communication. *Journal of Contingencies and Crisis Management*, 19(2), 110–122. <https://doi.org/10.1111/j.1468-5973.2011.00639.x>