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The Effects of Luxury Firm Level Within the Luxury Industry on the Level of Corporate Social Performance

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Abstract: The study will examine the corporate social performance level of firms that are included in the luxury industry. This study investigates whether there is a relationship between the luxury firms level towards their level of corporate social performance. This research will use linear regression analysis as the dependent variable of corporate social performance use interval type of data, and the independent variable will use a nominal data type. There will be two models in the research. The conclusion shows the levels do not appear to affect CSP, and it may be, even though the firms have different price points, they are still seen by customers and stakeholders as firms included in the luxury industry. This means they have the same problem, visibility and therefore, instead of resulting in variation, it results in similar CSP. The findings imply that managers in luxury firms do not need to be concerned about improving their corporate social performance because the differences in CSP between the highest and lowest levels are insignificant.

Keywords: *Luxury, corporate social performance, luxury industry*

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INTRODUCTION

According to report by (Hill & Alexander, 2017) the global luxury goods industry appear to have an upward trend with an increase on average of 4-5% annually ever since the year 1996, and it has achieved the highest market value to date of $262 Billion in 2017, also the total of worldwide luxury market grew to nearly $1,2 trillion which is the highest it has ever been. In France, the luxury fashion sector alone is the fourth largest revenue generator and it is one of the most prominent sectors in Italy, Spain, and the United States, and in emerging markets such as China and India (Aras, Buyusalvaric, & Akmese, 2018; Okonkwo, 2016). The highest value market of luxury goods industry is supported by the revival of Chinese consumer spending and also the shift of consumers of luxury goods towards the Generation Z and as the key growth drivers of the luxury goods industry. It seems that the worldwide luxury industry growth won't be slowing down as the report shows prediction of 4-5% annual growth until 2020.

A few examples of firms or firms that are included in the luxury specific sectors are Hermes which is a luxury firms that provides luxury goods of bags, clothing and home goods. Tiffany & Co is another luxury firm, that provides luxury in terms of jewelry, another example would be Daimler which is a luxury automobile manufacturer which consists of luxury german firm of Mercedes Benz and Mercedes AMG.

However, being firms in the luxury industry attracts extra attention, it is deemed as the highest indication of consumption in society, and as the result, this visibility leads to higher exposure towards criticism (Kapferer & Michaut-Denizeau, 2014; Piyachat, 2017). Luxury firms are also aware of the attention and exposure that they got, derives from high price and monetary value (Fombrun & Shanley, 1990; Hung, Chu., & Chen, 2017; Kapferer & Bastien, 2012). Also, it seems now that consumer of luxury products are more aware about environmental and social

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issues (Agence Bio, 2008). Especially relating to the phenomenon of luxury firms expanding their target market towards younger consumers (Shea, 2013), and younger consumers pay more attention towards sustainable development issues (Achabou & Dekhili, 2013). Beside the interest in Corporate Social Responsibility (CSR) by younger consumers, luxury firms can no longer rely solely on their firm name and the quality and rarity of their products, they must now channel humane and environmental values in order to establish lasting relationship with customers, because now consumers of luxury products have expanded their expectations towards social and environmental issues (Murat & Lochard, 2011). In response to these consumer concerns, some of the luxury firms have increased their effort in CSR such as Gucci partnership with UNICEF to produce a specific line of accessories every year and donating 25% of their profits to the organization, another example would be Hermés firm adopting recycling practices (Achabou & Dekhili, 2013). However in the same article, Achabou and Dekhili (2013), environmental commitment of the luxury firms does not appear to be decisive selection criteria by consumers. Another research also concluded that luxury consumers did not care about sustainable development when buying luxury goods,but they would react towards bad news of the firms environmental issues (Kapferer & Michaut-Denizeau, 2014).

This attention the luxury firms received because of the characteristics of its industry itself, may or may not be some kind of pressure to do more or less corporate social performance. Therefore, the luxury firm positioning can be one of the variables that determine or is the antecedents that could explain the level of corporate social performance of firms specifically in the luxury industry.

CSP has been included into academic research for several decades, the term corporate social performance has been around since the 1950s (Boulding, 1956). However there hasn't any research linking corporate social performance with the luxury industry. In this study, the focus will be on the corporate social performance of firms in the luxury industry. The study will examine the corporate social performance level of firms that are included in the luxury industry. This study aims to investigate whether there is a relationship between the luxury firms level towards their level of corporate social performance. This research also aims to answer the following research question which is 'Does the luxury firm level has an effect on their level of corporate social performance?'.

A quantitative analysis is done by classifying firms within the luxury industry into levels based on their price point to know whether the different level has an effect towards CSP. Even though evidence to support luxury industry as the antecedent towards corporate social performance is not found, this research has an academic implication which is to broaden the research about luxury industry by linking corporate social performance with luxury industry as the previous research only linked the luxury industry with corporate social responsibility. This research also incorporates Rambourg (2014) levels of luxury firms in academic research.

LITERATURE REVIEW

In this research, I will talk about the level of luxury firms or firms within the luxury industry as a possible antecedent of corporate social performance. Most of the literature I found was about the luxury industry and the effort to become more sustainable or the pressure by other stakeholders of the luxury industry to make them more sustainable also on how the luxury industry did corporate social responsibility, while there is no previous research regarding corporate social performance and the luxury industry, the literature review, and theory section will be based on the linkages that I found between luxury industry, sustainability and corporate social responsibility. Hereby the literature review will be structured by first the definition of luxury industry, Luxury firm level then corporate social performance to clarify what is meant by luxury firm industry and which definition is adopted in this paper.

Luxury Industry

The luxury firm is defined as firms that have these several factors which are: exceptional quality, hedonism (beauty and pleasure), price (expensive), rarity (which is not scarcity), selective distribution and associated personalized service, exclusive character (prestige, privilege, and creativity (art and avant-garde) (Asma, Larbi, & Samiha, 2017; De Barnier, Falcy, & Valette, 2012). Luxury firms provide or sell very expensive goods in terms of price, the products are very expensive not just because of their value and symbolic benefits, but also because their production often involves the use of rare, precious materials and limited natural resources such as animal skins, fur, valuable gemstones (Luca, 2014; Matejun, 2017).

As for the definition of luxury industry, the luxury industry consists of several goods and services ranging from fashion to automobiles (Phungphol, Tumad, Sangnin, & Pooripakdee, 2018; Seo & Buchanan-Oliver, 2015). All of the services and goods in the luxury industry provides consumers with symbolic and experiential benefits of prestige and social status that comes from the intangible values of the firm itself (Kapferer & Bastien, 2009). Because of these characteristics, the luxury firm industry is viewed as an exclusive groups of firms across segments that are perceived as luxurious by consumers (Young & Marais, 2012), strong firm image and identity is also key for firms in the luxury firm industry (Kapferer & Bastien, 2009). According to Brammer and Millington (2008) the luxury industry consists of nine segments which are: Personal luxury goods which comprise a few segments itself such as accessories, apparel, hard luxury, and beauty then luxury cars, luxury hospitality, fine wines and spirits, fine food, fine art, designer furniture, private jets & yachts, and last is luxury cruises.

Luxury Firm Level

Beside the existent of different segments in luxury industry, the luxury industry also consists of different levels of brands. Rambourg (2014) divide the brands based on its accessibility or the price point of the products of firms. He made a pyramid model showing the level from the highest to the lowest level of firms.

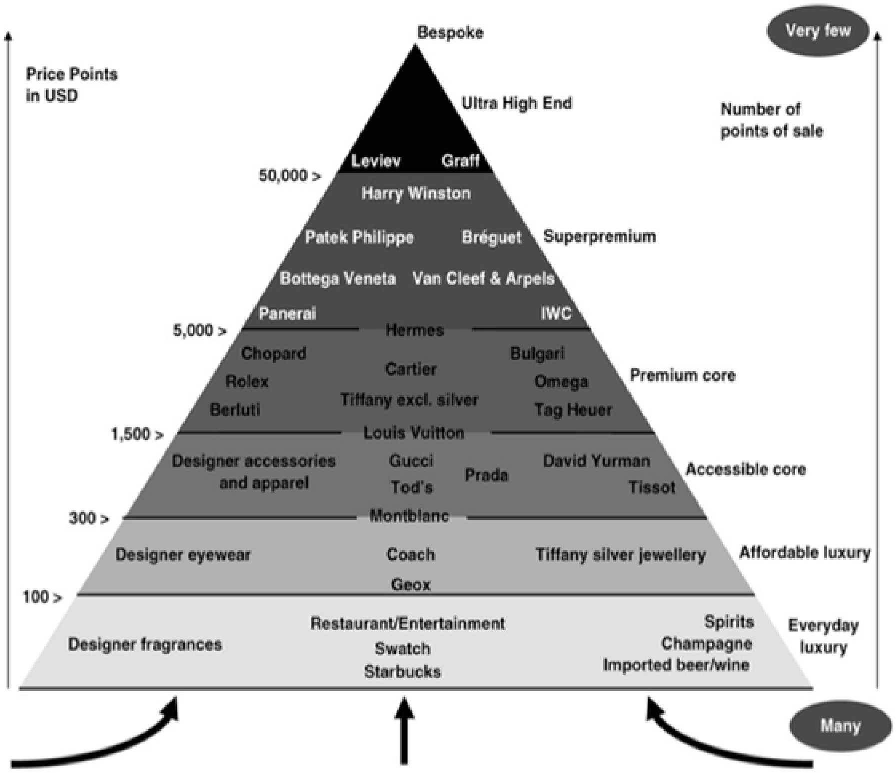

Figure 1 *Rambourg Pyramid Firm Level*

With the Ultra high end level as the highest brand level and brands that provide the most expensive goods, to the lowest level of everyday luxury with brands that provide or sell goods with the lowest price but is still included in the luxury industry. The Rambourg model could clearly classify which brand is included in which level based on price points and number of sale points. In this study, the luxury brands are classified only on their price point. However, because in reality many of the luxury brands are actually under one company/firm, this study will classified firms instead of firms for each level.

Corporate Social Performance

Corporate social performance is a term that is often confused with corporate social responsibility. Corporate Social Performance can be defined as harms and benefits that result from companies' or business organizations interactions with its larger environment, including the social, cultural, legal, political, economic and natural dimension (Wood, 2010). Therefore, corporate social performance is the outcome of social performance based of a firm's undertaking of CSR activities (Ioannou & Serafeim, 2012), thus, the concept of corporate social performance is closely related with the concept of corporate social responsibility as it is the base of corporate social performance.

The corporate social performance of a firm can be evaluated, To evaluate the firm's corporate social performance the researchers would need to examine the degree which principles of social responsibility motivate actions taken on behalf of the company (Wood, 1991), the firms are evaluated then later rated and ranked.

Based on previous literatures regarding what drives CSP variation for firms, there are multiple drivers of CSP, which are at the level of firm, industry, country or at the level of national business system (Aguilera, Rupp, Williams, & Ganapathi, 2007; Campbell, 2007; Matten & Moon, 2008). This research is conducted at an industry level which studies the luxury industry. According to Arminen, Puumalainen, Patari, and Fellnhofer (2018) a factor that affects the CSP and dimensions of a firm, is the industry which the company operates (Arminen et al., 2018). Firms in a specific industry might also be more socially responsible in response to their nature of activities (Sacaris, 2004).

Therefore, in this case, the variation of CSP in the firms included in the luxury industry may be influenced by the luxury industry itself, as the luxury industry face a specific problem that results in higher pressure towards sustainable development and the need for high corporate social responsibility. The high pressure comes from attention and high visibility because luxury industry is deemed as the highest symbol of consumption in the society, and this consumption is based on other motives rather than functionality (Kapferer & Michaut, 2015). This leads to criticism that they use resources for unnecessary consumption (Luca, 2014). Reputational risk comes automatically from the high attention and visibility because luxury industry often are used as targets by NGOs to help them make a point to support the environment. For example, high criticism that comes from the use of high-quality materials that the luxury firm used such as fur and animal skins. Supported by more statements regarding visibility and higher CSP level, it is said that the more the perceived influence or effect of the industry towards its stakeholders the higher the CSP level will be (Jackson & Apostolakou, 2010; Young & Marais, 2012).

THEORY SECTION

However, the corporate social performance of firms within an industry can differ, but it is still not known what causes it (Chiu & Sharfman, 2011). In this research, I would like to argue that differences in price points which leads to differences in visibility can be an antecedent towards corporate social performance variation of firms within the luxury industry. The luxury industry itself consists of a lot of different segments and different industries, ranging from luxury automobile industry to personal luxury goods such as makeup by which these different industry segments have a really different price point. Besides different industry segments, firms in the luxury industry which comes from the same industry for example apparel, also have a different price point. An example would be even though Hermes and Dior are included in the apparel industry they have a different price point for their bags with Hermes having a higher price point. Higher price results in higher visibility because it indicates the highest symbol of consumption in the society, and this consumption is based on other motives rather than functionality (Kapferer & Michaut, 2015). High price products automatically have high visibility and therefore are more familiar in the public eye, these firms face more legitimacy pressure compared to unfamiliar firms in the public (Dowling & Pfeffer, 1975). Therefore demand for CSP would not be equal for firms within an industry because of the different attention that they attract (Campbell, 2007). As CSP is a response from external pressure (Matten & Moon, 2008). Firms that have higher visibility that results from higher price point will attract more attention and have a higher external pressure from stakeholders, therefore will have a higher corporate social performance.

In conclusion, It is expected that higher price point will likely results in high visibility and therefore leads to a higher corporate social performance index. The levels of Rambourg (2014) will indicate differences in price point, and we shall see whether it has an effect on the variation of CSP within the luxury industry.

Based on this theoretical argument, it leads to the first hypotheses of:

H1: *The higher the level of luxury firms within the luxury industry lead to higher corporate social performance level.*

Theoretical Framework

This research paper uses two order of theoretical framework: which are luxury firm level within the luxury industry and corporate social performance level. The independent variable in this research paper is the luxury firm level and the dependent variable is the corporate social performance level. The conceptual model provided below are based on the proposed hypothesis. The hypothesis indicates a positive relationship between the independent and dependent variable, and the high corporate social performance is caused by the level in which the luxury firms are classified in.

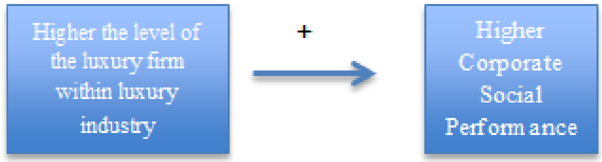

Figure 2 *Conceptual Model*

METHODOLOGY

Measures

Independent variable: The independent variable of the level of luxury firms within the luxury industry is measured by categorizing the luxury firms into a classification of levels by Rambourg (2014). Before classifying the firms into different levels, I first, classified them into different segments of luxury firm industries. First, the sample of luxury firms that are included in the luxury category are based on the classification of luxury industry segments of Rambourg (2014) which are : accessories, apparel, hard luxury, and beauty then luxury automobile, luxury hospitality, fine wines and spirits, fine food, fine art, designer furniture, private jets & yachts, and last is luxury cruises. Because most of the luxury firms provide several products I will only classify the sample into accessories, apparel, luxury automobile and luxury hospitality(will also include luxury cruises). This is because there are limitations on sample because Asset 4 do not have all the companies in all segments, Asset 4 did not provide the companies data of fine wines and spirits, fine food, fine art, designer furniture, private jets & yachts and only limited data on the luxury cruises therefore I will combine it with luxury hospitality.

Here are the list of companies according to their industries that are included in the sample, the classification mechanism for the apparel and accessories is, since some of the firms overlap as one could provide both apparel and accessories, I classify them to what they are most known for and also which industry they serve more for example, Hermes also offer watches and other accessories but looking at the website they put emphasis more on their clothing and bags. And also what firms are more dominant in their portfolio for example the Richemont group they also have apparel firms such as Chloe and Azzadine Alaia, but their watch firms and accessories are more dominant in their 19 firms portfolio, therefore, I classified them into the accessories industry. As for luxury hospitality, I only take into account the firms in the company portfolio that have a credential of five star hotels.

Table 1 *FIRMS THAT ARE INCLUDED IN THE SAMPLE ACCORDING TO INDUSTRIES*

Industry	Firms
Automobile	BMW, Daimler, Ferrari, Fiat Chrysler, Ford, General motors, Harley Davidson, Porsche, Honda, Hyundai, Tata, Tesla, Toyota, Volkswagen and Peugeot
Apparel	Abercrombie & Fitch, Burberry, Guess, Kering, Michael kors, Superdry, Ted Baker, Boss Hugo, Christian Dior, Hermes, LVMH, Moncler, Ralph lauren, Steven Madden, Tod's, Under Armour, Esprit, G III, and PVH, Adidas, Next.
Accessories	Signet Jeweller, Tiffany & co, Pandora, The Swatch Group, Fossil, Citizen Watch, Folli Follie, Richemont Group and Titan company
Luxury Hospitality	Accor, Hilton, Hyatt, Las Vegas Sands, Marriott, Melco Resorts, MGM Resorts, Millenium & CPTH, NH hotel, Norwegian cruise line, Royal Caribbean Cruises, Shangri-la Asia, Wynn Resorts, Hotel Shilla.

After classifying the companies into different segments of industries, then I classify the firms according to their level of luxury according to Rambourg (2014). The classification of Rambourg is based on the price point of the products offered in USD. I made some modification to the classification of Rambourg (2014).

because of the inflation and also higher prices regarding the goods, the classification of luxury firms will differ to what Rambourg (2014) did, but it will still be based on the price point of goods provided by the firms. Another modification is made according to the luxury industry, because Rambourg only included the accessories and apparel industry in the classification of levels. I will include the automobile industry and also luxury hospitality to increase the generalizability of the research for other segments within the luxury industry.

As most of the luxury company within these industries consists of several firms with different price points, I will classify the companies within the level by averaging the most expensive product with the least expensive products for apparel, automobile and accessories industries. As for luxury hospitality, I will only take into account firms of Hotels included in the portfolio of the hotel groups that are included in the luxury segments and doing the same thing by averaging the most expensive type of room with the cheapest type of room.

Here are the classification of the luxury companies into the level of luxury industry.

Table 2 *FIRMS CLASSIFICATION BY LUXURY LEVELS*

Luxury Level	Firms
Ultra High End	
Price point of above \$50.000	Daimler, Ferrari, Fiat Chrysler with Maserati as their main luxury firm car, Porsche, General Motors, Honda, Hyundai, Ford, Tata, Volkswagen, Toyota, Tesla, Peugeot and lastly The Swatch Group, Nissan
Super Premium	
Price point of \$5000-\$50.000	Hermes. Signet Jewelers, Tiffany & Co, Harley davidson. LVMH, Kering, Shangri-La hotels, Norwegian Cruise Line, Mariott, Mitsubishi, Subaru, Renault, Mazda
Premium Core	
Price point of \$1500-\$5000	Burberry, Christian Dior, Tod's, Moncler, Shilla Hotel, Royal Caribbean Cruise,accor hotels, Hyatt and Las Vegas Sands
Accessible Core	
Price point of \$300-\$1500	Hugo Boss, Ralph Lauren, G III and PVH, Citizen watch, Melco, NH hotel, Wynn Hotel, Michael Kors, Intercontinental, Ted baker, Hilton Affordable Luxury
Price point of \$100-\$300	Guess, Folli Follie, Titan Watch, Pandora, Fossil, Steve Madden, Adidas, Nike, Puma, Under Armor, Super Dry, MGM resorts and Ted Baker
Everyday Luxury	
Price point of below \$100	Esprit, Abercrombie & Fitch, Next, Crocs, GAP and Marks & Spencer

Dependent variable: The dependent variable of level of corporate social performance of each of the companies are taken from Thomson Reuters Asset 4 which provides data and scored the firms

included, based on the ESG dimensions since 2002. The sources for the data includes: stock exchange filings, CSR & annual report, non- governmental organizations websites and news sources (Ioannou & Serafeim, 2012). The ESG data that were obtained from these sources are then transformed into consistent units to allow for quantitative analysis of the qualitative data (Ioannou & Serafeim, 2012).

The data constitutes of equal weighted rating which calculates the average level of the economical, environmental, social and governance components score of the company. A higher equal-weighted rating means a higher amount and better corporate social activities of firms within the four components that implies higher corporate social performance. The data is measured on a 1 until 100 percent scale.

The year of the corporate social performance that is used is in the year 2016 for all segments. No time lag is needed in the research for inference of causality as the luxury companies are already in the luxury industry since the establishment of the companies and nothing has changed since then.

Control variable: The control variables that are used in this research are variables measured on the firm level which are firm size measured by the number of employees the firm employed, Return on assets, and firm risk measured by volatility of the company stock. It is confirmed from previous research that firms size has an effect towards corporate social performance, firm size has a positive effect towards CSP, which means the larger the firm size the higher the CSP will be (McWilliams & Siegel, 2001). For firm size, because there is a huge range between the lowest number of employees with the highest number of employees, a natural logarithm for the data employees have been used as the measure for firm size.

Financial performance measures of return on assets is included as control variable because companies that have a higher return on assets or better performing firms are more socially responsible which leads to higher CSP (Ioannou & Serafeim, 2012). Also other financial performance which is volatility that is associated with riskier firms, reduce CSP Index (Ioannou & Serafeim, 2012). To make sure there is causality the control variable data are taken from the year 2015 which is a year before 2016 that the CSP index is taken from. All three control variables data are taken from datastream with Worldscope as the source.

ANALYSIS METHOD

This research will use linear regression analysis, as the dependent variable of corporate social performance use interval type of data and the independent variable will use a nominal type of data. There will be two models in the research. The first model includes only the three control variables which are firm size, firm risk (volatility) and performance of the firm (Return on Asset). The first model only includes the control variable to know whether these variables have an effect on the dependent variable because based on the previous research I expect these variables to have an effect on CSP.

The second model in the research will include the independent variable which is the level of luxury firms which I have made dummy variables for the level of luxury firms, there are six dummy variables but only five dummy variables will be included in the regression analysis to avoid the dummy trap problem, with everyday luxury which is the lowest level of luxury firms within the luxury industry as the base or reference dummy. Control variable will also be added to the second model to know whether the effect changes if it is regressed together with the dummy variables.

Descriptive Statistic

Table 3 *DESCRIPTIVE STATISTIC OF DEPENDENT, INDEPENDENT AND CONTROL VARIABLES*

Variables	Minimum	Maximum	Mean	Std. Deviation
CSP	6,26	96,23	72,3	25,475
Ultra High End	0	1	0,25	0,436
Super Premium	0	1	0,19	0,396
Premium Core	0	1	0,15	0,357
Accessible Core	0	1	0,15	0,357
Affordable Luxury	0	1	0,18	0,384
Everyday Luxury	0	1	0,09	0,286
FIrm Risk (Volatility)	16,93	44,030	28,587	6,596
Log Firm Size (Employees)	1,51	5,79	4,3	0,70610
Return on Asset (ROA)	-18,66	35,95	7,633	8,52

Table 3 shows the descriptive statistics of the dependent variable Corporate social performance, independent variable of luxury firms level within the luxury industry, the Independent variable consists of six dummy variable ranging from the highest level: ultra high end, super premium, premium core, accessible core, affordable luxury, and everyday luxury. Then the table also shows the descriptive statistics of the control variable which are: firm risk, firm size and return on asset.

Correlation

Table 4 *CORRELATION MATRIX BETWEEN THE VARIABLES*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CSP (1)	1									
Ultra High End (2)	0.141	1								
Super Premium (3)	0.184	-0.281*	1							
Premium Core (4)	-0.120	-0.254*	-0.214	1						
Accessible Core (5)	-0.137	-0.240	-0.190	-0.172	1					
Affordable Luxury (6)	-0.143	-0.225	-0.225	-0.203	-0.181	1				
Everyday Luxury (7)	0.044	-0.267*	-0.151	-0.129	-0.121	-0.144	1			
Firm Risk (8)	-0.373**	-0.016	-0.129	-0.166	0.114	0.206	-0.005	1		
Log Firm Size (9)	0.579**	0.251*	0.094	-0.146	-0.034	-0,210	-0.019	-0.340**	1	
ROA (10)	0.023	-0.305*	0.063	0.073	0.165	0.270*	-0.320**	-0.101	-0.095	1

**$p < 0.01$, *$p < 0.05$

The correlation matrix presented in Table 4 shows the correlation between independent variable consisted of the dummy variables with the control variables. There are no correlation that exceeds the lowest threshold for indication of multicollinearity of 0.7, I also checked the VIF value just to make sure that there is no multicollinearity and there is no VIF value for the variables that exceed the threshold of 10 for the value of VIF, therefore there is no indication of multicollinearity in this research.

Regression Model

Table 5 *REGRESSION RESULTS ON CSP*

Variables	Model 1	Model 2
Dummy Variable: base everyday luxury		
Ultra High End		-4,255(10,712)
Super Premium		8,502(11,266)
Premium Core		-5,754(11,527)
Accessible Core		-2.646(12,175)
Affordable Luxury		-2,262(11,962)
Firm Risk	-0,662*(0,392)	-0,647(0,406)
Log Firm Size	21,236***(0,000)	21,376***(3,976)
Return on Asset	0,194(0,278)	0,095(0,330)
Constant	-2,633	-2,823
Observations	58	58
F Statistic	16,191	6,551
Prob > *F* (Sig)	0,000	0,000
R^2	0,474	0,517
Adjusted R^2	0,444	0,438

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Model 1

In model 1, I used a regression analysis consists of only control variables and regressed them with the dependent variable to check whether they actually have an effect towards corporate social performance. The model is significant at 1% level with R^2 : 0.474, F (3.54): 16,191 $p = 0.000$

Both firm risk and log firm size influence corporate social performance, with firm risk β -0.662, and p : 0.097 it is significant at 10% level, therefore firm risk has a negative influence towards corporate social performance as firm risk increase by one unit the csp index decrease by 0.662. For the firm size it has β : 21,236 and p : 0.000, it is significant at 1% level, therefore firm size has a positive effect towards corporate social performance, as firm size increase by one unit, the corporate social performance will increase by 21,236. However, in contrast with previous research regarding return on asset, in this regression analysis return on asset does not appear to be significant with, β : 0.194 and p: 0.488.

Model 2

In model 2, in addition to control variables, the dummy variables of level of luxury firms are included in this model, with an exception of the base dummy variable which is affordable luxury that indicates the lowest level of the luxury firm. The regression analysis of model 2 is significant at 1% level with R^2 : 0.517, F (8.49): 6.551, p = 0,000. All dummy variable of the luxury firms level does not appear to be significant: Ultra High End (β : -4.255 and p: 0.693), Super Premium(β : 8.502 and p : 0,453), Premium Core (β : -5.754 and p : 0.620), Accessible Core(B: 2,646 and p: 0,829) and Affordable Luxury (β ; -2,262 and p : 0,851). As for the control variables it appear that only firm size affect corporate social performance it is significant at 1% level with firm size β : 21,376 and p : 0,00. While Return on asset same in model 2 also appear to be not significant with β : 0,095 and p : 0.774 and firm risk with β ; -0.647 and p ;0,118

Therefore, based on model 2, there are no evidence to support the hypothesis because all of the dummy variable does not appear to be significant and therefore the levels does not affect corporate social performance.

DISCUSSION

This research marked the beginning of linking corporate social performance with the luxury industry. This research argues that It may be the case that instead of variation in corporate social performance, the luxury industry supports similar conduct of corporate social performance for the firms operating within the luxury industry. Based on the regression analysis that was conducted in model 2, it appears that there is no evidence to support the hypothesis. It seems that the level of luxury firms within the luxury industry does not have an effect on variation of corporate social performance. As been said in previous research the luxury industry face specific problem which is firms visibility (Kapferer & Michaut, 2015). The visibility problem that luxury industry face comes from their high price of the product they offered to the customers, therefore, firms that offer high price products automatically have a high visibility, are more familiar in the public eye and face more legitimacy pressure compared to unfamiliar firms in the public (Dowling & Pfeffer, 1975). This was the reasoning behind the hypothesis that the higher the firm luxury firm level which indicates a higher price point compared to the firm positioned level below will have a higher corporate social performance level.

As the classification of the luxury firms to several levels by Rambourg (2014) are not really common to the customers and the public because the levels were made based on Chinese consumers (Rambourg, 2014), other customers and public outside of China might see all firms and firms within the luxury industry as the same level. As customers and the public are included as one of many stakeholders luxury industry face, other stakeholders such as Non-Governmental Organizations and media might also address all these firms and firms within the luxury industry equally, they might not differentiate their media coverage according to the level of the firms, because these firms are all included as the luxury firms. It might be that because all of these firms within the luxury industry face the same stakeholders(Customers, Public, NGOs, Media) and also the same problem because of these stakeholders such as high visibility (Kapferer & Michaut, 2015) and also extensive media coverage (Dubois & Paternault, 1995). Instead of differences in the price point that leads to the variation of corporate social performance, because of the same problems and stakeholders these firm within the luxury industry face, it results in similar corporate social performance index instead of variation in corporate social performance.

Managerial Implication

For the managerial implication, based on the result in this research, managers in luxury firms that are positioned in the higher level of luxury firm do not need to worry about increasing their corporate social performance because there is insignificant result about the differences of CSP between the highest and the lowest level.

CONCLUSION

The luxury industry has achieved its largest market yet with $12 trillion and has shown increase of growth of around 4-5% every year. The luxury industry is an industry that consists of a lot of segments and industries ranging from automobiles to apparel, but what differentiates it from non-luxury industry is that firms that are included in the luxury industry, provides consumers with symbolic and experiential benefits of prestige and social status that comes from intangible values of the firm itself (Kapferer & Bastien, 2009). Because of these characteristics the luxury firm industry are viewed as an exclusive groups of firms across segments that are perceived as luxurious by consumer (Seo & Buchanan-Oliver, 2015). One of the classification of luxury firms is the goods have really high price or monetary value (Luca, 2014).

However, the exclusivity and high monetary value of luxury firms product result in specific problems which is high visibility and results in high attention especially for sustainable issues for the firms included in the luxury industry. These attention is not always positive as luxury firms are the first target of NGOs to help them make a point to support environment in the media and another pressure from customers, to incorporate sustainability elements towards the luxury firms(Luca, 2014).

These specific problem towards the luxury industry such as high visibility and pressure from stakeholders (media, customers, NGOs), the luxury industry could affect corporate social performance of these firms. But, since the luxury industry consists of different segments and price points, the difference in price points could affect the CSP as firms have higher visibility that results from higher price points (Dowling & Pfeffer, 1975). Therefore I classified the firms to several levels based on their price point by classification of (Rambourg, 2014).

This study aims to answer the research question of "'Does the luxury firm level has an effect on their level of corporate social performance?' However, the results of the regression analysis shows that the levels don't have any effect towards the corporate social performance index of the firms within the luxury industry. Therefore this research opens up possibility that It may be, instead of creating differences of corporate social performance index, the luxury industry supports similar conduct of corporate social performance because of the same specific problem which is visibility and the same stakeholders that the firms faced.

LIMITATIONS AND FURTHER RESEARCH

For the limitation, the number of sample is limited because the Asset 4 Thomson Reuters does not provide the data for all firms included in the luxury industry, this also results that from nine segments included in the luxury industry, in this research I could only include three segments. The classification of Rambourg (2014) are only for fashion and accessories segment therefore I have to improvise on how to includes automobile and luxury hospitality to the classification.

Lastly, if possible future research could increase the sample size for firms and also include more industry segments that are included in the luxury firms to increase the chance to get significant result to support the hypothesis. And also investigate industry level the differences of CSP between firms in luxury and non-luxury industry to know whether the luxury industry actually affects corporate social performance.

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APPENDIX

According to the Thomson Reuters Glossary 2013, The Thomson Reuters Asset 4 analysts collected 900 evaluation point per firms then later on are used as an input to an equal weighted framework to calculate 250 key performances. These key performances are classified into 18 categories that are then put into four pillars, which are: environmental performance scores, social performance scores, corporate governance score, and economic performance score. The companies are then evaluated based on these four pillars and are given *a z* score each year. The *z* score is a relative measure to compare companies.

Table 6 *ASSET 4 PILLARS AND CATEGORIES*

Pillars	Categories
Economic Performance	Performance
	Shareholder loyalty
	Client loyalty
Environmental Performance	Resource reduction
	Emission reduction
	Product innovation
Social Performance	Employment quality
	Health & safety
	Training & Development
	Diversity
	Human rights
	Community
	Product responsibility
Corporate Governance Performance	Board structure
	Compensation policy
	Board function
	Shareholder rights
	Vision and strategy

Economic Performance Pillar

There are three categories included in the economic performance pillar.

The first one, the performance category measures a company management commitment and effectiveness towards maintaining a stable cost. It reflects company's capacity to improve its margins by increasing its performance (production process innovations) or by maintaining a loyal and productive employee and supplier base.

Next one, the shareholder loyalty category measures a company's management commitment and effectiveness towards generating a high return on investments. It reflects a company's capacity to maintain a loyal shareholder base by generating sustainable return through a focused and transparent long term communications strategy with its shareholders.

Last one, the client loyalty category measures a company's management commitment and effectiveness towards generating sustainable and long-term revenue growth. It reflects a company's capacity to grow, while maintaining a loyal client base through satisfaction programmes and avoiding anti-competitive behaviours and price fixing.

Environmental Performance Pillar

There are three categories included in the environmental performance pillar:

The first one, the resource reduction category measures a company's management commitment and effectiveness towards achieving an efficient use of natural resources in the production process. It reflects a company's capacity to reduce the use of materials, energy or water and to find a more eco-efficient solutions by improving supply chain management.

Next one, the emission reduction category measures a company's management commitment and effectiveness towards reducing environmental emission in the production and operational processes. It reflects a company's capacity to reduce air emissions (greenhouse gases, F-gases, ozone-depleting substances, NOx and SOx, etc.) waste, hazardous waste, water discharges, spills or its impacts on biodiversity and to partner with environmental organisations to reduce the environmental impact of the company in the local or broader community.

Last one, the product innovation category measures a company's management commitment and effectiveness towards supporting the research and development of eco-efficient products or services. It reflects a company's capacity to reduce the environmental costs and burdens for its customers, and thereby creating new market opportunities through new environmental technologies and processes or eco-designed, dematerialized products and extended durability.

Social Performance Pillar

There are seven categories included in the social performance pillar which are:

Employment quality category measures the company's management commitment and effectiveness towards providing high-quality employment benefits and job conditions. It reflects a company's capacity to increase its workforce loyalty and productivity by distributing rewarding and fair employment benefits, and by focusing on long-term employment growth and stability by promoting from within, avoiding lay-offs and maintaining relations with trade unions.

Health and safety category measures a company's management commitment and effectiveness towards providing a healthy and safe workplace. It reflects a company's capacity to increase its workforce loyalty and productivity by integrating into its day-to-day operations a concern for the physical and mental health, well-being and stress level of all employees.

Training and development category measures a company's management commitment and effectiveness towards providing training and development (education) for its workforce. It reflects a company's capacity to increase its intellectual capital, workforce loyalty and productivity by developing the workforce's skills, competences, employability and careers in an entrepreneurial environment.

Diversity category measures a company's management commitment and effectiveness towaeds maintaining diversity and equal opportunities in its workforce. It reflects a company's capacity to increase its workforce loyalty and productivity by promoting an effective life-work balance, a family friendly environment and equal opportunities regardless of gender,age, ethnicity, religion or sexual orientation.

Human rights category measures a company's management commitment and effectiveness towards respecting the fundamental human rights conventions. It reflects a company's capacity to maintain its license to operate by guaranteeing the freedom of association and excluding child, forced or compulsory labor.

Community category measures a company's reputation within the general community (local, national and global). It reflects a company's capacity to maintain its license to operate by guaranteeing the freedom of association and excluding child, forced or compulsory labour.

Product responsibility category measures a company's management commitment and effectiveness towards creating value added products and services upholding the customer's security. It reflects a company's capacity to maintain its license to operate by producing quality goods and services integrating the customer's health and safety, and preserving its integriiy and privacy also through accurate product information and labelling.

Corporate Governance Pillar

There are five categories included in the corporate governance pillar, which are:

Board function category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to board activities and functions. It reflects a company's capacity to have an effective board by setting up the essential board committees with allocated tasks and responsibilities.

Board structure category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to a well balanced membership of the board. It reflects a company's capacity to ensure a critical exchange of ideas and an independent decision-making process through an experienced, diverse and independent board. Compensation policy category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to competitive and proportionate management compensation. It reflects a company's capacity to attract and retain executives and board members with the necessary skills by linking their compensation to individual or company-wide financial or extra-financial targets.

Vision and strategy category measures a company's management commitment and effectiveness towards the creation of an overarching vision and strategy integrating financial and extra-financial aspects. It reflects a company's capacity to convincingly show and communicate that it integrates the economic(financial), social and environmental dimensions into its day-to-day decision making processes.

Shareholder rights category measures a company's management commitment and effectiveness towards following best practice corporate governance principles related to a shareholder policy and equal treatment of shareholders. It reflects a company's capacity to be attractive to minority shareholders by ensuring them equal rights and privileges and by limiting the use of anti-takeover devices.