

## **Responsible Luxury: Refashioning luxury goods through co-creation**

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# **RESPONSIBLE LUXURY: REFASHIONING LUXURY GOODS THROUGH CO-CREATION**

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## **Abstract**

Sustainable fashion in all its guises, has been the preoccupation of many a recent campaign, article, research and initiative. Not only is the industry increasingly aware of the need to cut its environmental impact, but also consumers and consumer organisations are putting pressures on various parts of the supply chain to comply with environmental and ethical practices. Yet, from a management perspective, the economic impact of these demands can lead to conflicting priorities. In particular, the basic marketing concept of product lifecycle indicates the product's gradual diminishing monetary returns through time.

In this paper we will be analysing a case of a refashioning of products that are either obsolete or unsalable and making a commercially viable collection. In 2008 MCM collaborated with the London College of Fashion to reuse, recycle and redesign a number of end-of-line, dated handbags into new objects of desire with a new lifecycle. This case will form a basis of analysing the validity of such a product re-development tactic for other luxury brands.

The paper will provides a blueprint for future re-fashioning initiatives by reflecting on the value inherent in the process for both users and firms alike. The paper contributes to the understanding of recycling and sustainable fashion from a theoretical perspective that links together the product lifecycle, co-creation and value creation theories. The main theoretical implication of the work concerns the framing of recycling and refashioning with the context of those linked concepts. According to this contribution, refashioning can enable value creation from obsolete products, especially if a co-design with consumers or users forms part of the proposition.

On the managerial side, this study recognises the economic drivers of business and highlights the commercial, not only environmental and societal benefits of recycling within the luxury sector. The recycled products stand in direct opposition to counterfeiting, which is evident in the uniqueness for refashioned products leading to the development of new objects of desire.

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Sustainable fashion in all its guises, has been the preoccupation of many a recent campaign, article, research and initiative. Not only is the industry increasingly aware of the need to cut its environmental impact, but also consumers and consumer organisations are putting pressures on various parts of the supply chain to comply with environmental and ethical practices.

Yet, from a management perspective, the economic impact of these demands can lead to conflicting priorities. In particular, the basic marketing concept of product lifecycle indicates the product's gradual diminishing monetary returns through time. Such product behaviour in the marketplace taken to extreme is evident in the growth of disposable fashion, with catastrophic consequences for the environment, not to mention its ethical impact.

In this paper we will be analysing a case of a refashioning of products that are either obsolete or unsalable and making a commercially viable collection. While such initiatives have been evident in the charity, second-hand and high street sectors, this paper will illustrate this concept with the case study of a luxury brand.

### *Aim*

The aim of the paper is to analyse the value added of re-fashioning and recycling branded luxury fashion collections, utilising a case study method informed through action research.

### *Methodology*

In order to illustrate a refashioning initiative, the paper will describe the case study of MCM collaboration with the London College of Fashion to reuse, recycle and redesign a number of end-of-line handbags into new objects of desire with a new lifecycle. The Responsible Luxury project was initiated by MCM (Mode Creation Munchen), fronted by the company owner and chairperson in March 2008. The methodology adopted for researching the case study was action research as one of the authors of this paper was a key player in the responsible luxury initiative and worked within MCM during this time period as Deputy Brand Manager. The case study was analysed within a theoretical framework developed during literature review. It

is generally agreed (Yin, 2002) that the case study method is suitable for examining multiple features of a phenomenon and the interrelationship between them.

### *Literature review*

#### *Sustainability*

Academic and business literature has for long been highlighting the importance of companies taking consideration of environmental and social responsibility. Already in early 1990s in 'A guide to social and environmental policy and practice in Britain's top companies' Adams, Carruthers&Hamil (1991) wrote:

*"Industries must increasingly take into account the cost of the effect of its operations on the environment, rather than regarding the planet as a free resource" (p.136)*

Environmental considerations and strengthening legislation have been placing increasing emphasis on the recovery and recycling of all the materials in manufactured products (Editorial, 1994). While it is widely recognized that this process may involve extra costs, it is becoming apparent that reuse and recycling can also hold unexpected benefits for a branded manufacturers and retailers. Kassaye (2001) puts forward an argument that the decision of companies to incorporate green design is motivated in great measure by their own economic wellbeing.

Sustainability within this paper is defined as the retention of materials for future use, through refashioning, which has two consequences for sustainability: reduction in the need for new raw materials and the lessening wastage related to unwanted or obsolete products. On a symbolic level, especially with luxury products, the value inherent in luxury can also be recycled into new objects of desire.

Those benefits have become the impetus behind well-known fashion brands introducing reused and re-fashioned ranges into their collections. Perhaps the most famous one in the UK is Traid initiative, where vintage and second-hand clothes are redesign to reflect more current trends. Within the luxury sector, such initiatives may be seen as unnecessary as old products are often coveted simply because of the label and its limited availability. However, a

conscious foray into re-cycling and re-design, can also be a lucrative strategy for luxury labels (Bendell and Kleantous, 2008), as the proposed case study illustrates.

The recycling process often heightens total product lifecycle costs. In order to reduce these costs emphasis has been put on finding ways to make the process of recycling more cost effective and also, to design original products that are easier and less costly to reprocess and recycle, which has been defined as 'design for environment' (DeMendonça and Baxter, 2001).

When considering recycling and reusing it is important to identify the possible applications of this strategy. Recycling is defined by the Collins English dictionary as 'the act of processing used or abandoned materials for use in creating new products'. Materials can refer to waste as well as ones used in products that have fulfilled their original function and are no longer useful. Fletcher (2008) states materials are 'our starting point for change'.

### *Product lifecycle*

Every product has a finite lifecycle. Marketing theory puts forward a traditional product lifecycle model, also referred to as a lifecycle curve, to illustrate the behaviour of a product in a marketplace at different stages. Sales are expected to grow following introduction to the marketplace (supported by targeted marketing activity), up to the point when the product reaches maturity, which indicates a level of saturation. Following this, there exists a trend of decreasing sales and, with it, profits (Day, 1981).

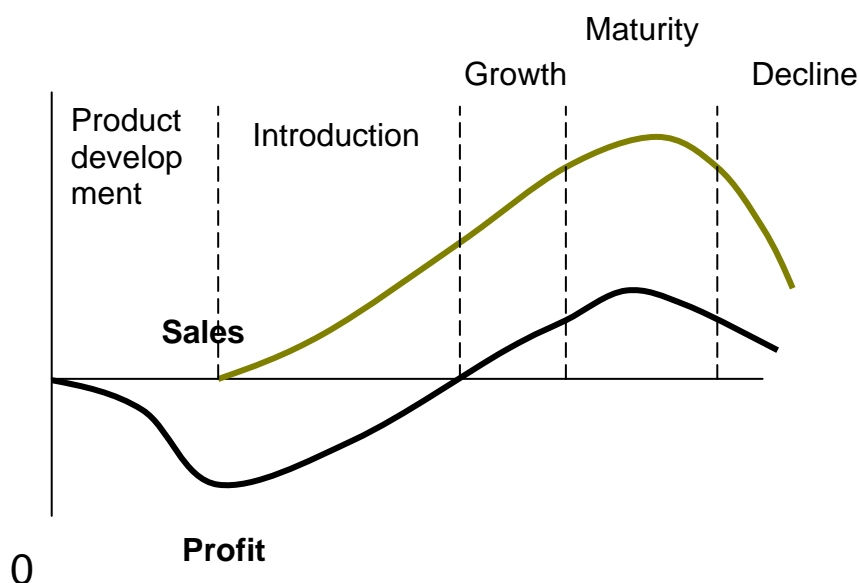


Figure 1: Product lifecycle curve (Source: adapted from Day, 1981)

While such a lifecycle curve is evident for many FMCG products, in the fashion context there exists a greater variety of product behaviours, resulting in varying lengths and shapes of the lifecycle curve. For example, styles such as straight-leg trousers have been introduced to women's fashions in the early 20<sup>th</sup> century and have since been fluctuating slightly in terms of popularity, but the style has persisted and shows no sign of full decline. On the other hand, fads, such as jelly shoes, are an overnight hit and disappear just as quickly from the fashion retailers' shelves. It is dangerous to assume that all products behave the same within the fashion context and hence that they are equally amenable to recycling and reuse. It has even been observed that, with fashion being cyclical, many a strange fad has come back to the fashion scene a few years later, without significant adaptations.

#### *Value inherent in luxury products*

Another well-documented impact on product lifecycle has been the increasing frequency of new products. This has led to shortening of product lifecycles and the consequent pressure on manufacturers to produce more at an ever-decreasing cost (Okonkwo, 2006).

This shortening of product lifecycles has a consequent pressure on manufacturers to produce more at an ever-decreasing cost. It has also led to a greater amount of sales and markdowns, which often constitutes wasted resources and materials. Clearly, the shortening of product lead times has a limited potential, as the product development cycle provides a physical and time-bound constraint on bringing new products to market. Here again, an opportunity exists for reusing and recycling of existing products (obsolete and terminal stock), perhaps closer to the consumer or by the consumer, which would eliminate extra lead times and transportation costs.

The lifecycle of a luxury product may mean that a product behaves less as a fad and more as a style – with a lifecycle curve undulating between bigger and lesser volumes, yet never completely out of fashion. Such product market behaviours may also be connected with the value inherent in the product. With traditional luxury products (for example watches) the monetary and, more importantly, emotional value may mean that a product longevity ensures its longterm use, making it a sustainable offering in itself.

However, with fashions changing ever faster, and with many luxury brands developing faster diffusion lines, the value is likely to be contained in the consumption activity, which has parallels with the concept of value-in-use defined by Vargo and Lusch (2004).

*“There is no value until the offering is used – experience and perceptions are essential to value creation”* (Vargo & Lusch, 2004, p.44)

The idea of value-in-use originated in service dominant logic, and has a clear application to refashioning luxury products in particular, where the raw materials are of high quality and can be recycled to develop a new enhanced value-in-use when the original product no longer provides sufficient value.

### *Co-creation*

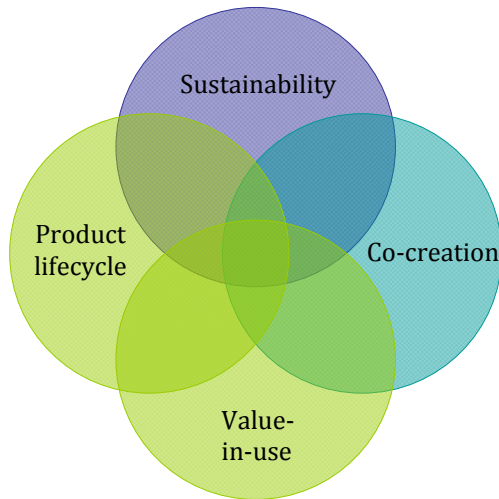
Product usefulness is, however, subjective, and eBay is a great example of the ability to turn one person's junk into another's treasure. Yet, the recycling of products in the fashion context often involves a process of redesign or refashioning. This process can be applied to products that have reached the decline stage or ones that have not been successful in the marketplace.

Co-design with beneficiaries is the key instrument of exchanging the value within the proposed framework. The value creation here relies on integrating consumers or third parties in the value creation process, *“value is always co-created, jointly and reciprocally, in interactions among providers and beneficiaries, through the integration of resources and applications of competences.”* (Vargo et al., 2008)

While utilising the company's existing design team presents clear advantages, due to familiarity with materials and styles, there also exists an opportunity for other forms of co-design. Possibilities include co-designing with other brands/designers or even with customers themselves. Clearly, such an approach would have additional operational requirements, but also a unique benefit of providing customers with a co-design experience (Wolny, 2005).

Table 1 in the appendix categorises the benefits and dangers of the refashion initiative within luxury sector. This categorisation forms the basis of thematic analysis of the case looking at a number of constructs illustrated in the conceptual framework below.

**Figure 1. Conceptual Framework for the paper**



#### *Limitations of primary research*

The research has a few limitations. Firstly, the empirical part of the research was limited to one company (MCM), allowing for in-depth analysis, but lacking in comparative evaluation with other brands. This may limit the generalization of the findings in the sample context. In addition, the current focus on co-creation of this particular initiative involving students, may be difficult to re-create in another brand's case. Further research is recommended focusing on multi-brand cases to evaluate the viability of luxury product recycling.

#### *Case Analysis*

When MCM was taken over globally in 2005, the new owner inherited a warehouse full of iconic Cognac Visetos monogram bags from the '80s and '90s. These were made out of a mix of vinyl and leather and it became clear that any decision to destroy them would be environmentally damaging. It was also recognised that, since it was obsolete stock, it could not be sold through any of the sales channels.

MCM considered different options for re-using the obsolete stock but it quickly became clear that collaborating with an arts school on refashioning the bags for a new generation of



consumers would be the most attractive option. London College of Fashion was approached, as MCM's newly opened headquarters was located in London, and it was agreed that MCM would donate 200 bags to LCF students for them to reuse and refashion. The collaboration between MCM and LCF was named 'Responsible Luxury' and quickly grew to involving 200 students from Accessories, Footwear, Surface Textile and Clothing departments before it was finally written into the 2008 curriculum.

MCM created and presented a brief to the students in March 2008 at the beginning of the term that included the following objectives:

- redesign backdated MCM Cognac Visetos bags;
- gain new value (new fashionable design aimed at a different consumer);
- gain new function (i.e. book cover, boots, shoes, patchwork etc.);
- translate the ethos of the MCM brand.

The Responsible Luxury project, included three interim presentations to MCM and culminated in a finale in June 2008 where 30 selected students presented their design sketches, the MCM target customer and brand ethos, together with their final product.

In redesigning the bags, the students could take apart the bags completely and use different components from the bags for other products as desired or they could redesign the existing bag by adding value to it. The students were given a pack of information on the history, philosophy and positioning of MCM and the chairperson, as well as recent advertising campaigns and articles on the brand.

The Responsible Luxury project, included three interim presentations to MCM and culminated in a finale in June 2008 where 30 selected students presented their design sketches, the MCM target customer and brand ethos, together with their final product. Three winners and three runners-up were chosen by a panel of judges consisting of MCM's creative director Michael Michalsky, MCM's MD Martin Mason and *Vogue's* editor-at-large Fiona Golfar. The three winners were each given a week's internship at the MCM Seoul headquarters together with an MCM bag.

### *Sustainability*

The main driver behind the project was the recycling and refashioning of obsolete products. It was a priority for MCM to focus on sustainability in their value chain, and they wished to be known for being a responsible luxury brand in all aspects of their business. The Responsible Luxury project was launched as one of the first experiments of making recycling a viable business strategy rather than a cost.

MCM wished to maintain and preferably enhance the value of the Cognac Visetos collection. The thinking was that the iconic collection could be extended into other product categories such as small accessories and footwear, which MCM had never ventured into previously or the collection could be updated as it were. The latter inspired by Louis Vuitton's graffiti applied to their monogram collection. The students demonstrated that both product development strategies were possible by co-creation and by re-fashioning existing bags.

### *Product lifecycle*

Following the brief, the project was launched by MCM asking the students to explain why the original bags weren't an object of desire and argue their own idea of how to translate the ethos of the MCM brand by refashion the bag into new objects of desire. Those products were clearly of high quality but no longer had value in exchange within the current fashion trends. Hence, a higher value in use was required to make them desirable again.

The 200 students from accessories, footwear, surface textiles and clothing departments were all given bags from the Cognac Visetos collection. The majority of the students took apart the bags completely and exchanged the different hardware, leather and fabric to fit into their individual project. The work was incredibly varied and individual; the bags were being refashioned into swim suits, stilettos, sneakers, belts, mobile phone covers, jackets, key hangers, purses and bags.

One could argue that the students' reinterpretation of the obsolete products provided MCM with new trends and product ideas, as, for example, the winning footwear student created a sneaker with a corporate responsibility theme, and one of the winning handbags used the laurels of the MCM logo in a way that had never been done before.

### *Co-creation*

The co-creation of Cognac Visetos collection of bags allowed for creative input from the third party, in this case design students. The benefit of involving the beneficiaries of the product in the design process not only enhanced the desirability of the final product but also provided an enhanced value from being involved in the co-creation experience itself.

The collection that students were refashioning, was the most recognisable and iconic MCM collection, but it had been distributed too widely and was therefore taken off the market when MCM was bought by the new owners in 2005. The Cognac Visetos collection needed to be invigorated and refashioned for the launch of a more exclusive positioning of the brand.

The Responsible Luxury project and the students' work on re-fashioning the Cognac Visetos products served as inspiration for the re-launch of the collection and desirability for new customers did prove successful. The co-creation project informed and inspired the new collection when it was launched again in 2009.

The Responsible Luxury project furthermore inspired co-creation possibilities in the retail environment and online. MCM envisioned setting up kiosks in their stores and online where customers could design their own bag from a number of shapes, colours and material options with personal initials incorporated. They wished to let the co-creations enter the main collection as well by running a competition every month where the most popular design – decided by a peer rating system - would go further to the main competition for the A/W and S/S collection.

### *Value creation*

The students' work was exhibited during London Fashion Week in September 2008 and auctioned in order to raise money for a London College of Fashion scholarship fund named 'Responsible Luxury'. Hence, the objective for this collaboration was not to create commercial value or benefits by selling the products, it was rather a non-commercial initiative.

The students' work process was filmed and photographed by MCM and featured in a dedicated section of the MCM website. This was done in order to promote the students' work and to create awareness and excitement for the project. Especially the department store Harrods found the 'Responsible Luxury' project fascinating and supported it by displaying the students' work in the store. MCM arranged to exhibit a balanced mixture of the finalists' work

in three separate locations running in parallel: the MCM boutique on Sloane Street; the Egyptian Room in Harrods; and a large window display by the Knightsbridge tube in Harrods, which gained particular interest as a Vikuiti film showed the student interviews projected onto the window. Most excitingly, GMTV filmed the installation of the LCF/MCM window and broadcasted the show during London Fashion Week. The products were subsequently on sale through MyMCM website in a silent auction.

For MCM, the major benefit of recycling the bags, other than lessening wastage, was the brand awareness the project created. Especially the GMTV show could never have been bought with a marketing budget; it was only viable because of the nature of the project. The exhibitions furthermore helped strengthen the relationship with Harrods, the most high profile department store in the UK. It also provided a collaborative partnership with London College of Fashion, which might prove for finding new employable talents and in harnessing the creativity of the college.

MCM's objective was to educate and encourage students about being responsible in designing sustainable products and alert the students about recycling issues and especially about the fact that luxury and craftsmanship should never be thrown out, but rather be refashioned into new objects of desires. MCM hoped that the project would inspire future co-creation projects that would be rolled out in the retail environment.

### *Conclusions and Implications*

The strength of the refashioning initiatives in the luxury sector has been showcased in the case study, for both the users and the firm. There are however some inherent dangers in such an initiative.

Firstly, it may be at odds with the existing company image. If a luxury brand is known for heritage and set style, co-creation may in fact dilute this message by providing too many options in product choice. The trend however is highlighting the necessity of allowing consumers to co-create, if not the physical product, at least their brand experience. Recycling and customising the products with the brand may be one of the valuable tactics to achieve this.

The second potential drawback of recycling may be related to the costs associated with it. If the products are not already 'designed for environment' then taking apart and recreating them

with consumers may be a time consuming and costly activity. In this case, design students were involved as part of the project, and company input was kept to minimum.

There is no question however, that in spite of those potential dangers, involving third parties in a refashioning initiative has brand promotion benefits, but mostly, it can have real environmental and ethical impact on society. The paper contributes to the understanding of recycling and sustainable fashion from a theoretical perspective that links together the product lifecycle, co-creation and value creation theories. On the managerial side, this study recognises the economic drivers of business and highlights the commercial, not only environmental and societal benefits of recycling within the luxury sector. The recycled products stand in direct opposition to counterfeiting, which is evident in the uniqueness for refashioned products leading to the development of new objects of desire.

Involving consumers in re-design also heightens the awareness of product value for consumers that may otherwise be buying new and perhaps a counterfeit product. A study of the impact of consumer involvement in recycling initiatives on their predisposition to buy counterfeit products is recommended for further research.

Appendix A1.

**Table 1. Benefits and costs of product refashioning**

	<b>Benefits</b>	<b>Dangers</b>
The brand	Prolonging product and brand lifecycle Enhancing brand image Creating PR coverage Prolonging sales at little extra cost Collaborative partnerships Co-design Innovative status Ethical reputation Lessening wastage	Additional cost incurred in redesign Product mismatch with core collection Customer or brand confusion

*Source:(Wolny and Hansen, 2011)*

Appendix A2

**Original MCM Cognac Visetos bags**



Appendix A3  
Winning recycled MCM products



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