Chapter 4
The “Day–After” Gleam: Reverse Logistics in the Luxury Fashion Sector and Its Impact on Consumer Value Perception

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ABSTRACT

The aim of the chapter is to show the relationship between reverse logistics operations in retail and the value they can create (or depreciate) for luxury fashion consumers. The content of the chapter is an attempt to answer the questions: in what way reverse logistics operations create or destroy the value of luxury fashion goods and which of the operations constitute an undeveloped niche to create additional value. Chapter starts with a discussion about challenges in capturing and measuring the value for consumers in luxury fashion sector followed by a description of excess inventory operations in this industry. The main part elaborates on relations between the reverse logistics operations in luxury fashion retail and their value creation possibilities. In the conclusions section, the new areas and possibilities of value creation for consumers are brought up together with drawing attention on the dangers stemming from the cost-efficient optimization of excess stock management.

INTRODUCTION

The luxury fashion industry is subjected to rapid change. It is not just about the changing, ephemeral nature of fashion; the luxury industry is undergoing transformation, changing the meaning of this term. Over centuries luxury products were associated with outstanding quality, brand heritage, master craftsmanship, high price, uniqueness, poly-sensuality and scarcity (Kapferer & Bastien, 2009; Okonkwo, 2007; O’Cass & Frost, 2002; Dubois et al., 2001; Vigneron & Johnson, 1999; Dubois & Duquesne, 1993; Leibenstein, 1950).

Nowadays we are dealing with a progressive pauperization of luxury: the expansion of brand heritage for new product lines addressed to aspiring consumers. We are observing a marked increase in produc-
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tion volume, which is unusual for the traditional understanding of luxury in response to the continuous
dynamic growth in demand for these goods from the luxury emerging markets. Currently, 50% of global
purchases in luxury fashion apparel are made by middle–income Chinese consumers mainly via the Internet
(see Cardamenis, 2016b, online). Increasing production and sale volume is accompanied by global shifts
in its production, which results in the creation of big streams of masstige products constantly moving
across borders between suppliers, producers, retailers, consumers and waste and recycling companies.

Although the pauperization of luxury is a real threat to the traditional attributes of luxury and the
value of brands, it is the expanding number of global aspiring consumers who are a viable promise of
the future as well as rising income. Luxury brand owners face a great challenge. How does one keep in
the minds and hearts of consumers of a luxury brand image associated with a limited number of top-
quality products made manually at the place where the brand was founded, with the mass production and
sale of goods bearing the logo of the brand still recognized as a luxury? Is it possible to simultaneously
maintain the image of luxury with the wide availability of these goods?

Increasing the production of luxury goods is not only a challenge in creating and maintaining brand
value, but it is a logistic managerial problem. Collections produced on a global scale do not always
sell out at full price in the places where they were originally supplied. Excessive stock requires rapid
and efficient liquidation to release the money and space for new collections, but also carries marketing
consequences; it spoils the image of luxury brands, but it widens your audience. Overstock management
requires making informed decisions based not only on the principles of optimizing the logistics, but
also marketing. Maintaining a positive image of the brand associated with creating different attributes
of value for the consumer is also associated with other operations of reverse logistics, not only those
relating to management of excess stock.

Handling customer returns, altering the goods sold, or recovery of used items and their re-sale (all
operations under reverse logistics) creates different types of values for different target groups, although
the scope of these operations is fundamentally different in the luxury fashion sector compared to e.g.
fast fashion or other B2C industries.

The aim of the chapter is to show the mutual relations between the activities / operations of reverse
logistics and creating (modification, destruction) various components of value for consumers of luxury
fashion.

The content of the chapter is an attempt to answer the following questions:

- Which reverse logistics operations create, modify or destroy the value of luxury fashion goods?
- What reverse logistics operations are the potential undeveloped niche in which the additional
  value for the customer can be created, and which have become a necessity (not creating additional
  value, but their absence may weaken the overall value)?
- What are the marketing implications of the simultaneous expansion of audience and increasing
  production volume, even with efficient logistics management feedback?

The reminder of the chapter is organized as follows. It starts with the background, devoted to dis-
cussing the definitions (of value, luxury goods, reverse logistics) together with outlining the methodol-
gy of the chapter. Next two sections elaborate on challenges of measuring the consumers’ perception
of value in luxury fashion industry and explain its’ excess inventory management operations in detail
(with the focus on their propensity to create or depreciate value). The subsequent part focuses on other
(then excess stock management) reverse logistics operation in luxury fashion retail and their value cre-
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