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(Mis)managing overstock in luxury: Burning inventory and brand trust to the ground

Camila Lee Park[1] [ORCID] | Mauro Fracarolli Nunes[1] | Ely Laureano Paiva[2]

[1]OCRE Research Laboratory, EDC Paris Business School, Puteaux, France

[2]Fundação Getulio Vargas, Escola de Administração de Empresas de São Paulo, São Paulo, Brazil

Correspondence
Camila Lee Park, OCRE Research Laboratory, EDC Paris Business School, Puteaux, France.
Email: camilapark@gmail.com

Abstract

Traditionally associated with demands for superior quality and social status, luxury consumption is expected to undergo important transformations in the coming decades. Following a series of societal changes, the environmental impacts generated by companies have become decisive factors in purchasing decisions. Authors have also been stressing the effect of sustainability performance on assorted dimensions of B2C relationships, thereby putting pressure on companies to incorporate these trends. While luxury brands have sought to adapt their business models, a series of unsustainable practices continue to be part of their day-to-day operations. Among the most controversial is the burning of unsold products as a way of preserving brand value. In addition to attracting unwanted attention from the media, the destruction of fully functional products often triggers harsh reactions from environmentalists, as well as from consumers who are more sensitive to these issues. The prospect of growing demands for environmental responsibility, coupled with the perception that any failure in this regard represents a risk to the reputational assets of luxury companies, makes the investigation of inventory burning in relation to stakeholders' perceptions an urgent task. Aiming to offer new insights into the future of sustainable luxury consumption, we assess the impact of this practice on two key components of consumer perception. Through two scenario-based experiments with a total sample of 492 participants, we investigate the effects of inventory burning on consumer trust and avoidance of luxury brands. Our results indicate the need for luxury brands to further incorporate environmental demands as they seek to serve increasingly demanding eco-conscious consumers.

KEYWORDS
brand avoidance, brand trust, inventory management, sustainable luxury

1 | INTRODUCTION

Luxury goods have been important objects of study in the most diverse areas, with the reasons driving their consumption being among the main topics researched (e.g., Kastanakis & Balabanis, 2012; Tseng et al., 2021). The investigation of consumers' choices (Kauppinen-Räisänen et al., 2018), feelings (Amatulli et al., 2018), and reactions (Liu et al., 2021) gained in prominence, as the search for

superior quality (Wiedmann et al., 2009) and social status (Balabanis & Stathopoulou, 2021) support – at least partially – the high value attributed to luxury brands (Stokburger-Sauer & Teichmann, 2013). Whereas studying the psychological (Prestini & Sebastiani, 2021), economic (Zhan & He, 2012), and sociological (Wong & Ahuvia, 1998) aspects that influence the demand for luxury is critical, understanding those factors that may harm it is equally important. It is possible, for example, that products seen as unethical (Muncy & Iyer, 2021) or environmentally

irresponsible may compromise consumers' perceptions (Winston, 2016), thus preventing companies from profiting from the optimistic growth forecasts for the segment (Bain & Company, 2018).

Among the actions that is seen as environmentally unfriendly is the destruction of perfectly functional inventory by luxury brands (Khomami, 2018). Although common, the practice is being increasingly pointed to as an environmental offense (Matthams, 2019), and often triggering harsh reactions from eco-conscious consumers (Dalton, 2018). Adds to that the considerable media attention usually devoted to the theme, as well as the increasing user-to-user interaction on social media (Wagner et al., 2017). Amid other consequences, these factors may increase the chances of anti-consumption initiatives (e.g., negative online campaigns, brand boycotts) (Yuksel et al., 2020), thereby increasing the damage in terms of customer loyalty (Shukla et al., 2016), and the overall esteem of firms (McDonnel & King, 2013), beyond contributing to companies that are seen as environmentally irresponsible being stigmatized (Grougiou et al., 2016).

With the prospect of growing environmental awareness on the part of consumers (Yu et al., 2016), continuing with such methods can pose serious threats to the future of traditional luxury business models. Despite these risks, the incineration of unsold items has long been practiced by luxury brands, such as Burberry and Louis Vuitton (Chaplain, 2018; Ellson, 2018). As a result, this avoids stock drawbacks and/or promotional sales, thus maintaining the exclusivity and value of these luxury products. While Burberry classifies itself as "carbon neutral company" and claims to print its 2017–2018 annual report on recycled paper, its financial notes provided the numbers of its overstock disposal: 'The cost of finished goods physically destroyed in the year was £28.6m (2017: £26.9m), including £10.4m for Beauty Inventory' (Burberry, 2018 p. 165). Such contradictions may create the perception of corporate hypocrisy (Wagner et al., 2009), possibly undermining stakeholders' judgments.

Building on the assessment of Shin et al. (2016) on the effects of a brand crisis on brand trust (Li et al., 2008) and brand avoidance (Grégoire et al., 2009), and seeking to explore this new and potentially troubling facet of inventory management in luxury, the present study investigates the effects of stock destruction on consumers' perceptions. More specifically, by way of two vignette-based experimental studies involving a total of 492 respondents, we investigate if the mismanagement of overstock (i.e., burning) by luxury companies compromises key components of their brand value (i.e., brand trust and brand avoidance).

2 | LITERATURE REVIEW

2.1 | Sustainability demands in luxury

Despite being relatively stable and often associated with conservative values (e.g., tradition, heritage, *savoir-faire*), (Chandon et al., 2016; Fionda & Moore, 2009; Roberts, 2018), luxury consumption is not immune to social change. Following decades of collective efforts by supranational entities (e.g., United Nations) (Keong, 2020), governments (Zeemering, 2018), and nongovernmental organizations (e.g., Greenpeace) (Stafford et al., 2000), the idea that natural resources are finite and that they should be preserved for future generations has become crystalized (Henckens et al., 2016). Beyond driving changes and adaptations in the living standards of the average citizen (Rosen, 2012), this 'green mindset' led to important mutations in consumption patterns (Shao, 2019). Issues often ignored by the luxury industry started to demand significantly more attention, including actions related to recycling (Liu et al., 2020), waste management (Rhyner et al., 2017), and energy efficiency (Feng & Wang, 2017), among others.

As discussed, the gap between practices that are considered sustainable and the luxury industry's operational reality represents risks for the brand management of firms, as well as for the relationships they have with consumers. The inability of these companies to meet growing demands for environmental responsibility can lead them to positions of competitive disadvantage (Clinch et al., 1997), which confirms the strategic value of initiatives aimed at improving their sustainability performance (Yadav et al., 2017). It may be argued that the solution for this dilemma involves improving operational practices, which are relatively well-consolidated in other sectors. Implementing more efficient inventory management techniques, for example, may be key to this.

2.2 | Inventory (mis)management in luxury

Usually linked to superior operational (Moons et al., 2019) and financial performances (Becker-Peth et al., 2020), inventory management is identified with a range of strategic business matters, for example, logistics costs (Nakandala et al., 2017), purchasing intentions (Park et al., 2020), customer service (Jones, 2020), the stability of material flows, and product availability (Demirel et al., 2019). Not surprisingly, the practice is argued offers clear payoffs (Bromiley & Rau, 2016), as it is a factor of overall corporate success (Gallmann & Belvedere, 2011) and a source of competitive advantage (Nakandala et al., 2017). Issues like demand forecast (Mishra et al., 2009), the optimization of physical distribution (Manzini & Bindi, 2009), and the management of excessive stock per se (Taleizadeh et al., 2020) indicate the broad scope of the matters covered by this topic.

Alongside the evolution of the sustainability debate, the way in which firms deal with excessive stocks has triggered harsh criticism, with the elimination of fully functional products being seen as a serious environmental failing. In 2018 Richemont – the parent company of jewelry and watch brands such as Cartier, Piaget, and Baume & Mercier – reported that it had dismantled watches worth around $ 563 million over a two-year period (Lieber, 2018). The destruction of unsold inventory has also been reported as common among masstige or less prestigious luxury brands, such as Michael Kors and Victoria's Secret. The discarding of unsold inventory basically targets the protection of a brand's image and its price integrity (Cook, 2020). Even if at first glance it is defendable from a strategic viewpoint, the practice is incompatible with the triple bottom line in business (Elkington, 1997), and might harm the esteem of companies with their stakeholders. The destruction of

unsold items may thus damage different components of a firm's social and environmental reputation (Fracarolli Nunes & Lee Park, 2017).

2.3 | Brand trust and brand avoidance

The concept of trust is associated with the perception that one is (1) benevolent, honest and capable to perform a certain task (i.e., competence) (Xie & Peng, 2009), (2) will perform it if committed to do so (i.e., commitment) (Wong & Sohal, 2002), and (3) will not engage in opportunistic conducts (Nooteboom, 1996). When applied to corporate behavior, trust may be seen by stakeholders as the general perception that an organization will continue to conduct itself ethically, while delivering the value it promises. With regard to luxury companies, this may refer to avoiding various matters in their operations, including fiscal fraud (Le Monde, 2020), animal cruelty in the production of skins (Readfearn, 2020), or something that is particularly relevant to the present study, contempt for sustainability-related issues (Girod, 2021). When stakeholders believe that a brand does not engage in these or other immoral practices, brand trust is developed, thereby strengthening the relationship between the parties.

The notion of brand avoidance, in turn, refers to the different ways that consumers look for to avoid interacting with certain brands, either by deciding not to consume products linked to them (Lee et al., 2009), or by preventing their personal images being associated with them (Banister & Hogg, 2004). Broadly, this means that brands associated with any negative attributes would tend to be averted by stakeholders. Brand avoidance would emerge then when brand values clash with consumers' ideological beliefs, notably when the latter care about the negative impacts of a brand on society (Lee et al., 2009). It is likely that luxury brands that are seen as socially and/or environmentally irresponsible, for instance, will be avoided by consumers, particularly those who are more attentive to these such matters. Building on this, the current investigation considers that the destruction of unsold products by luxury brands may impair brand trust and increase the propensity of customers to avoid them.

2.4 | Brand as a strategic intangible resource

The resource-based view (RBV) (Wernerfelt, 1984; Rumelt, 1984) considers resources that are valuable, rare, or difficult to imitate or substitute as potential sources of competitive advantage (i.e., strategic resources) (Barney, 1991). Resources may be understood as all those things that are available to companies and that may be used in the pursuit of their goals. This includes both physical/tangible goods (e.g., buildings, furniture, machines, computers), and immaterial/intangible elements (e.g., corporate reputation, image, credibility). Resources can also be classified as ordinary and/or strategic. The first group includes those that, despite being useful, do not enable companies to differentiate themselves from their competitors. Strategic resources, however, offer this possibility, thus making abnormal returns (i.e., returns greater than those expected within a given industry) achievable.

Unlike tangible resources, intangible resources cannot be transacted (i.e., bought or sold). Instead, they must be built up over time as companies exchange products, services, and experiences with their stakeholders. Repeating these interplays creates the perceptions and expectations that condition stakeholders' willingness to either maintain, develop, or even end their relationship with companies. In this sense, at the same time intangible resources might be the origin of sustainable competitive advantage, damage to a company's integrity shall seriously compromise its performance. In line with this rationale, (Gray & Balmer 1998, p. 697) claim that corporate reputation 'indicates a value judgement about the company's attributes,' and is a potential source of competitive advantage. Yet, the authors also point out that if customers develop negative perceptions of a company or its products, falling sales and reducing profits are to be expected.

Similarly, brands are seen as strategic resources, influencing company relationships with customers in distinct ways. Hall (1992) includes trademarks as an example of intangible resources that are legally protected. Farquhar (1989) argues that in addition to functioning as barriers to entry in some markets, and providing a platform for launching new products, strong brands grant companies with an easier acceptance of their products. With brand trust representing a key element of brand equity (Delgado-Ballester & Munuera-Alemán, 2005), investigation into the effects of unsustainable practices on it is critical. Likewise, the potential that unsustainable practices have for increasing brand avoidance must be equally examined.

These and the previous conjectures support the integration of sustainable luxury literature and inventory management literature. We highlight that some of the practices included in the latter are progressively seen as environmental offenses by stakeholders. It may be argued that, through the lens of RBV, burning unsold inventory represents a potential threat to the intangible resources of luxury companies, and thus to their performance. As already discussed, the mismanagement of excessive inventories may have a particularly damaging impact on brand attributes, with trust and avoidance being possibly the most chronic. This reasoning subsidizes the development of the four hypotheses of the study.

3 | DEVELOPMENT OF THE HYPOTHESES

In the light of the matters discussed above, the destruction of unsold items may denote the inability of companies to accurately forecast demand for their products, and to properly manage their excessive inventories in an environmentally friendly manner. In both cases, the perception that companies are efficiently managed and that they have the appropriate operational competence to meet the growing environmental demands of consumers is likely to be compromised. The possibility that these results might come to hinder trust in company brands leads to the first hypothesis of the study:

> **Hypothesis H1.** *Brands are perceived as less competent when engaging in inventory destruction practices in*

comparison to nondestruction ones (i.e., promotional sales and recycling products), hence decreasing brand trust.

Similarly, the practice of burning perfectly functional products to protect brand value may convey the impression that companies are primarily centred on their goals and willing to sacrifice collective interests in favor of their own needs (i.e., nonbenevolent). In view of the great appeal of the topic with consumers, these perceptions may aggravate the damage that is expected to result from being environmentally irresponsible. The second hypothesis of the study reasons as follows:

Hypothesis H2. *Brands are perceived as less benevolent when engaging in inventory destruction practices in comparison to nondestruction ones (i.e., promotional sales and recycling products), hence decreasing brand trust.*

The same arguments used in formulating the previous hypotheses also fuel the possibility of inventory destruction generating an aversion to the brands involved in this practice. In this sense, the dissociation of individuals from brands that are perceived to be operationally unreliable, or not benevolent, or are insufficiently engaged with environmental performance, would function as an attempt to preserve both the self-esteem of the consumers and the way in which they are perceived by society (i.e., the image they project). Altogether, these elements form the basis for formulating the third hypothesis of the study:

Hypothesis H3. *Brand avoidance increases when engaging in inventory destruction practices in comparison to nondestruction ones (i.e., promotional sales and recycling products).*

While company actions, attitudes, and behaviors have intrinsic value and an impact on the perceptions of those who observe them, the justifications presented for their conduct may either attenuate or aggravate their effects. Just as some explanations may reinforce the perception that inventory burning represents a serious environmental offense, others may lead consumers to believe that the company had no alternative, or that it employed its best efforts to minimize the negative impacts of its actions. These possibilities are translated into the fourth hypothesis:

Hypothesis H4. *After the disclosure of inventory destruction practices, different actions hold different effects in brand trust and brand avoidance.*

4 | METHOD

4.1 | Experimental study design and data collection

An initial sample of 549 respondents was recruited from prolific academic (www.prolific.ac), a crowdsourcing platform specialized in research, to participate in two vignette-based experiments presenting a scenario and a questionnaire. Both studies portrayed one of the largest luxury fashion

companies in the world and disclosed its approach to overstock management. In the first study, participants were randomly assigned three different scenarios that reported the different actions taken with regard to the company's inventory surplus – promotional sales, recycling into new products, and burning the products. They were asked to play two different roles, either acting as the company's customer or as its supplier. An example of a randomized scenario is displayed below:

> Founded in 1856 and headquartered in London, UK, **Company A** is one of the most prominent upmarket luxury fashion labels of the world, employing over 10,000 people in 42 countries and selling more than US$3.5 billion a year. The company supplies customers with a range of products such as ready-to-wear outerwear, fashion accessories, fragrances, sunglasses, and cosmetics. It was recently disclosed that, at the end of each collection, the company **redirects unsold products to promotional sales**' efforts. Last year consumers benefited from a total of US$36.4 million in the form of discounts. In the last five years, the value of discounts conceded by the company goes up to more than US$114 million.

Of the 323-respondent pool, 11 were removed from the study for failing the attention-check questions, nine provided incomplete answers, and 90 respondents failed to identify correctly the role they were asked to play and, as no statistically significant differences were found between those asked to act as customers or suppliers in the three variation scenarios (i.e., promotional sales, $M_{customers,brand\ trust-competence} = 5.8$ and $M_{suppliers,brand\ trust-competence} = 5.6$, $t(72) = 1.08$, $p = .283$, $M_{customers,brand\ trust-benevolence} = 5.1$ and $M_{suppliers,brand\ trust-benevolence} = 5.0$, $t(72) = 0.38$, $p = .705$, and $M_{customers,brand\ avoidance} = 2.6$ and $M_{suppliers,brand\ avoidance} = 2.6$, $t(72) = -0.05$, $p = .964$; recycling products, $M_{customers,brand\ trust-competence} = 5.7$ and $M_{suppliers,brand\ trust-competence} = 5.7$, $t(66) = -0.01$, $p = .989$, $M_{customers,brand\ trust-benevolence} = 5.0$ and $M_{suppliers,brand\ trust-benevolence} = 4.7$, $t(66) = 1.27$, $p = .209$, and $M_{customers,brand\ avoidance} = 2.6$ and $M_{suppliers,brand\ avoidance} = 2.6$, $t(66) = 0.10$, $p = .920$; and burning stocks, $M_{customers,brand\ trust-competence} = 4.6$ and $M_{suppliers,brand\ trust-competence} = 4.3$, $t(69) = 0.93$, $p = .355$, $M_{customers,brand\ trust-benevolence} = 4.4$ and $M_{suppliers,brand\ trust-benevolence} = 3.9$, $t(69) = 1.61$, $p = .113$, and $M_{customers,brand\ avoidance} = 4.1$ and $M_{suppliers,brand\ avoidance} = 4.8$, $t(69) = -1.54$, $p = .127$), they were retained in the final sample, which thus comprised 303 complete valid responses (54.1% female, with average and median ages 34.2 and 31 years, respectively) for Study I.

Using four additional random manipulations, Study II built on the first study and compared the scenario in which the company burned its overstock. Three of the manipulations related to the firm's statements explaining that the products had been physically destroyed to preserve the brand's luxury image among luxury customers by avoiding promotional sales. It also stated that the practice had been

conducted in a responsible and sustainable manner, with minimum environmental impact, and is a common practice across industries, and employed by the majority of its competitors both in the fashion and luxury industries. The fourth variation scenario had comments from environmentalists and activists about the disclosure, and stated that burning inventory was disrespectful to the company's own products and moreover to the employees and partners who worked to manufacture them, and was a waste of resources. The following extract is an illustration of a randomized scenario from the second study:

Founded in 1856 and headquartered in London, UK, **Company A** is one of the most prominent upmarket luxury fashion labels of the world, employing over 10,000 people in 42 countries and selling more than US$3.5 billion a year. The company supplies customers with a range of products such as ready-to-wear outerwear, fashion accessories, fragrances, sunglasses, and cosmetics. It was recently disclosed that, at the end of each collection, the company **burns unsold products, completely destroying them**. Last year this accounted for a burned stock evaluated in US$36.4 million. In the last five years, the value of the stock destroyed goes up to more than US$114 million. The company came forward to explain the **the practice is part of a series of measures adopted to recover its prestige among luxury customers, claiming that the destruction of excess stocks is necessary to avoid selling them cheaply**, what would ultimately lead to the devaluation of the brand and compromise it perception as a truly luxurious brand.

Of the initial 226 participants, eight were removed after failing the attention-checkpoint, 19 provided incomplete answers, and 10 responses were dismissed for incorrectly identifying the purpose of the study's check requirement, leaving a final sample of 189 complete and valid responses (65.6% female, with average and median ages of 35.6 and 34 years) in the second data collection exercise.

4.2 | Manipulation and realism checks

We inserted scenario checkpoints to ensure respondents understood the manipulation they were reacting to, and that the vignettes portrayed a realistic situation. Scenario-related questions referred to the company's world-wide presence ($M_{study\ I} = 6.4$ against the mid-point 4, $t(302) = 33,936$, $p < .001$, and $M_{study\ II} = 6.6$, $t(188) = 30,326$, $p < .001$), and belonging to the luxury fashion industry ($M_{study\ I} = 6.5$ against the mid-point 4, $t(302) = 43,739$, $p < .001$, and $M_{study\ II} = 6.6$, $t(188) = 37,458$, $p < .001$). A third question in the first study related to the company's overstock management in either promotional sales, recycling products, or burning inventory ($M_{study\ I} = 6.3$ against the mid-

point 4, $t(302) = 30,992$, p value $= .000$). Respondents also explicitly scored scenarios as being realistic ($M_{study\ I} = 5.3$ against the mid-point 4, $t(302) = 17,461$, $p < .001$, and $M_{study\ II} = 5.3$, $t(188) = 12,805$, $p < .001$), believable ($M_{study\ I} = 5.3$ against the mid-point 4, $t(302) = 17,115$, $p < .001$, and $M_{study\ II} = 5.4$, $t(188) = 13,980$, $p < .001$), and likely ($M_{study\ I} = 5.2$ against the mid-point 4, $t(302) = 14,403$, $p < .001$, and $M_{study\ II} = 5.2$, $t(188) = 11,663$, $p < .001$).

4.3 | Measurement instruments validation

We retrieved the measurement instruments for brand trust – competence and benevolence (Li et al., 2008), and brand avoidance (Grégoire et al., 2009) from the literature, and validated each of the three constructs as individual second-factor models by way of confirmatory factor analysis (CFA), as shown in Tables 1 and 2. All constructs retained their initial number of items, as all had standardized factor loadings above the endorsed .70 threshold, with the exception of one item in brand trust – competence (.68) in Study II, even though it exceeded the acceptable .60 value. Therefore, the brand trust – competence instrument comprised four scale items, brand trust – benevolence had five scale items, while brand avoidance had three.

For unidimensionality assessment, while chi-square (χ^2) and chi-square per degrees of freedom (χ^2/DF) analyses generated varied interpretations, with significant χ^2 values for brand trust – competence while acceptable model efficiency according to its χ^2/DF below 5, nonsignificant χ^2 values for brand trust – benevolence yet with χ^2/DF values out of the acceptable model efficiency indication in the first study, and probability not being computed for brand avoidance due to its number of items, further measures were also used to demonstrate instruments' appropriateness. All scales had comparative fit, normed fit, and incremental fit indexes (CFI, NFI, and IFI, respectively) above the recommended .95 limit, again with the exception of brand trust – benevolence in Study I. All constructs showed strong reliability exhibited by their respective Cronbach's alphas greater than .80 and .90. Composite reliability values, greater than .80 for brand trust – competence, and .90 for the remaining two instruments, showed strong internal consistency for all models, while average variances extracted demonstrate that the constructs captured the vast majority of their respective variances, rather than measurement errors. Comparison of the individual average variances extracted with the covariance of the construct pairs also reinforces the discriminant validity of the measurement instruments.

5 | RESULTS

ANOVA results (Table 3) from the first data collection shows, as we expected, that the extent to which respondents trust the brand significantly decreases when inventory is destroyed, both in terms of competence ($M_{promotional\ sales} = 5.6$, $M_{recycling\ products} = 5.7$, $M_{burning\ inventory} = 4.4$, $F[2;300] = 46,545$, $p < .001$) and benevolence ($M_{promotional\ sales} = 5.0$, $M_{recycling\ products} = 4.9$, $M_{burning\ inventory} = 4.1$, $F[2;300] = 18,867$, $p < .001$). Brand avoidance, however, increases

TABLE 1 Scales items and reliability (study I/study II)

Scale/items	Standardized factor loadings	Cronbach's α	Composite reliability	AVE
Brand trust–competence		.889/.861	889/.867	.692/.622
Company A does a good job	.82/.81			
I expect Company A to deliver on its promise	.75/.68			
I am confident in Company A's ability to perform well	.91/.90			
The quality of Company A has been very consistent	.81/.75			
Brand trust–benevolence		.900/.903	.487/.502	.652/.654
Company A has good intentions towards it customers	.75/.73			
Company A will respond constructively if I have any product-related problems	.85/.84			
Company A would do its best to help me if I had a problem	.86/.85			
Company A cares about my needs	.84/.83			
Company A gives me a sense of security	.73/.79			
Brand avoidance		.949/.968	.948/.967	.859/.908
I would keep as much distance as possible between Company A and me	.90/.94			
I would avoid visiting Company A	.96/.96			
I would not initiate a relationship with Company A	.92/.96			

Note: Scales are anchored between strongly disagree (1) and strongly agree (7).

TABLE 2 Constructs' validation and discriminant validity (study I/study II)

	Brand trust–competence	Brand trust–benevolence	Brand avoidance
χ^2 (*p* value)	6.738(.034)/ 2.330(.312)	136.871(.000)/ 24.794(.000)	.000(n.c.)/ .000(n.c.)
χ^2/DF	3.369/1.165	27.374/4.959	n.c./n.c.
CFI	.993/.999	.872/.966	1.000/1.000
NFI	.991/.994	.869/.959	1.000/1.000
IFI	.993/.999	.873/.967	1.000/1.000
Individual-shared variances matrix			
Brand trust–competence	**.692/.622**	.487/.502	−.439/−.315
Brand trust–benevolence		**.652/.654**	−.366/−.299
Brand avoidance			**.859/.908**
Correlations matrix			
Brand trust–competence	1.000/1.000	.698/.709	−.663/−.562
Brand trust–benevolence	.000/.000	1.000/1.000	−.605/−.547
Brand avoidance	.000/.000	.000/.000	1.000/1.000

Note: For the individual-shared variances matrix–numbers in bold represent constructs' individual average variance extracted, numbers above represent squared correlations of each pair of constructs. For the Correlations Matrix–Numbers above the diagonal line represent constructs' correlations, numbers below the diagonal line represent correlations' significance values.

drastically ($M_{promotional\ sales} = 2.7$, $M_{recycling\ products} = 2.7$, $M_{burning\ inventory} = 4.4$, $F[2;300] = 49,169$, $p < .001$), suggesting that participants strongly penalize this strategy relative to the other two. *Post-hoc* tests specifically indicated strong differences between the burning scenario and the other two, with respondents scoring the company's perceived competence ($M_{difference\ promotional\ sales\ vs.\ burning\ inventory} = -1.2$, $p < .001$, and $M_{difference\ recycling\ products\ vs.\ burning\ inventory} = -1.2$, $p < .001$) and benevolence ($M_{difference\ promotional\ sales\ vs.\ burning}$ inventory $= -0.9$, $p < .001$, and $M_{difference\ recycling\ products\ vs.\ burning}$ inventory $= -0.7$, $p < .001$) significantly lower when overstock is burned. This also increased their avoidance of the brand ($M_{difference\ promotional\ sales\ vs.\ burning\ inventory} = 1.7$, $p < .001$, and $M_{difference\ recycling\ products\ vs.\ burning}$ inventory $= 1.7$, $p < .001$), thus confirming Hypotheses H1, H2, and H3. Figure 1 shows the average scores for brand trust–competence, brand trust–benevolence, and brand avoidance, for each of the three different scenarios.

TABLE 3 ANOVA results for studies I and II

| Study I | | Brand trust | | Brand avoidance |
		Competence Mean (SD)	Benevolence Mean (SD)	Mean (SD)
1. Promotional sales	N = 99	5.61(0.85)[3]	5.02(0.95)[3]	2.68(1.26)[3]
2. Reycycling products	N = 102	5.65(0.82)[3]	4.86(1.00)[3]	2.73(1.29)[3]
3. Burning Inventory	N = 102	4.41(1.34)[1][2]	4.14(1.26)[1][2]	4.41(1.64)[1][2]
Statistics	p value	.000***	.000***	.000***
	F(2;300)	46.545	18.867	49.169
Post-hoc tests				
Promotional sales versus recycling products	Mean difference	.04	−.15	.04
	p value	.948	.575	.968
Promotional sales versus burning inventory	Mean difference	−1.19	−.87	1.72
	p value	.000***	.000***	.000***
Recycling products versus burning inventory	Mean difference	−1.24	−.72	1.67
	p value	.000***	.000***	.000***
Study II				
1. Marketing strategy	N = 46	4.46(1.50)	4.50(1.35)	4.52(1.89)
2. Sustainable destruction	N = 42	4.47(1.13)	4.28(1.08)	3.94(1.39)
3. Industry practice	N = 48	4.57(1.11)	4.13(1.19)	4.43(1.53)
4. Environmentalists critics	N = 53	4.69(1.31)	4.24(1.13)	4.33(1.48)
Statistics	p value	.791	.499	.343
	F(4;255)	.348	.794	1.117
Post-hoc tests				
Marketing strategy versus Sustainable destruction	Mean difference	−.01	.22	.57
	p value	1.000	.809	.364
Marketing strategy versus industry practice	Mean difference	−.10	.37	.08
	p value	.980	.437	.995
Marketing strategy versus environmentalists critics	Mean difference	−.23	.25	.18
	p value	.851	.704	.948
Sustainable destruction versus industry practice	Mean difference	−.09	.14	−.49
	p value	.977	.942	.388
Sustainable destruction versus environmentalists critics	Mean difference	−.22	.03	−.38
	p value	.814	.999	.559
Industry practice versus environmentalists critics	Mean difference	−.12	−.11	.10
	p value	.955	.966	.986

Note: ***p < .01. The numbers in parentheses are sample SD. The numbers in brackets indicate the group means from which this group is significantly different at the .01 significance level, as indicated by Tukey's or Games-Howell pairwise comparison test.
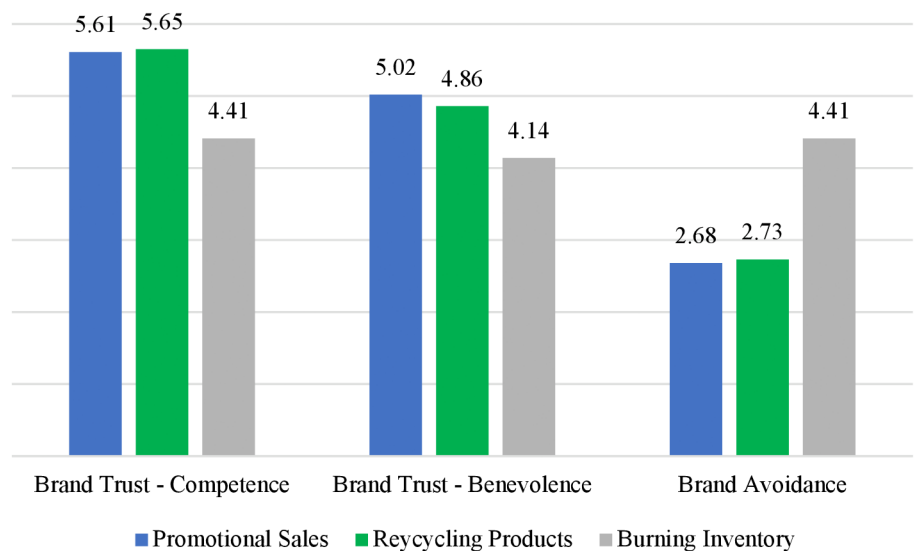
We also hypothesized that the manipulations of the second study would have different impacts on the dependent variables (H4), especially when it comes to sustainability scenarios, with an environmentally sustainable practice potentially softening the decrease in brand trust and the increase in brand avoidance, and the opposite when environmental critics were exposed. Contrary to our assumptions, the data suggest there are no differences in either brand trust or avoidance in any of the tested manipulations, resulting in Hypothesis H4 not being confirmed.

6 | DISCUSSION

6.1 | Abstract

Although employed to preserve the price of products or the value of brands, destroying functioning inventory has become a risk for companies. Among other factors, the sedimentation of eco-conscious consumption and the development of user-to-user forms of communication increase the chances that the practice will be

FIGURE 1 Average scores for brand trust and brand avoidance in different overstock strategies [Colour figure can be viewed at wileyonlinelibrary.com]

intensively discussed on social media, possibly damaging the image of companies and, ultimately, destroying value. Added to this is the fact that these luxury brands often argue that they operate in a sustainable manner, with the formulation of sustainability reports being a typical argument they use (Fracarolli Nunes & Lee Park, 2017). In these cases, practices that are inconsistent with their environmental claims may result in accusations of corporate hypocrisy (Wagner et al. 2009) from external observers, which possibly contributes to the destruction of the reputational capital of companies that destroy their stocks.

Our findings suggest that, once inventory destruction is disclosed, customers penalize their trust in the brand and increase their desire to avoid it. Further explanations on why companies decide to waste unsold products instead of either selling them at discounted prices or recycling them have no effect on customers' perceptions. This suggests that the mismanagement of product overstock might have a lasting negative effect on consumers' perceptions, a situation that is difficult to recover from. The nonconfirmation of H4 actually reinforces the strength of Hypotheses H1, H2, and H3, since even opposing justifications/explanations were unable to have an influence on the impact resulting from environmental irresponsibility. These outcomes suggest that sustainable luxury consumption is growing stronger, which, in line with the evolution of the sustainability debate, is likely to shape demand in the foreseeable future.

6.2 | Theoretical implications

At large, the study contributes to the integration of literatures, which, despite being mutually influential, is often studied as isolated management fields. Demonstrating that unsustainable inventory management practices have the potential to affect brand attributes stresses the connection between these subjects. As discussed throughout the text, positioning brands as strategic intangible resources is important in this sense, with the premises of the RBV offering a theoretical bridge between the distinct perspectives

dealt with here. Within this view, our empirical evidence reinforces the idea that brands are sensitive to corporate misdeeds, and that perhaps they are affected as much by operational practices (i.e., inventory management) as they are by other actions that are usually understood as influential in this regard (e.g., corporate communication). This may help extend the study of brand management, as it incorporates issues that are usually neglected in the literature. Our findings also corroborate the thesis that environmentally irresponsible practices are notably threatening in terms of brand trust and brand avoidance. Among other entailments, this adds to our understanding of the very nature of the factors capable of compromising the brand equity of firms.

Regarding the development of the RBV itself, our results complement the debate on intangible resources. Our focus on value destruction, for example, presents an opposite perspective to that of most works on the subject. The confirmation that the mismanagement of inventories may have a direct impact on the brands of luxury companies not only adds to our understanding of the different risks these firms may be exposed to, but also indicates that brand management is must not be limited to Marketing professionals/scholars. In fact, more comprehensive approaches should be encouraged, with all organizational functions – even the least obvious ones – being made aware of their responsibility for building and maintaining positive brands. By drawing attention to issues beyond the customary 'bright side' associated with intangible resources, we offer new insights into the RBV, as its theoretical frames seem to favor the identification of sources of sustainable competitive advantage.

The results also point to the need for a review of the concept of value in the luxury industry. In addition to the classic criteria, such as the superior quality of their products and services, the rarity of the items, and their potential to influence a person's self-perception, as well as the perception of others (i.e., emotional and social value respectively) (Sheth et al., 1991), our evidence indicates that environmental responsibility must be incorporated by firms. The mechanisms by which environmental responsibility generates value in luxury

markets, however, still need to be clarified. It is possible, for example, that they are part of the dynamics of guilt, with the choice of 'green luxury' products serving as an attenuator of negative sensations that link consumption with the destruction of the planet. Other possibilities refer to an additional gain in social value, with the use of environmentally responsible products guaranteeing consumers a sort of moral superiority. These issues represent important possibilities for future research, and are further discussed in the respective section.

Still, one must consider the eventual trade-offs arising from this new configuration of value in luxury, notably with regard to the relationship between rarity and sustainability. As suggested by our findings, controlling the number of products in circulation by destroying inventories can end up harming brand value. On the other hand, the sustainable alternative (i.e. not destroying excessive products) may lead to a range of negative outcomes, which may also damage the value attributed to luxury brands. A possible solution to this trade-off relies on improving companies' operational performance, including by way of a series of practical initiatives, as dealt with next.

6.3 | Managerial implications

Among the various possibilities for improving firms' operational efficiency is the superior management of material flows, including operations within organizational borders, as well as those that take place along the entire supply chain. Luxury companies would benefit, for example, from using more accurate demand forecasting methods, which may minimize stocks and avoid excessive inventory. Likewise, a higher recycling rate can be achieved by using new materials, or with product design processes that are specifically designed for this purpose (e.g., interchangeable parts that can be reused in new models). This greater attention to production processes, however, will require a structural effort on the part of administrators and even a cultural change at the organizational level, with a focus on areas such as brand management, while advertising will need to be increasingly shared with issues such as warehouse management, supply chain management, and a topic particularly relevant to the present discussion, inventory management.

6.4 | Limitations and future research

The advance of the environmental agenda seemingly exerts a great influence on society, with an increase in demands for environmentally responsible products being potentially a strong consumption trend. Our study focuses on two elements of consumers' perspective (i.e., brand trust and brand avoidance). Although arguably representative of the general impact of inventory burning on the esteem in which companies are held, future research should investigate other dependent variables. Constructs like corporate image, identity, reputation, and credibility are among those that shall complement the views offered here. Further investigations should also be carried out into the possible updating of brand value by incorporating sustainable

operations. Future research should also examine the power of the operational solutions suggested here for solving the sustainability-rarity trade-off we discussed.

ORCID

Camila Lee Park https://orcid.org/0000-0001-8412-7129

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