

To Donate or Not to Donate: Dealing with Unsold Luxury Products

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Abstract

With recent regulations and unpredictable market conditions, luxury brands need a transition from product-destroying practices to more sustainable, circular-economy-friendly waste management approaches. This study focuses on the transition from product incineration to product donation, a complex process in the luxury markets due to the two-counterbalance consumer-based forces. Product incineration is a commonly used practice to retain product scarcity, leading to greater brand exclusivity. Product donations, on the other hand, oppose scarcity, reducing luxury brands' exclusivity (Lieber, 2018). We examine under which market conditions luxury brands should engage in product donations in the presence of product incinerations. Our results point to the importance of employing product donation in luxury markets. Specifically, we propose a managerially actionable explanation for why some luxury firms should use product donation to deal with unsold products to create a win-win situation: "good for the firm – good for the world." (Chandy et al., 2021).

Subject Areas: *Decision-Making, Marketing Strategy, Product Management, Retailing*

Track: Marketing Strategy & Theory