

Ethical Luxury Services: A Conceptualization, Key Premises, and Future Research

Domenic Winfrey
KEDGE Business School
Jonas Holmqvist
Kedge Business School
Sertan Kabadayi
Fordham University

Cite as:

Winfrey Domenic, Holmqvist Jonas, Kabadayi Sertan (2025), Ethical Luxury Services: A Conceptualization, Key Premises, and Future Research. *Proceedings of the European Marketing Academy*, 54th, (126387)

Paper from the 54th Annual EMAC Conference, Madrid, Spain, May 25-30, 2025



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Abstract

Despite luxury service brands increasingly engaging in ethical practices, to date little is known about what makes luxury services ethical or unethical. This paper conceptualizes ethical luxury services, key premises of what characterizes ethical luxury services, and provides future research avenues. We find that an understanding of how luxury services can maintain ethicality is missing, despite the increase of the sustainable luxury and luxury service industries. Key aspects of luxury (i.e. the anti-laws of luxury) and services (i.e. IHIP) have major, unique ethical implications, especially when combined to form luxury services. We analyze how this complex interaction of ethics, luxury and services requires careful balance to maintain ethicality, especially in terms of intangibility and considerations related to social sustainability.

Keywords: luxury, ethics, services

Track: Service Marketing & Service Innovation

1. Introduction

Ethical practices are becoming increasingly relevant across all forms of business (Davies, Lee, & Ahonkhai, 2012), as consumers grow more aware of the ethical implications of their purchases. The importance of ethics plays a key role in the luxury industry, which has traditionally been viewed as inherently opposed to ideals of ethicality, including social sustainability and limited consumption (Moraes, Carrigan, Bosangit, Ferreira, and McGrath, 2017). In recent years, ethicality has emerged as a topic of interest in the luxury industry (Athwal, Wells, Carrigan, and Henninger, 2019), but has yet to permeate the luxury service field. This paper posits that key aspects of which hold many implications for ethicality that differ from non-luxury and goods.

Luxury often focuses on consumers and personal value, including escapism and hedonic value (Holmqvist, Visconti, Grönroos, Guais, and Kessous, 2020b). Hedonism is especially important in luxury services (Wirtz, Holmqvist, and Fritz 2020). Conversely, ethics are generally focused on wider implications and societal well-being, creating a sense of tension (Osburg, Davies, Yoganathan, and McLeay, 2021). This contrast carries key implications for services and ethicality (Sebhatu, Hamdan, and Fisk 2024), in particular for the characteristics of IHIP: intangibility, heterogeneity, inseparability, and perishability (Lovelock & Gummesson 2004), of which only intangibility has been explored from an ethical perspective (Kennedy & Lawton, 1993).

As luxury is inherently different from non-luxury, even operating on rules antithetical to non-luxury (Kapferer & Bastien, 2009), we hold that the specificities of luxury have unique implications for ethics. In line with calls for bridging existing theories across disciplines (Gilson & Goldberg, 2015), we bridge the luxury, ethics, and services disciplines. By *integrating* (MacInnis, 2011) these fields, specifically using service and the anti-laws of luxury frameworks, this conceptual manuscript offers several contributions. First, we launch academic discourse surrounding the unexplored field of ethical luxury services. Next, we provide an overarching view of ethical luxury services, with fundamental premises of ethical luxury services. Lastly, we provide theoretical and practical implications on how ethics are perceived and should be incorporated into the core of luxury service practices.

2. Literature Review

2.1 *Luxury and Luxury Services*

While luxury is well-established in the literature, it is often defined subjectively and from a consumer perspective (Banister, Roper, and Potavanich, 2020). Many definitions of luxury focus on high-cost products (Holmqvist, Ruis, and Peñaloza, 2020a) that consumers use to signal to others to show wealth and social exclusivity (Han, Nunes, and Drèze, 2010). Included in most descriptions of luxury are quality (Han et al., 2010), high cost (Kapferer & Bastien, 2009), uniqueness (Holmqvist et al., 2020b), and exclusivity (Han et al., 2010). One of the most widely used descriptions of the unique characteristics of luxury comes from Kapferer & Bastien (2009), who argue that luxury goes against traditional marketing ideas. These characteristics have come to be known as the *anti-laws of luxury* and are illustrated in Table 1, where they are measured against the non-luxury norms.

Non-luxury	Luxury
Focus on Brand positioning	Focus on Brand Identity
Comparative	Superlative
Aim for Perfection	Celebrate Imperfections
Address Consumer Demands	Resist Consumer Demands
Equality with clients	Domination over clients
Easy to purchase	Difficult to Purchase
Advertise to sell	Advertise to Create a Dream
Advertise to the target consumer	Advertise beyond the target consumer
Lower prices to increase demand	Raise prices to increase demand

Table 1: The Anti-laws of luxury (Based on Kapferer & Bastien, 2009)

Luxury services have been growing steadily, including luxury hospitality, dining, and cruises, representing approximately 19% of the luxury industry in 2023 at 286 billion € (D’Arpizio, Levato, Steiner, and de Montgolfier 2024). While luxury products can be easily conceptualized by their physicality, there is a large proportion of subjectivity in defining the underdeveloped field (Holmqvist & Kowalkowski, 2023) of luxury services (Wirtz et al., 2020), primarily influenced by socio-economic class (Vigneron & Johnson, 2004). High-income consumers, whom the luxury industry relies on due to their spending power (Klaus, 2022), will have a much different idea of what a luxury service is compared to low-income consumers, while this variation is not necessarily true for goods (Wirtz et al., 2020). Luxury services are strongly defined by experience, which can be based on hedonism rather than traditional characteristics of luxury such as quality and price (Holmqvist et al., 2020a). While luxury products are meant to be timeless (literally in terms of design appeal and figuratively in terms of brand heritage), it is the limited duration of luxury services which makes them

special (Thomsen, Holmqvist, von Wallpach, Hemetsberger, and Belk, 2020), as repeatedly engaging in the same luxury service can become boring for consumers.

2.2 Ethicality in Luxury and Services

Definitions of ethics center around deliberate, personal choices, including a conceptualization by Crane & Matten (2003) who define ethics as “the conscious and deliberate choice to make certain consumption choices due to personal and moral beliefs” (p. 290). Agag (2019) describes business ethics as the moral principles, values, and standards guiding individuals and organizations. Despite calls for ethicality, the luxury industry has often been criticized for poor ethical behavior, including issues such as transparency (Moraes et al., 2017), traceability (Holmqvist & Kowalkowski, 2023), and promoting overconsumption (Osburg et al., 2021). Research in the field often acknowledges tension between ideals of ethical consumption and luxury, which many consumers see as contradictory (Achabou & Dekhili, 2013) due to opposing values such as ostentation and overconsumption for luxury and responsibility and moderation for ethics (Athwal et al., 2019).

While luxury brand operations are often shrouded in secrecy (Osburg et al., 2021; Welté, Cayla, and Cova, 2022), ethical practices are conspicuous, as is their absence (Arce, 2004), meaning that a lack of clear ethical practices can instead represent unethicity. This represents a point of contention between luxury and ethics. For instance, Kang & Hustvedt (2014) found that transparency of social responsibility plays a key role in how trust is built between consumers and companies. Holmqvist & Kowalkowski (2023) describe ethical issues of traceability in the luxury industry, and how many luxury consumers view sustainably made products as inferior, leading to luxury brands hiding sustainable practices from consumers. This is despite many luxury brands relying on sustainable materials, which are often inherently more sustainable due to their quality and sourcing (Kapferer, 2015).

Ethical concerns have become increasingly intertwined with service research, which can be partially explained due to services offering far more opportunities for ethical violations due to increased effects of human interfaces, and services being more difficult to evaluate than goods (Kennedy & Lawton, 1993). Ethics in services are particular because they take a broader perspective, focusing beyond the organization and including the purpose, process, and outcome of service interactions (Rendtorff, 2009; Sebhatu et al., 2024). The relationship quality between service providers and buyers has a significant impact on consumers in terms of trust, satisfaction with the service, purchase intention, and loyalty (Agag, 2019).

3. Conceptualization and Considerations of Ethical Luxury Services

3.1 Ethical Considerations of Services

As a clear way to separate services from products (Leavitt, 1981), intangibility has clear implications for ethics due primarily to services being harder to evaluate (Sebhatu et al., 2024). Consumers are less easily able to identify the processes of service creation, and thus the ethical implications services have (Kennedy & Lawton, 1993). Additionally, technology can be used in services to hide imperfections (Gleim, McCullough, Ferrell, and Gabler 2024). Luxury provides a unique lens due to the high levels of service and power of many consumers (Welté et al., 2022). The service exchange can vary depending on the perceived prestige of both consumers and service employees (Kim & Baker, 2021). Likewise, concerning inseparability, the service-provider directly interacting with customers requires professionalism, respect, fairness, and informed consent (Leavitt, 1981). Additionally, ethicality is co-created in services (Sebhatu et al., 2024), where ethicality should foster mutually beneficial interactions.

3.2 Ethical Implications of the Anti-Laws of Luxury

A focus on brand identity can allow luxury brands to ignore their ethicality. However, a luxury brand focused on ethical perceptions must reinforce this image to consumers and have strong ethical stances. Shleifer (2004) suggests competition between firms increases ethical behavior, while luxury brands should “ignore” competition (Kapferer & Bastien, 2009). Imperfections serve as a “seal of authenticity” (Kapferer & Bastien, 2009) which can be utilized to promote ethicality perceptions.

Resistance to consumer demand prioritizes the brand over consumer wants. Consumers may want sustainability or ethicality (Moraes et al., 2017) but a brand can ignore them to focus on prestige. This can undermine respect for consumers as autonomous agents (i.e. deontological perspectives), while domination over client demand prioritizes the brand heritage over consumer wants. Consumers may want sustainability or ethicality (Moraes et al., 2017) but a brand can impose its own agenda over consumers, undermining respect for consumers as autonomous agents (i.e. deontological perspectives). Strict control over supply chain can ensure ethicality (Holmqvist & Kowalkowski, 2023). Messaging can focus on hedonism and exclusivity and ignore ethicality, reinforcing aspirational and unnecessary consumption. Luxury can also manipulate consumers and reinforce class divisions, where success is measured by material wealth. The raising of prices limits availability, thereby

ensuring that luxury has a lower overall environmental impact. Thus, as luxury and services have major implications for ethicality, we define ethical luxury services as *services which consider employee and consumer well-being in co-creation, while maintaining high levels of service to be considered luxury*.

4. Fundamental Premises for Ethical Luxury Services

To form an overarching view of ethical luxury services, we pull from research spanning different research traditions (Lewis & Grimes, 1999) and develop three premises to advance literature surrounding the topic. Our premises outline key aspects of ethical luxury services, in relation to what makes luxury and services unique for ethical implications. Outlined in our literature review, the anti-laws of luxury provide unique implications which sometimes counter ethicality. For example, luxury brands are often secretive, while transparency is expected in ethicality.

Transparency at the organizational level, which becomes even more nascent for services (Kennedy & Lawton, 1993), refers to informational justice (Colquitt, 2001). Transparency is a key way for brands to build consumer trust (Kang & Hustvedt, 2014), explaining why the perceived level of ethicality of luxury brands is often hurt due to the secretive nature of the luxury industry (Holmqvist & Kowalkowski, 2023). We argue that for a luxury brand to maintain a high-level ethicality, it must find a balance between the amount of information it shares regarding its practices, and the amount of secrecy it maintains to remain luxurious. Luxury brands committed to ethicality must have tight control over their own supply chains or close associations with transparent suppliers with similar ethical commitments, allowing luxury brands to oversee and maintain high levels ethicality. This extends to internal and external stakeholders such as the pay of laborers and impacts on society. Specific to luxury services, luxury brands must focus on limiting possible negative implications from consumer perspectives by offering transparency. For example, a luxury hotel should not openly provide information on their ethical or sustainable practices such as recycling, but have it easily available for interested patrons.

Premise 1: Luxury service brands balance their transparency and secrecy by making their ethicality known to consumers who seek it out, while obfuscating it for consumers who perceive ethicality in luxury negatively.

Co-creation in the luxury service context varies from non-luxury, as escapism plays an important role (Holmqvist et al., 2020a) and service levels are higher. Luxury

consumer/employee interactions can unethically “bind” a salesperson to a wealthy client (Welté et al., 2022), where the service employee is expected to remain perpetually available. The heterogeneous nature of luxury service exchanges offers varied levels of fair treatment, impacting consumer and employee well-being (Groth & Grandey, 2012). Thus, luxury service employees and managers alike are responsible for ethical service exchanges, and luxury brands must ensure these interactions are balanced and fair, while maintaining opportunities for hedonism and escapism. Luxury employees must be ethical themselves and act ethically in how they treat employees. For example, a luxury restaurant server is an extension of the restaurant image, and will impact how ethical the restaurant is perceived through their adherence to values (i.e. presenting the course, treating patrons equally).

Premise 2: Ethicality in luxury services is managed by co-creation between consumers and employees, where consumers must perceive service employees as acting ethically.

Research surrounding more ethical forms of luxury consumption has repeatedly called for clarity surrounding terms such as *green*, *ethical*, and *sustainable* (e.g. Athwal et al., 2019). Unclear usage can lead to greenwashing (or claims of greenwashing), and thus unethicity. Researchers and practitioners alike should be able to clearly explain what the terms they use mean, as consumers may not be able to differentiate them. We propose that luxury services must accurately identify the type of ethical behavior they are engaged in, as inaccurate or unclear descriptions can hurt their ethicality, their perception, and contribute to unclear terminology usage (Vanhamme et al., 2021). For example, a luxury hotel in a developing country claiming to be “green” may practice environmental sustainability, while ignoring socially sustainable practices such as negatively impacting the local economy and community.

Premise 3: Luxury services must specify their ethicality by clearly pointing out their ethical practices or risk greenwashing

5. Discussion

This manuscript conceptualizes *ethical luxury services* through the implementation of the anti-laws of luxury. We conceptualize the way in which services and luxury have different, unique implications for ethics, especially when combined to form luxury services. Firstly, our study *identifies* (MacInnis, 2011) a lack of conceptual overlap between luxury, ethics, and services. Next, through our literature review, we *delineate* (MacInnis, 2011) why ethics differ from similar terms such as sustainability (see Vanhamme et al., 2021), and why it is a relevant and important field of study for both services and luxury. We make clear how the interaction

between services and the anti-laws of luxury have unique ethical implications which have not been clearly explored. Next, we contribute to the field of ethical luxury services by providing directions and implications for future research through our development of key premises, as well as outlining actional managerial implications.

This manuscript addresses calls for research in luxury service (Holmqvist & Kowalkowski, 2023; Wirtz et al., 2020) and ethical/sustainability luxury (Osburg et al., 2021; Athwal et al., 2019). We advocate for conceptual clarity related to ethicality (e.g. Vanhamme et al., 2021), and outline what characterizes ethical luxury services, allowing for future research on the topic. Practically, our manuscript allows for actionable ways luxury service firms can engage in ethicality, without tarnishing consumer perceptions or prestige, such as limiting opportunities for luxury service employees to act unethically. The first limitation of our work is that we focused on ethics within luxury services using the anti-laws of luxury theory.

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