

# The Strategic Role of Authenticity in the Luxury Business

Patricia Anna Hitzler and Günter Müller-Stewens

**Abstract** Authenticity is considered to be one of the major challenges for the luxury segment of our time. Crises and scandals in the economic world change behaviors of luxury consumption: Today, luxury clients are looking for authenticity, purpose and sustainability. Furthermore, the progressive democratization of luxury and the increasing imitation of a luxury-specific strategy by mass product manufacturers lead to an erosion of the notion of “luxury” and its mysticism. Luxury becomes commonplace.

**Keywords** Authentic employees • Authentic luxury • Authentic strategy • Authenticity • Authenticity concept • Craftsmanship • Differentiation • Drivers of authenticity • Heritage • Identity • Key bearers of authenticity • Luxury • Luxury business • Management of luxury • Mission • Passion • Positioning tool • Public image • Self-image • Spirit • Values

The luxury industry sustainably tries to defend its exclusive status. It attempts to escape from the dilution with mass producers and now refers to itself as “authentic luxury” or as an “authentically operating luxury segment.” If, however, we take a closer look at the notion of “authenticity”, we find that it is an elusive concept and that it is difficult and vague to provide the strategic positioning of a luxury product with sufficient advice. What does authenticity precisely mean nowadays? What does it mean in the contemporary economic environment? What features and criteria have to be taken into consideration in order to act authentically as a company in the luxury business and to be perceived by stakeholders as a real authentic enterprise?

In an empirical study, we analyzed the main features of the construct authenticity with experts from six companies of the luxury industry. To be sufficiently concrete with our results for decision-makers, we linked our research on authenticity with the

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different activities of the strategic value chain of a luxury goods company. Therefore, this paper gives an overview of the drivers and features of authenticity integrated in a luxury-specific value chain that can be used as guidance for management. It also provides a tool that may be applied for individual implementation of a strategy based on authenticity. With the choice of and concentration on the core criteria, this authenticity concept can, as a differentiation and positioning tool, protect the luxury segment in a sustainable way.

## 1 The Luxury Segment: Risk of Dilution

Luxury is omnipresent today. Many products and services are declared as “luxury”, “premium”, “exquisite” and in similar terms. Discounters, for instance, offer “gourmet” and “deluxe” product lines. Drugstore chains publish advertising magazines under the name “Luxury” and the music industry promotes CD albums as limited “deluxe” editions. Fashion companies that mass-produce their textiles in the Far East are considered high quality premium providers and low price chains avail themselves of renowned designers to profit from the symbolic added value of the luxury industry. In recent years, the manufactures of mass products have increasingly adopted the strategy of the luxury goods segment and use the same communication tactics to place their products with the consumer (Kapferer and Bastien 2012, pp. 39–40). They attempt to escape the image of a commodity product as a means of differentiating themselves and to be in a position to realize a price premium. The term “luxury” therefore loses its meaningfulness and mysticism—it becomes commonplace. The exclusive status of the luxury industry starts to fade.

But some luxury goods manufacturers contribute to this dilution themselves. Examples are expensive perfumes or bags dumped onto the market. And some manufacturers of luxury brands have meanwhile opened one of its stores “on every corner” and the uniqueness is lost. Then the luxury products are simply expensive, but anything other than special.

This leads to confusion and skepticism among luxury consumers (Bellaiche et al. 2010, pp. 1–5). The advance of democratization of luxury and changing consumer behavior compound this dilemma. Is it not more elegant for a liveried chauffeur from Uber to drive you in a Bentley than to own and drive one yourself? Soon everyone will have access to one of the numerous luxury product categories. The social strata that used to elevate true luxury consumers from others are becoming diluted and are partly vanishing (Kapferer and Bastien 2012, p. 11).

Furthermore, the crises and scandals in the business world have also changed customer behavior. “Understatement” has been propagated since the 2007/2008 recession (Wittig et al. 2014, pp. 91–94). The luxury clientele has developed from a “consumer society” to a society that longs for authenticity, purpose and sustainability (Albers 2014, p. 118).

The Internet, and especially social media and blogs, also offer a high degree of transparency. This can be used for the benefit of enterprises through word-of-mouth

or may ruin their reputation within a few hours in the case of failures, e.g. uncovering unethical behavior.

Demographic change accompanied by the replacement of the often satiated “baby boomers” as the highest-spending consumer group with “Generation Y”, leads to changes in the luxury segment (Bain & Company 2014). In 2016, this generation will already represent the main consumer group for luxury goods (The Economist 2014); a generation that has grown up with digitalization and views many things skeptically. They expect transparency, authenticity, ethical working conditions and practices from luxury goods manufacturers (Young 2014, p. 107).

All these changes in the framework conditions and new customer requirements lead to new challenges in the luxury segment. This sector “that ideally sells staged stories and perfect illusions” (Albers 2014, p. 118) also has to rethink and reposition itself.

The luxury industry is already attempting to respond to these external influences, to sustainably protect its exclusive status and to escape dilution with the manufacturers of mass products. Some call themselves “authentic luxury”, as an “authentically operating luxury segment”. Yet if the notion of “authenticity” is examined in more detail, hardly anyone can put it into words or express a strategic recommendation for management.

Authenticity is considered *the* challenge for the luxury segment of our time. If the familiar world starts to falter with doubts and mistrust arising, authenticity offers people safety and confidence (Peterson 2005, p. 1083). Authenticity can be deployed in enterprise management as a positioning and differentiation tool. Where this is appropriately applied in the enterprise, i.e. such that authentic leadership is also considered, it can strengthen the market position, generate value, ensure customer retention and loyalty, as well as stronger identification with the company, its brands and products (Napoli et al. 2014, p. 1096).

But what exactly is understood by “authenticity” today? What does it mean in enterprise management? Which features and criteria have to be considered in order to be in a position to respond authentically as an organization in the luxury segment and to be perceived as authentic by one’s stakeholders?

## 2 Authenticity—Definition and Characteristics

The origin of authenticity is to be found in ancient philosophy (Harter 2002, p. 382ff). But the construct has undergone synonymization and abstraction with terms from several fields (Knaller 2006, pp. 17–18).

### 2.1 Origin and Development

Today’s noun “authenticity” has its origins in the Greek adjective “*authentikós*” and the late Latin adjective “*authenticus*”, which means “vouched”, “true” (Pandel

2009, p. 30), “reliable”, “correct” or “in relation to the originator” (Knaller 2006, p. 18).

In the German-speaking region, the terms “recognized, rightful and binding” that describe today’s adjective “authentic” date back to the 16th century. Knaller (2006) explains that the noun first appeared in the mid 18th century in German, French and English usage. However, the normative concept of value and validity meaning “truthful, actual, direct, undisguised, unadulterated” only arises in the 20th century with the fusion of the preparatory terms (original, true, truthful, immediate) with the original meaning (authorship, sense of being bound to tradition and vouched for) (pp. 31–32).

Firstly used in author authentication in the literature (end of the 18th century), the word was then used in the context of originality and genuineness in the arts scene, and thereafter (mid 20th century) as the original or in relation to the originator in the music world, it now still has the invariable meaning. Etymologically, “authenticity” is anchored in semantics (Knaller 2006, pp. 20–31). If you enter “authenticity” in the search for reference books from a well-known online provider, literature results from over 20 different disciplines appear, such as philosophy, linguistics, fine arts, sociology, social sciences, educational theory, business, psychology, architecture, mathematics, medicine, chemistry, physics, astronomy and many more besides.

In summary, authenticity can be described as a dynamic concept with a broad range of associations (Burmahn and Schallehn 2008, p. 20). Because with the permanent changes in the environment (new areas of research, change in society), new concept and synonym formations arise (Knaller 2006, pp. 21–31).

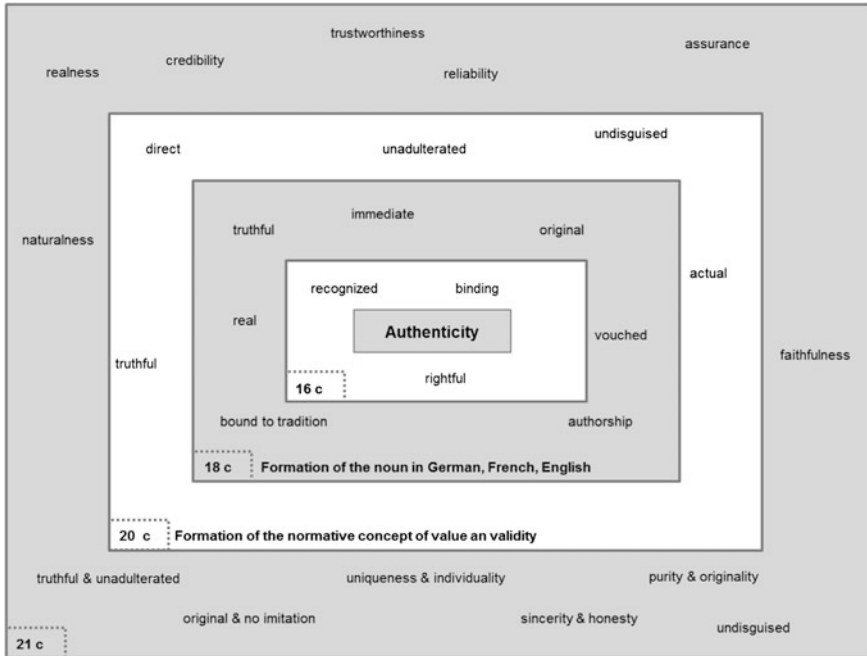
## 2.2 *Authenticity in Research and Science*

The dynamics of authenticity are also noticeable in the attempts at definition in research. The sociologist Wang (1999) clarifies that authenticity cannot be captured in a simple definition. She writes:

[...] authenticity is not a matter of black or white, but rather involves a much wider spectrum, rich in ambiguous colors (p. 353);

and illustrates that authenticity has many facets. It may be understood as a multifaceted, ambiguous concept (Gillmore and Pine 2007), which is defined in research over a wide range as (Fig. 1):

- Original and no imitation (cf. Jones et al. 2005, p. 893; Gillmore and Pine 2007, pp. 49–56; Kennick 1985, pp. 4–5; Schallehn 2012a, p. 77),
- something “truthful and unadulterated” (Kennick 1985, pp. 4–5), or
- something real and undisguised (Schallehn 2012a, p. 77),
- sincerity and honesty (cf. Beverland 2005, pp. 1025–1027; Boyle 2004, pp. 16–22; Fine 2003, pp. 160–162; Holt 2002, pp. 25–31; Peterson 2005, pp. 1086–1090),



**Fig. 1** Etymology of the term authenticity (Source Authors, own illustration)

- naturalness (cf. Boyle 2004, pp. 16–22; Gilmore and Pine 2007, pp. 49–56),
- purity and originality (cf. Fine 2003, pp. 160–162; Holt 2002, pp. 25–31; Gilmore and Pine 2007, pp. 49–56),
- uniqueness and individuality (cf. Boyle 2004, p. 285; Schallehn 2012a, p. 77),
- faithfulness (Peterson 2005, pp. 1086–1090).

Authenticity may be related to subjects and objects (Knaller 2006, pp. 21–22). *Object authenticity* is based on a relationship to the originator and is considered as evidence or a guarantee of genuineness (Grayson and Martinec 2004, p. 310), which can be confirmed by institutions and experts (Knaller 2006, pp. 21–22). In anthropology, the object is placed in relation to a social or cultural identity (Schallehn 2012a, p. 25). Here the authenticity of the object is not questioned, but rather whether it corresponds with the perceived social or cultural identity (Schallehn 2012a, p. 25).

*Subject authenticity* is described in anthropology as “an internal [...] state to be strived for, which is considered to be ideal, which includes the return to or arrival at a place of origin” (Schallehn 2012a, p. 28). For instance, in times of crisis and upheaval people long for a safe, authentic place of retreat (Huyssen 2006, S. 235), where personal goals, such as control, connection, belonging and virtuousness, can be fulfilled by authenticity (Beverland and Farrelly 2010, pp. 841–848). In psychology, the individual and his self-realization is at the focus of attention (Schallehn

2012a, p. 27). Here “self-images and emotional states [...] are expressed in a subjective coherent way” (Schallehn 2012b, p. 56), even if these leave no positive impression. In sociology, authenticity builds upon truthful and real self-portrayal, i.e. an individual presents himself externally in a way that is consistent with his or her own identity (Wang, 1999, pp. 359–360). The social psychologist Fine (2003) warns that authenticity can be lost if, e.g. artists allow themselves to be seduced by the market and no longer work according to their own conviction, imagination and artistic vein, but rather create objects the market wants, so as to be able to sell them better (p. 166).

However, authenticity can be both a theoretical, as well as a created construct (Napoli et al. 2014, p. 1096). It is a matter of discussion whether it may be “staged” and “constructed” (Peterson 2005) or it has to be real and not artificial, not arranged (cf. Fine 2003, p. 166; Jones et al. 2005, pp. 897–898; Schallehn 2012a, p. 77). Furthermore, the construct as a mixture of true and invented elements is subject to discussion (cf. Grayson and Martinec 2004; Rose and Wood 2005).

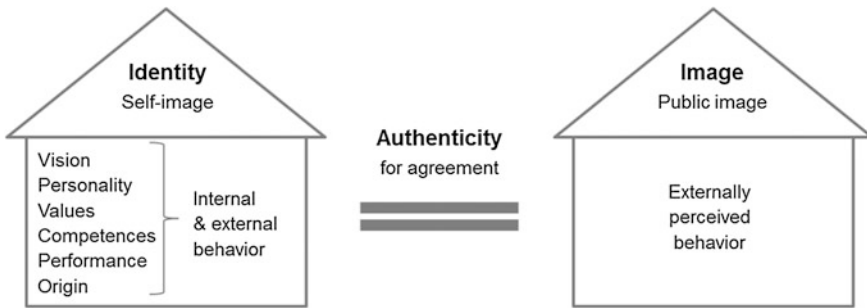
In their study, Grayson and Martinec (2004), elicited, for instance, that both reality and fiction can be perceived as authentic, as long as it makes sense for the recipient. It has to correspond with the individual’s power of imagination, experience and belief (p. 310), as well as the cultural symbolism (Culler 1981), and must be internally honest and consistent and fit the respective context (Wang 1999, pp. 355–357).

It is important to realize that people may perceive things and situations differently because of their cultural background, their environment, their experience. Hence, the evaluation of truth and genuineness along with the associated evaluation of authenticity may turn out differently (Grayson and Martinec 2004, pp. 296–297). Consequently, it must be stressed that the assessment of authenticity is dependent on individual judgement, one’s own identity and the given circumstances (Leigh 2006, p. 482).

### 2.3 *Authenticity in Enterprise Management*

The identity of an enterprise also plays a key role from a business point of view. Here, as in sociology, authenticity is understood to be the agreement of the self-portrayal of the corporation with its own identity. The identity of an organization is shaped by predefined values, as well as through its competences, performance, personality, origin and vision (Burmann et al. 2003, pp. 12–25).

As presented graphically in Fig. 2 for an enterprise it means that the behavior of an organization must correspond with its identity. All activities and actions have to confirm the enterprise’s identity. The self-image of the company must be firmly anchored in the heads of the various stakeholders (Schallehn 2012b, pp. 55–58), such that comparison between the image created and the behavior of the organization produces the same picture and hence may be perceived as authentic. In a nutshell: “Authenticity is about doing what is said” (Eggers et al. 2013, p. 346).



**Fig. 2** Authenticity in enterprise management (*Source* Authors, own illustration)

In the sense of the *subject authenticity* mentioned above, the managers should also embody authenticity in their management style as far as possible. In this way, authenticity can relate to managers and their management style. Authentic leadership is called for (Gardner et al. 2011). According to today’s view (Walumba et al. 2008), authentic leaders are firstly characterized by their self-awareness. The key is their ability and willingness to engage in self-perception and self-reflection. They possess extensive knowledge of themselves, of their own strengths and weaknesses, but also their feelings, attitudes and motives. The basis is formed for the capability of self-regulation. This includes (a) that they are in a position to openly discuss their considerations and positions with their colleagues free of emotions (relational transparency). In return they are (b) proactively open to other positions and integrate them in their own decision-making (balanced processing). And they make these decisions (c) on the basis of a well-founded system of values, which is also formative for the way in which they conduct their relationships (internalized moral perspective). The focus is not only on the leader, but “followership” also matters, i.e. the relationships between the managers and the managed.

## 2.4 Authenticity from the Customer Perspective

But what is the luxury clientele searching for? What does the luxury consumer expect from a luxury brand and the enterprise behind it? What do they expect from their products and the associated processes? And who is the true luxury consumer?

Firstly, it is important to point out that every single consumer of luxury goods strives to differentiate or elevate themselves from other individuals (Chevalier and Mazzalovo 2012, pp. 118–136). Interpersonal goals are of paramount importance, such as conspicuousness, uniqueness and the search for confirmation, as well as personal motives like reward, fun and pleasure or pursuing top quality (Vigneron and Johnson 1999). The clientele’s wealth and status play a key role in this respect.

The establishment of longstanding customer relationships is likely to be only possible in the customer group with high status and considerable wealth (Wittig et al. 2014, p. 93). Here is where the true luxury customer is to be found. This customer no longer needs to display his high standing and his wealth, but prefers to be among his equals (Kapferer and Bastien 2012, pp. 114–126). His often long experience with luxury products leads to immaterial needs: he yearns for discretion, a sense of purpose and self-fulfillment (Wittig et al. 2014, pp. 92–99). Not seldom, does he also identify himself relatively closely with a brand and prefers to cover his consumption as fully as possible with this brand.

It is necessary to stress that the demands of these luxury customers are changing. Today they are more selective and search for the “true value” behind the product (Anders 2014, pp. 103–108). They are searching for discrete and authentic products (Kapferer and Bastien, pp. 114–126). They scrutinize where and how these products are made and are e.g. more willing to invest in custom-made shoes from an authentic niche provider than to buy insubstantial products that are perishable (Tungate 2009, pp. 25–32).

One can therefore conclude that the consumer behavior of the true luxury customers can be shaped by an authentic enterprise with authentic managers, with an authentic brand and authentic products and processes. But what behavior favors positive perception of authenticity? Which criteria must be considered in the luxury industry to be perceived as an authentic enterprise with an authentic brand that does not only appear to be created by communication and advertising campaigns?

### 3 On the Path towards Integrated Management of Authenticity in the Luxury Segment

The question firstly arises, which are the drivers of authenticity in the luxury segment as viewed from the existing literature in order to then search for ways in which they can be put into use for a corporation in this segment (Fig. 3).

#### 3.1 Drivers of Authenticity

Building on the importance of authenticity in enterprise management, an organization firstly has to know its identity to be in a position to pursue a successful authenticity-driven strategy.

In his empirical study, Schallehn (2012a) elicits the authenticity determinants *consistency*, *continuity* and *individuality* (pp. 77, 143–153). The so-called “levers to influence the perception of [...] authenticity” (p. 170) support consumers in perceiving the identity of an enterprise as authentic and consequently to build up its brand and its products (Eggers et al. 2013, p. 346).



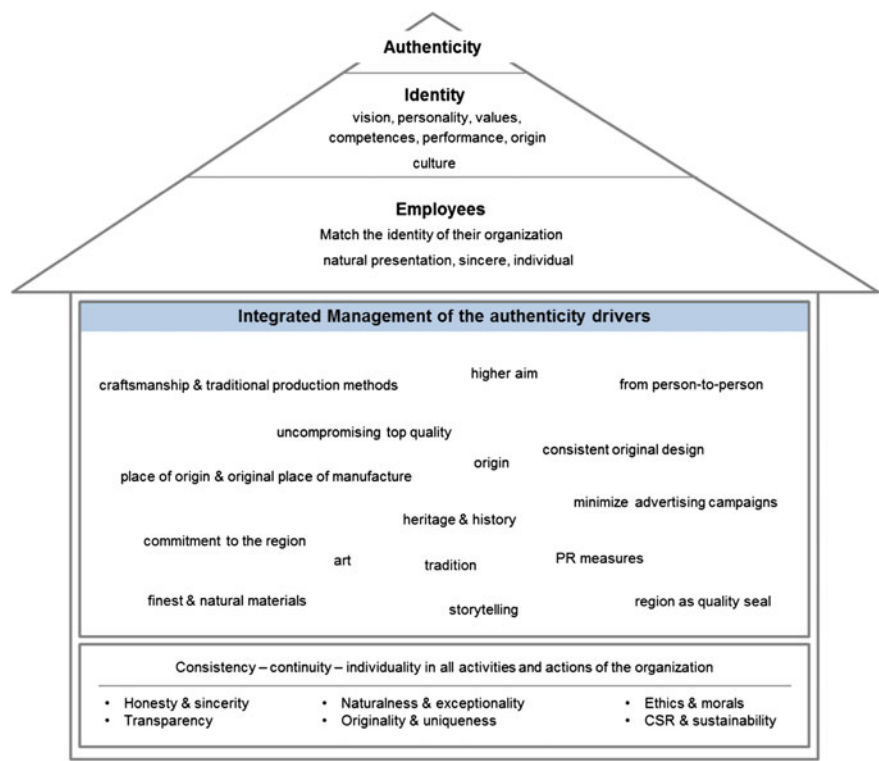


Fig. 3 Overview of authenticity drivers (Source Authors, own illustration)

Moreover, consistency, together with congruence between the identity of a company or its values and its action, raises the assessment of authenticity. Communication, i.e. what is said, must be followed by actions (Eggers et al. 2013, p. 346), because *honesty* and *sincerity* form the foundation for authentic enterprise management (Grayson and Martinec 2004, p. 310).

An organization can only be perceived as authentic if it demonstrates honesty and sincerity in its actions and activities (Arthur Page 2007, pp. 16–18). Besides keeping promises, a high degree of *transparency* also counts (Eggers et al. 2013, p. 346). In the information age, with the rapid propagation of news in social media, as well as the strong position of bloggers, enterprises have to behave in an open, correct and honest way (Pedraza 2014). This not only includes self-evident *ethical* and *moral behavior* (Boyle 2004, p. 16) from the organization, as well as considered and active action in the sense of *sustainability* and *CSR concepts* (Boyle 2004, pp. 19–22; Gilmore and Pine 2007, pp. 56, 72–77), but especially an open information culture and admission of mistakes before third parties can spread any shortcomings in the media (Boyle 2004, pp. 271–276).

Generally, authentically operating luxury corporations are recommended to pursue a *higher goal* than a purely entrepreneurial profit philosophy. According to the

empirical study results in the luxury wine industry from Beverland (2005), this criterion represents a key driver of authenticity. Other scientists also share this opinion (e.g. Boyle 2004, pp. 270–278; Eggers et al. 2013, p. 341; Gilmore and Pine 2007, pp. 72–77; Holt 2002, pp. 25–31) and recommend acting sustainably and being committed to social issues. *Art* plays an important role in this context. By its very nature, art is authentic (Kapferer 2014, pp. 377–376): an artist with his very special life history and identity creates a work of art out of inner conviction, an original, something unique (Fine 2003, pp. 166–172). Accordingly, the synthesis of luxury and art reinforces the external impact of the enterprise producing luxury products.

For instance, in the course of searching for creative ideas, it is recommended to work together with artists in a way that is externally visible. Or the artist even appears on one's own products, as is practiced in the fashion industry. Or art can be integrated in communication campaigns, because, besides a certain altruism as part of the corporate objective, luxury-driving organizations are advised to *minimize classical advertising campaigns* and to shift their focus (Holt 2002, pp. 25–31). The reason for this is that firstly, aggressive marketing of products contradicts distancing oneself from commercial motives and secondly, people are generally skeptical towards marketing campaigns (Eggers et al. 2013, p. 341).

It is recommended to pursue sponsoring, event and promotion activities and to focus on classical PR measures instead (Beverland 2005, pp. 1023–1025). Here the entire bandwidth of features promoting authenticity can be communicated, e.g. the heritage, the history and the origin of the company with storytelling. Because tradition and the past play a central role in the concept of authenticity (Chevalier and Mazzalovo 2012, pp. 18–19): A link has to be established between the past and today. For instance, the history and origin of a luxury enterprise and therefore by association its cultural impact should be used as references (Napoli et al. 2014, p. 1091). Above all, this includes a strong connection with the region (Beverland 2005, pp. 1015–1019), which is ideally shown by a seal of approval issued by a profession association, as well as the place of origin or original place of manufacture (Newman and Dhar 2014). In their research, Newman and Dhar (2014) ascertained that the original production site is especially relevant for the perception of authenticity. Here the volunteers from their study perceived luxury products produced at the original site to be more authentic than those from out-sourced production. The history of the original manufactory, which is transferred to the product, serves as the explanation for this. A bag from Paris appears especially valuable, because a better story is associated and can be communicated with the French capital.

Beside the commitment to the region, a *consistent original design* has to be pursued (Beverland 2006, pp. 253–254). Gilmore and Pine (2007) speak in this context of “original authenticity” and refer to products that in their design and in esthetics reflect the uniqueness and exceptional nature of the enterprise and the brand. *Nostalgia* also plays a relevant role in this context (pp. 57–62). Apart from the presentation of their products, the assurance of *uncompromising dedication to premium quality* is the main prerequisite for a luxury producing company (Beverland 2006, pp. 253–254). The use of the finest and most natural materials

contributes just as much (Gilmore and Pine 2007, pp. 49–56), as practicing traditional production methods and hence the association with *true craftsmanship* (cf. Carroll and Saminathan 2000). But not only the craftsman, as the guarantor for quality and mediator between the past and today, plays a key role in the authentic concept.

Personality, humanity and primarily *person-to-person contact* is the driving force of authenticity (Boyle 2004, pp. 270–271). Therefore, it is recommended to maximize face-to-face contact—even though digital means of interaction are expanded in parallel. The condition for successful implementation of this driver is that the employees, especially those in public positions and are in customer contact, should fit the identity of the enterprise. Ward and Dahl (2014) determined in their study that the personnel can increasingly confirm the client’s image of the brand and the company, provided it fits the image of the organization and the personnel identifies with the organization. These employees send stronger signals to their environment than those who only make an effort and fail to match the identity of the enterprise.

Furthermore, the investigation from Ward and Dahl (2014) suggests that an arrogant stance from the sales personnel that fits the image of the brand or the image of the luxury industry can have a positive impact on sales. Here it should be enhanced that this is only of a short-term nature, however. Over the course of time, the arrogance of the employee will be evaluated as negative. Other studies have shown that sales personnel with a friendly, natural manner who meet the highest standards are desirable for the luxury clientele (Maloney 2012, pp. 139–143). Gilmore and Pine (2007, pp. 49–50) speak in this context of “exceptional authenticity” and refer to extraordinarily good service that is offered individually, sincerely and caringly.

Fulfilling these criteria and therefore being authentic and perceived as authentic is easier for smaller enterprises with fewer employees than for large ones (Boyle 2004, pp. 271–277). In their study, Carroll and Swaminathan (2000) recognized that demonstrating authenticity is dependent on the size of the company. Small organizations are perceived as more authentic, as the criteria associated are intuitively attributed by consumers, such as simplicity and reputation for craftsmanship. Small niche providers, such as a shoemaker, stand for traditional production methods and the use of natural ingredients, which, in turn, suggest high quality and product features (Tungate 2009, pp. 25–32).

Organizations in the luxury segment, which, over the course of their development, are no longer able to emit these intuitive authenticity signals in a truly natural way, should strategically help improve the perception of authenticity. The drivers and features of authenticity presented here should be anchored in all areas and all activities of the corporation to be in a position to present them to the outside world as a matter of course and thus to be perceived as authentic.

In summary, it has to be stressed that an authenticity-based strategy in a large enterprise requires *integrated management of the authenticity drivers* (Schallehn 2012a, pp. 169–178).

### ***3.2 Integration of Authenticity Drivers in the Value Creation Chain***

All activities of an organization in the luxury segment are subject to the identity of the brand (Müller-Stewens and Berghaus 2014). The primary goal of the luxury industry is to establish a strong brand on the market and to protect its identity and its exclusive status. The authenticity concept makes a great contribution to its protection and to strengthening its positioning towards imitators of the luxury-specific strategy (Schallehn 2012b, pp. 53–55). A price structure appropriate to the luxury industry, consistent quality leadership and pursuance of the features of authenticity presented here may not only assure a high status (Beverland 2005), but going beyond this—its implementation in enterprise management has a positive effect on the organization's sales (Eggers et al. 2013, p. 344).

To assist the implementation of integrated management, the criteria that promote authenticity in the key activities of the value creation chain of a luxury goods enterprise (design, procurement, production, communication, distribution and the human factor) are now considered.

#### **3.2.1 Design**

The authenticity determinants of consistency and individuality play a key role in the value creation stage of design. The extraordinary design of luxury goods and their quality leadership are assured in this area (Beverland 2005, pp. 1025–1027). The strength and originality of the brand remain protected in the long-term (Kapferer and Bastien 2012, pp. 211–214). An example of this is the use of historical objects and processes as a source of inspiration (Gilmore and Pine 2007, p. 62). Parts of old products can flow into new ones, classics can be rolled out again. Nostalgia is a popular theme, especially in times of uncertainty, and offers a connection to a safe world (Brown et al. 2003, p. 4).

Consequently, the development team should always keep an eye on origin, history and culture, as well as the tradition of the company, and, against this backdrop, develop new products or services that deviate from the standard. New trends should arise, innovations. Art, for instance, can flow into new product series. Cooperation agreements can be established with artists, e.g. for the development of new fabric motifs in the textile field or for furnishing and equipping new facilities in the hotel trade.

Furthermore, at the very beginning of product development, the highest quality standard must be considered and included in calculations. The prices of the products are determined at this value creation stage. A true luxury market strategy is based on pricing power. A lower limit should be considered to be perceived as true luxury; an upper limit does not exist according to Kapferer and Bastien (2012). Instead, they recommend increasing prices as soon as demand grows to protect the exclusivity of the brand.

The possibility of exerting individual influence, such as allowing one's own creative impulses to flow into the object ordered, allows the customer base to blithely accept the high prices (Tungate 2009, p. 31). This holds a major advantage for small authentic trade firms. They can cater for the individual taste of their customers as early as in the design process without any great effort. This inclusion offers great appeal and helps retain customer (Anders 2014, p. 104). It is a testimony to individuality and authentic quality.

For large organizations too, it is of particular importance to be able to act with agility. Their manufactories should operate closely the creative teams, not only to realize individual production (Kapferer and Bastien 2012, p. 214). The process of developing a new product is very complex and requires intensive, interpersonal, personal and interdisciplinary communication. Because often the best product ideas arise in the exchange between production (e.g. craftsmen) and development (e.g. designers) (Kapferer and Bastien 2012, p. 83).

### 3.2.2 Procurement

For the luxury industry, it is especially important to be certain where the raw materials come from, under which conditions they are obtained and processed, and whether the necessary operations and work steps are sustainable, ethical and morally defensible (Tungate 2009).

For a jewelry manufacturer, it is of particular importance to be able to document where the diamonds to be used in the end product originate. The enterprise should be able to exclude that they are blood or conflict diamonds whose sale finances weapons for violent rebel movements. The Antwerp World Diamond Centre (AWDC), the world's most important center for processing and trading diamonds, for example, has worked towards a certification process (Kimberley Process 2015) that monitors the origin of the gemstone. Diamonds from the conflict regions in Africa cannot be traded in Antwerp without this certificate. This process monitors each individual step from extraction in the mine through to delivery in Antwerp. Furthermore, the accompanying documents and certificates are again checked for genuineness on receipt of the goods in Antwerp.

Another example is the use and processing of real furs, as is often discussed in the luxury textile industry. Kapferer and Bastien (2012) explain that it is, of course, unacceptable to use rare animal species threatened with extinction or have to die under wretched circumstances and recommend backward integration. Breeding rare races can achieve a relativized effect. The luxury company could build up a new business field in the organization. This would give it the certainty that the animals are correctly treated, on the one hand, and it would create jobs, on the other. This way, the enterprise could publicize its responsibility towards nature and society (p. 103). The company Hermès already practices this approach. The manufacturer of luxury goods owns an alligator farm in Florida and is therefore self-sufficient in its manual production with this exotic material (Thomas 2007, p. 175). However, these types of measures don't protect the luxury goods companies against negative

headlines in the long-term. In 2015, PETA, the animal rights group, e.g. purported in a video, that the crocodiles shown, which were skinned under cruel conditions, were used for the legendary “Birkin Bag”. Although the company Hermès denied the allegations and stressed that neither the farm in the video belonged to the company, nor were the croc skins that were supplied used in Birkin bags, a negative impression persists.

It is therefore all the more important to select the right external partners and suppliers, as well as to operate and to check on-site plants, which are partly scattered around the world. Generally, many organizations in the luxury segment are backwards integrated, as it represents a major challenge to find external partners that can fulfil the high demands. All the features that safeguard the exclusivity and authenticity of the luxury corporation should also be ensured by its suppliers (Chevalier and Mazzalovo 2012, p. 236). Top quality, creativity, uniqueness and innovation also play a key role in procurement. And natural, original ingredients are the main constituents of an authentic luxury product (Gilmore and Pine 2007, pp. 49–56).

### 3.2.3 Production

As in the “procurement” value creation stage, ethics and sustainability play a special role here too. They form a fundamental prerequisite that not only applies for pursuing an authentic corporate strategy, but generally for the luxury industry (Coignet 2014, pp. 191–196). When buying luxury products, a luxury consumer assumes that the correct behavior is ensured by the organization in its creation. This is not questioned, but is assumed. The high price implies the appropriate payment and fair treatment of the employees, and the use of natural materials and no use of harmful substances (Coignet 2014, pp. 191–196).

Moreover, the creation of luxury products is associated with the highest level of craftsmanship—even if this is in combination with modern technology. Craftsmen who manufacture products for their clientele with a love for detail is the image of every luxury customer. In earlier times, this concept was largely fulfilled by the producers. Every luxury product was manufactured individually by hand at the customer’s request. However, today only a few individual parts are still classically handcrafted (Thomas 2007). The rest are produced industrially, in many cases from subcontractors all around the world (Chevalier and Mazzalovo 2012, p. 28) and in the ideal case finished by hand before they are offered via the individual distribution channels (Kapferer and Bastien 2012, p. 211).

The expectations and standards of the luxury clientele, which are attributed to the history and communication of the luxury industry, present the production of the luxury goods industry with two basic challenges: The decision between manual or industrial manufacture and weighting to the two manufacturing processes. And the choice between internal and external production and, closely associated with this, shifting production to other countries.

Given a shift of production to cheaper regions, not only the question arises how the highest quality can be assured, but also how the connection to history, to the origin and the identity of the organization are to be maintained over the long term. Take a leather processor in France or a watchmaker in Switzerland who are not just average craftsmen. They are highly trained and have known their products for many years or even generations (Tungate 2009, pp. 29–32). They pay the necessary attention to luxury-oriented details and subtleties and are therefore shaped by their culture and nationality (Thomas 2007, p. 200).

Generally, many of the European production sites are considered as the seal of approval for the entire luxury industry and as the main pillars of their business model (ECCIA 2014, p. 33). The manufacture seal “Made in ...” should be seen as an important competitive advantage and sustainably protected. It strengthens the authenticity and the aura of luxury brands produced in the European countries known to be guarantors for quality. Furthermore, in the case of outsourcing, it is advisable to enter into and nurture long-term partnerships (ECCIA 2014, p. 6). The chosen subcontractors should pursue the same quality standards and be the best in their field (Thomas 2007, pp. 218–221). According to the authenticity concept, these subcontractors should pursue a comparable philosophy and be located in the regions in which their profession is recognized as a specialist area (Chevalier and Mazzalovo 2012, p. 236).

The second challenge in this main activity lies in judging and weighing up between craftsmanship and automated production methods. As many steps as possible should indeed be performed industrially to be able to remain cost-efficient and competitive. Yet, the highest qualitative and individual craftsmanship must be upheld to avoid destroying the foundation of luxury and to preserve its authenticity. It is therefore advisable to protect the traditional, manual part of production in the long term. As consistent with an authentic strategic orientation, this should be preserved at the original locations (Kapferer and Bastien 2012, pp. 211–212), which connect the history and originality of the brand and the enterprise. Preservation of the well-known location offers the necessary continuity, can be used as a reference and thus enhances the perception of an authentic company (Newman and Dhar 2014, p. 383). Furthermore, the human hand confers the product a soul (Tungate 2009, p. 83). The products themselves are easy to copy, a soul is not.

The importance of the criteria promoting authenticity in the field of production is known to luxury enterprises: Their communication very much builds on commitment to location, tradition and craftsmanship. However, the accusation has been made that their externally communicated handcrafted manufacturing methods and original production sites do not match the internal activities (cf. Thomas 2007; Tungate 2009). It would be desirable to offer customers more transparency and honesty. In consideration of the authenticity aspect, the luxury industry should find a way to communicate industrial manufacture and production outsourced to external partners in a more open way (Coignet 2014, pp. 191–196). Because if “untruths” are uncovered and discussed publicly, the brand and the company could suffer severe damage (Pedraza 2014, p. 132).



### 3.2.4 Communication

Traditional marketing in the luxury industry has served its time and is being superseded by a strong brand and communication strategy. The focus is on a strong brand and its identity, as well as the corresponding communication.

For the luxury industry, this means subordinating all marketing activities in favor of the brand and advancing its prominence and fascination. The brand has to embody all features specific to luxury and authenticity in order to be perceived as authentic (Beverland 2005, pp. 1013, 1017). Together with the determinants of consistency, individuality and continuity, these features play a major part at this value creation stage. Through communication, all the required features can be conveyed to the outside world and form the image of the company and brand for the recipient. The luxury brand is then considered as something exclusive and as a bearer of good taste. Accordingly, communication has to consistently and continuously convey this outstanding taste (Molleda 2010, p. 232–233). The brand must be unique, of the highest quality and be represented in the most exclusive circles (Kapferer and Bastien 2012, pp. 256–258).

Corporations in the luxury industry increasingly use storytelling, print advertising and events as classical means of transmitting these brand-specific signals and messages.

Storytelling is highly recommended, also in the context of an authenticity-based strategy (Gilmore and Pine 2007, p. 62). The condition is that true stories are told which may be received as emotionally charged and mystical. Stories are featured which present the values of the organization and hence the convictions, principles, actions and activities to the outside world, stories about the origins, the region of the enterprise, about its history. Stories about the products and their natural ingredients, about the traditional manufacturing methods and their craftsmen. Stories about the founder personalities and the people who are crucial for success.

Print advertising appears exclusively in high quality magazines. Often the viewer is granted more freedom than the product advertised in the advertisement, because advertising in the luxury segment should primarily be used to allow people to dream and not to sell. This attitude agrees with the advertising aims of the authentic approach. Advertising should always be marginal. A higher aim of the organization should be in the foreground, not pure sales growth. The luxury watch manufacturer Patek Philippe, for example, advertises with the words: “You never actually own a Patek Philippe. You merely look after it for the next generation”. This campaign shows a father with his son or a mother with her daughter and suggests in this way that they have already bought the watch for their children.

Another authentic communication instrument is events (Tungate 2009, pp. 176–179). Events not only offer the clientele the chance to experience the brand intensively, but are also suitable for safeguarding the exclusivity for which the luxury industry stands. The invitation to an event decides on who belongs to the “club” of true luxury clientele and who does not. Small, exclusive events offer



the luxury organizations the chance to look after their clientele in a special way, to present themselves to them authentically, face-to-face and to promote strong customer links. Moreover, it is popular to report on events, whether by the participants' word-of-mouth or by journalists reporting.

It is also recommended to sponsor major events (Chevalier and Mazzalovo 2012, pp. 228–229). These should be well considered, limited to one or two events and superficially coincide with the identity of the brand, as in the example of Hermès: The roots of the luxury enterprise lie in saddlery, and by sponsoring the horse race “Grand Prix de Diane” in Paris, a link is created to horses, tradition and aristocracy (Chevalier and Mazzalovo 2012, pp. 228–229).

Besides sponsoring, patronage of art and culture is highly suited for the luxury segment (Tungate 2009, pp. 176–179). As described previously, associating with art enhances the perception of authenticity. That is why luxury fashion companies like Salvatore Ferragamo or Brunello Cucinelli established foundations that promote art and culture in their country.

In conjunction with an authenticity-driven strategy, this kind of events and commitment makes a high contribution to the recommended pursuit of superordinate goals. Furthermore, they guarantee a high level of interest shown by the media. Because those who are not represented in today's leading media almost fail to exist. All the brand's actions should therefore be used for PR purposes, which again assumes authenticity-promoting behavior from the organization.

### 3.2.5 Distribution

The distribution strategy allows a luxury product organization to safeguard its originality and exclusivity. Here the scarcity of luxury goods is regulated, which, in turn, protects the exclusivity of luxury (Kapferer and Bastien 2012, pp. 99–103). Consequently, managing inaccessible products is a main component of a luxury-specific strategy, whether created physically due to scarce resources or processes, or artificially through communication. Scarcity should be perceivable at all stages of distribution: Whether on the basis of a limited number of points of sale, in selected metropolitan areas or based on the presentation and staging of the products or choice of personnel. Consumers need to feel the exclusive status of the luxury. They may have to take time to be able to experience their favorite brand. In the case of Hermès, the clientele have to travel to a certain city to reach one of the shops, which are mostly run by the company itself. And should they want to purchase one of the classic bags, they have to accept a waiting time of at least two years. The company that is known to be one of the last true luxury suppliers could simply increase the number of craftsmen to meet the growth in demand. But this approach would contradict the company's philosophy (Thomas 2007, p. 174). Instead, as a result of this practice, it secures its authentic position. Profit motives thus take a back seat.

Generally, scarcity can be combined with rare resources, with social commitment and with sustainability and therefore strengthen the perceived authenticity of the organization. As a case in point, the cashmere producer Brunello Cucinelli saved an entire Italian village from unemployment and decline by starting wool processing for his cashmere products locally. Here too, this shows a higher aim than the simple concept of profit.

In addition, the company's own distribution channels offer the unique opportunity to present the brand and its identity, as desired. In its own stores, all the values for which a brand stands can be presented and authentically implemented. This way, the luxury store can act as an ambassador (Müller-Stewens and Berghaus 2014, p. 24). Here the customer has the chance to experience the brand as a whole in an interactive and multi-sensory sense and to perceive it as authentic. The origin, the history and the craftsmanship can all be documented in the store by (temporarily) displaying historical pictures of designers and craftsmen, their outstanding work and well-known classics (Beverland 2006, p. 258).

Additionally, the store succeeds in establishing and expanding long-term relationships with the customer. Customer loyalty and retention can be essentially influenced through authenticity and preserved with the "person-to-person" feature of authenticity. The sales staff is therefore of key importance for the luxury segment. They should be trained not to put their clientele under pressure, but rather to communicate the myth of the brand and to refer customers to the superb qualitative details of the products, their natural materials and their origin in skilled craftsmanship. This approach indicates the organization's authentic behavior. The customer is suggested that the focus is not on turnover and so the commercial motive does not take center stage. Furthermore, this leads to trust and therefore a long-term relationship can be built up with the customer.

### 3.2.6 Employees

The employees are the ones who confer authenticity to the organization and its luxury brand (Maloney 2012, 139–143). Whether it is the designer who creates the product and bestows their "signature", the craftman "brings it to life" and therefore "confers a soul" to it or the sales personnel that looks after all the customers' concerns. All employees of a luxury organization make a great contribution to its value creation and, in addition, to an authentic perception of their employer. The future of an enterprise in the luxury segment lies in personal, individual treatment and strong relationships between the organization and customer. Human contact should therefore be maximized, despite high costs. Because this raises authenticity.

The prerequisite for this is that the employee has a high "brand commitment" and fits with the identity of the brand and its company. Consistency in the brand presentation can be ensured and the identity of the organization confirmed and it can then be perceived as authentic (Eggers et al. 2013, p. 346). A natural and

non-artificial, friendly manner of the sales advisers is just as necessary as their professional, well-considered use of language and an appealing appearance. Here too, it is important to protect the exclusive status of luxury through excellent service from the employees. The service offered by the Ritz Carlton hotel, which is known for its authentic and individual approach, serves as a good example. The hotel personnel succeeds in establishing trust by anticipating wishes and problems, consistently care, especially in difficult situations and always encounter the clientele naturally and, above all, open-heartedly and sincerely.

In relation to the authenticity concept, it is advisable, e.g. in production, to form cross-generational teams that are familiar with the tradition of the enterprise location and its region (Beverland 2005, p. 1020). These teams not only strengthen the link to traditional manufacturing methods presented outwardly, but innately introduce the necessary properties and knowledge. For the production of luxury wines, for instance, it is desirable to have employees who have known the vineyards since their childhood and are familiar with the quality requirements through their parents or friends from the region. In the case of craftsmen who produce luxury bags, it is advisable to have employees for whom small details matter and who place great attention and importance on the quality standards aimed for.

The aim of the luxury industry here too, as in dealing with the customer, should be to build up long-term bonds between the employees and the organization. The success of luxury producing organizations is based on their workforce and the stability of their teams. Furthermore, authenticity can be consolidated by employees who work a lifelong for their organization and have a wealth of experience.

On reflection of the individual main activities in the value creation chain of a luxury goods enterprise, it has to be noted that organizations from the luxury industry already act in an increasingly authentic way. The priorities are largely limited to marketing and communication, however. Fundamental authenticity criteria, such as transparency, honesty and sincerity, still appear to be little addressed, e.g. in conjunction with production and procurement. If, in the same breath, luxury goods manufacturers want to call themselves authentic, this should be anchored in all activities. Authentic behavior only in representative areas, combined with a lack of transparency, could awaken the impression that authenticity is only stage-managed. This approach may be legitimate, but is not expected from the European luxury industry. Its long history, its European roots, imply a real developed corporate identity and therefore non-staged authenticity.

Moreover, a luxury goods company, as part of pursuing its authenticity-based strategy, must consider that repeatedly over the course of time, the self-image of the organization has to confirm the image arising with the stakeholders. Both authenticity, as well as the enterprise's action and activities and the requirements of the luxury clientele associated with them, are of a dynamic nature and can therefore change over time.

Finally, we now want to round off our insights by dealing with the existing literature with selected, in-depth expert experience.

## 4 Authenticity from an Expert Point of View

In interviews with six experts from the luxury segment, the most important drivers and features of authenticity could be discussed in depth. An interview guide (see appendix) was created for these interviews on the basis of the theoretical findings. The guide consists of a variety of open and semi-structured questions. The interview partners come from various sectors of the Western European luxury industry and have a wealth of experience in strategy. These are:

- The CFO and member of the directorate of Buchinger Wilhelmi, a worldwide leading clinic for therapeutic fasting on a 5-star level with locations in Marbella and on Lake Constance. The main owner, Raimund Wilhelmi, is the grandson of Otto Buchinger, the founder of the therapeutic fasting method. The patients include VIPs from the global economy and politics, as well as the media world.
- A 2-star cook, owner and managing director of the Sylt Salt Manufactory. The manufactory extracts salt from the North Sea on the island of Sylt.
- The senior partner of Roland Berger Strategy Consultants. He is co-manager of the consumer goods and retail division, supervises projects including those in luxury brands and has published several papers on luxury.
- The CEO of the Steiff Group. Steiff is the world's best-known soft toy manufacturer and inventor of the "teddy bear", a cuddly bear with moving arms and feet, as well as a popular provider of limited collector's items for adults.
- The CEO of the designer furniture manufacturer Thonet. The company looks back over an almost 200 year-old history and is considered a pioneer of industrial design. Thonet became world-famous with the invention of the coffee house classic chair. Other innovations like the cantilever chair followed.
- The managing partner of Wempe KG who heads the traditional manufacturer of exquisite timepieces and jewelry in the fourth generation. Besides globally managed stores in the major cities New York, London, Paris and Peking among others, the company runs its own jewelry manufactory, as well as the watch manufactory, the observatory in Glashütte in Saxony.

In discussions, all the interviewees consider the necessity of authentic behavior of the organizations in the luxury segment as particularly important. They explain authenticity in enterprise management in the context of truth and genuineness, a long history, consistency in entrepreneurial actions and strong corporate values that are put into practice internally and externally. It is stressed that the luxury clientele wants products shaped by a "*genuine stance and attitude*" and "*where people have really thought things out*". Because also for the experts, the person, the employee of an organization represents the key driver of authenticity: "*Our company consists of people and not of machines and the factories in which it all takes place*". "*The employee is the key*". They ensure customer retention. They ensure "*spiritual kinship in the company*". They communicate. They convey "*passion*", "*enthusiasm*", "*pride*" and are understood to be "*part of the whole*". At this point, the interviewees speak of "*so-called spirit*". All these positive emotions that the employees radiate

and emit form a pleasant and inspiring outlook that should prevail in an authentically operating company.

A precondition for this is identification of the employees with the enterprise. Ensuring this identification in the long term requires authentic behavior internally from the company: *“Employees find it easier to identify with the enterprise if they have the feeling: ‘What is happening here is genuine’”* and *“if the enterprise is managed authentically and it really has the right values and aims and can involve the employees, then the energy can be steered in the right direction”*.

This energy can then be realized in dialog and in contact with the customer. Customer relationships and customer retention can be established and expanded. Or it is apparent from the craftsmen in dealing with their products, as can be observed at Thonet: *“The [craftsmen] have missionary zeal. With each and every piece [manufactured] there is the feeling that they add part of their personality and their soul to the piece”*. A luxury product should be able to mediate this soul. Luxury goods enterprises that still largely switch their manual production to automation and also shift their production facilities to low wage regions are *“exploiting their brand”* and *“robbing its soul”*, it is argued. It should also be borne in mind that such companies accept the risk of quality lapses, loss of credibility and non-transparent through to dishonest behavior, which can lead to damage of the luxury brand. The original production location, its rootedness to the region and craftsmanship are other key criteria that allow the customers to perceive the luxury industry as authentic (Fig. 4).

Almost all experts questioned are agreed: Traditional craftsmanship is essential in the luxury segment. The weighting between manual and industrial manufacture should be undertaken by the respective sector and the individual goals of the respective enterprise. The emphasis should be on the best quality to be achieved in order to avoid compromising the authenticity of a luxury organization. Because *“if I automate a step, although it produces a far worse result, then I take away my authenticity. Everything has to stay within an acceptable framework and everything on a new level on which I don’t pull the wool over the customer’s eyes”*.

It is similar with the views of the experts on the topic of “rootedness with the place of origin” and “shifting production”. On the one hand, the experts speak of the *“holy place”* where luxury goods have been manufactured for decades or the *“credibility”* that a certain region conveys to their special field, such as the *“Swiss watch”* or the *“Italian suit”*. And on the other hand, the continuously increasing personnel costs of craftsmen in the Western European countries is underlined, which present the luxury industry with a major challenge.

The representative from the service sector explains further that in the case of the Buchinger Wilhelmi Clinic, *“it would rather have been obstructive to have stayed in the original region. Buchinger Wilhelmi has been on the market for almost 100 years, originates from Central Germany. Nobody wants to go to Central Germany, I believe Central Germany is more harmful for our reputation. We have concentrated on locations like Marbella and Lake Constance, i.e. top locations”*. This example implies that not all industries should express their authenticity by consistently expressing the preservation of the place of origin. For enterprises



**Fig. 4** Thonet craftsmen in their element (*Source* Thonet)

working in the fields of luxury hotels, healthcare and leisure activities, locations are primarily of importance that offer something special, such as beautiful nature around Lake Constance or establish a so-called “hotspot for the wealthy”. The location then forms the basis for differentiation. If this aspect is adapted to the entire service industry in the luxury segment, it appears crucial that the service providers are located where they meet with their customer group and not stay at a place of origin that does not attract this kind of clientele (Fig. 5).

The majority of the interviewees agree, however, that shifting production to low wage countries, in the worse case, in production facilities that also produce mass products, is not compatible with an authentically operating luxury industry. In addition, a place of origin should be preserved, whether it be only in the form of a central area, such as the main administration, or limited product for individual manufacture. Of course, differentiation must also be undertaken here by industry, corporation and its aims and standards in order to meet the highest quality standards.

Transparent and honest communication towards the luxury clientele with regard to deciding between craftsmanship and automation or shifting production facilities





**Fig. 5** The Buchinger Wilhelmi locations Lake Constance and Marbella (Source Buchinger Wilhelmi)

is essential. The basic principle: *“Don’t say anything that isn’t true”*. Because *“life is simplest if you are absolutely honest and your answers are quite clear”*. By way of illustration, the design furniture manufacturer Thonet, alongside its handmade furniture, also offers a product line that is a mixture of automated and individually manufactured components. Thonet communicates this approach unashamedly: *“We say it is necessary to combine industrially produced parts with handcrafted ones, to keep the price more or less under control”*. There is a common understanding that honesty and sincerity, as well as transparency, make it easier to do business in the long term.

This outlook is reflected with regard to stage-managed authenticity. Stage-managing authenticity takes too much energy to put into practice. In the interviews, reference is made to the *“roots”* to which a company should remain loyal. It is shown that an organization cannot simply *“impose”* something staged on its employees, because *“then something is lost”*. And the call is made: *“We don’t want to be at all different than we are”*. According to the study results, nothing has to be invented. For instance, a fictive history may indeed be highlighted as a successfully staged and practiced example in the luxury segment, but it is stressed that other paths exist at the same time, e.g. an infective passion and the spirit to successfully build up a clearly positioned and meaningful enterprise in the luxury industry.

Meaningfulness and long-term orientation are guiding principles, which an organization that wishes to be perceived as authentic should pay special attention to. This may include motives, such as preserving jobs or fostering historical and cultural heritage. Striving for profit, the experts underscore, is, of course, vital for the survival of an organization. Nevertheless, the targeted realization of profits is not solely decisive for fulfilled and lasting satisfaction. One expert signalize: *“There must be something else apart from the world of figures”*. This “something else” is the higher aim, a mission that should be part of the identity of a luxury organization, which, along with its values, gives the enterprise a framework in which it should operate.

In this respect, several of those interviewed addressed topics like ethics, sustainability and social commitment and point out that this should be understood as a *“basic attitude”*, as a *“natural component”* of an organization in the luxury segment, which are *“anchored in the fundamental values of the company”* and do not require self-promoting communication with the outside world.

What needs to be communicated externally are the enterprise’s products and services, which are a *“means to an end in order to safeguard economic success”*, yet at the same time act as the *“actual ambassador”* in which the stance, the identity and authenticity of the organization are conveyed. The interview participants also prefer storytelling for authentic communication: *“Stories with true content are essential”*, which are told in sales dialogs and similar settings or can be reinforced with a tour of the manufactory. Besides verbal communication, non-verbal communication should not be underestimated. Music played in the stores, the charisma of the employees or the interior or exterior architecture should reflect the identity of the enterprise and in such a way that *“everything is said without a single word spoken”*.

The excellence and high standards, for example, should be apparent in the entire presentation of the organization in order that it can be perceived as authentic in the luxury industry. In specific terms, this means *“that one takes yet another extra step, that one is actually not yet satisfied”*. To be able to act excellently and perfectly, the factor of time should be considered. Three experts recommend taking plenty of time in product development and in dealing with the luxury clientele. Moreover, an organization in the luxury segment should be aware that when it conveys perfection and excellence externally, it also has to keep this promise. In an enterprise that wishes to be perceived as authentic, primarily there should be *“no split between the inside and outside”*.

Faithfulness to identity forms a key aspect in this regard. It is decisive with regard to all actions and activities of a luxury company. So each organization must decide for itself what makes up its identity and live accordingly. The experts accentuate that the employees, the products, innovations and new areas have to fit the enterprise and the brand. It is also recommended to select one’s external partners according to a related identity: A comparable philosophy of the distributors, the suppliers and subcontractors confirm and strengthen the perception of authenticity.



One expert called for the luxury industry not to leave anything to chance. First and foremost, authenticity means *“that nothing is by chance, but everything is precisely considered”* without it being stage-managed.

## 5 Implications for Management

Summarizing, it must be emphasized that the organization's identity is at the core of a strategy of an enterprise in the luxury segment focused on authenticity. The values, the mission and vision, as well as the performance and competences they offer, but also their origin, their roots: All these features provide a framework within which the company should operate, principles according to which the company should live. Therefore, it is of key importance to firstly analyze what constitutes the enterprise: Where do we come from? Where do we want to go, which superordinate goals do we pursue? What performance and competences are our hallmarks?

If the term “live” is used for an organization, this mainly means the employees who adopt an essential role in the authenticity concept. Firstly, they convey authenticity inwardly and outwardly, in that they match the identity of the organization, they identify with it, and secondly they give the luxury goods a personality and a soul. Primarily it is the employees with their passion, enthusiasm, their pride and their conviction who shape the positive outlook, the spirit in the organization. They are also the ones who build up the long-term connection to the clientele strived for. It is therefore of special relevance to select the right employees and to train and educate them appropriately. In addition, it should be considered that the identification of a employee with their employer is the prerequisite for these positive influences and implications and, in turn, this can only be achieved if the organization lives and promotes authenticity.

Certain characteristics are ascribed to a luxury organization that have to be fulfilled in order to be perceived as authentic. These are the top quality secured by craftsmanship, scarcity of supply, unique esthetics, the link to the origin, non-necessity, the high price, but also the excellence, perfection that is to be expressed in all areas of the organization. This perfection requires an increased investment in time and thus a higher personnel costs, which should be reflected in the number of employees.

Besides these main characteristics that define a luxury product, a whole series of further drivers emerged that favor an entrepreneurial approach focusing on authenticity. Figure 6 provides a summary overview of all the factors derived for promoting authenticity, integrated in the relevant value chain activities for the luxury industry. This representation may be taken as an orientation aid for implementation of a strategy promoting authenticity. The lower area of the graphic represents the foundation of a strategy based on authenticity. The criteria compiled should be considered in all the enterprise's activities and actions. In the best case,

they should be anchored in the values and the culture of an organization in the luxury segment. The upper area outlines the identity characteristics to be pursued,

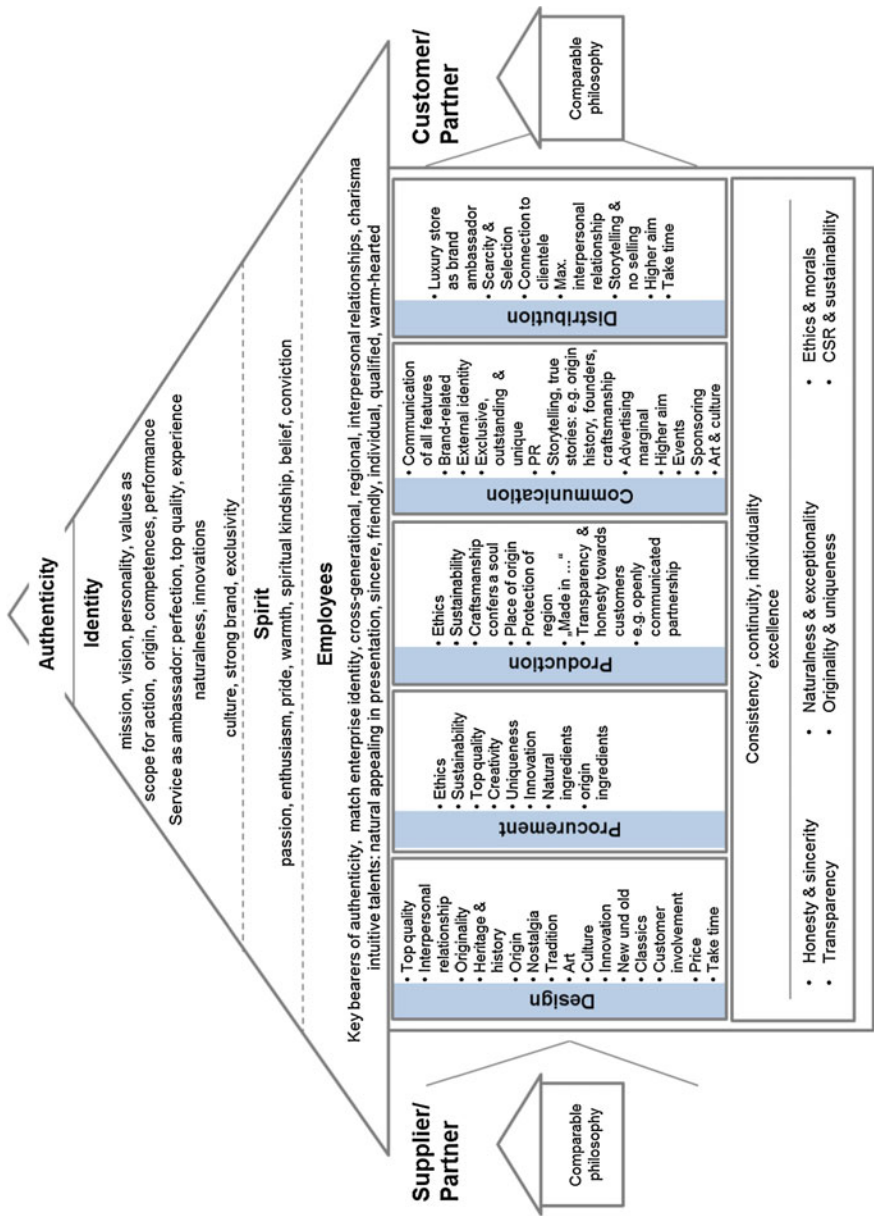


Fig. 6 Authenticity as the key factor of an enterprise strategy in the luxury segment (Source Authors, own illustration)

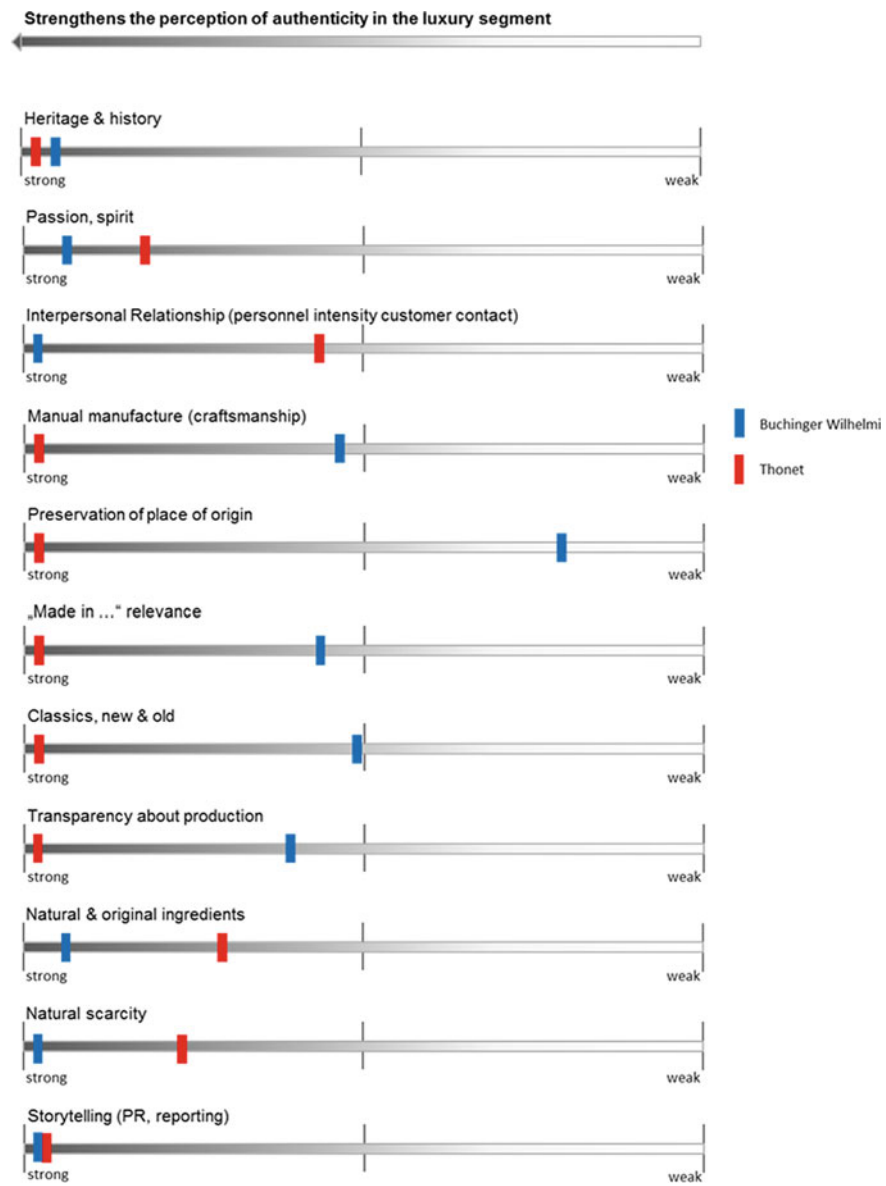
as well as the spirit shaping the identity. In the middle, there are the main activities of a value chain with a large number of voluntary and mandatory criteria. These can be selected variably depending on the enterprise and industry.

For successful differentiation and strategic positioning, it is recommended to filter out and mainly concentrate on six or seven core criteria that also correspond to the essential competences and the identity of the company. This focus allows an organization in the luxury segment to expand its unique selling point and to position itself authentically in the luxury market, to protect itself from imitators who exclusively count on high quality and authentically staged communication and to avoid dilution with imitators of the luxury strategy over the long term.

As presented in Fig. 7, this concentration of drivers can be seen from the companies of the experts interviewed, e.g. Buchinger Wilhelmi and Thonet. As presented in Fig. 7, this concentration of drivers can be seen in the companies of the experts interviewed, specifically at Buchinger Wilhelmi and Thonet. These two organizations represent, on the one hand, the differences in the luxury sectors: the dominance of services versus the dominance of the production and, on the other hand, they ideally show the bandwidth of the possible positioning options of the authenticity concept. For example, it becomes apparent, that Buchinger Wilhelmi (blue) concentrates on pursuing six core criteria. One of these is anchored in a strong history and the legacy of the founder. In addition, the passion of the employees, their above-average interpersonal competence, combined with very high personnel intensity (1.5 employees per patient) ensure a special spirit in the clinics, which the patients rave about. Despite the great demand, they take extreme care not to expand excessively and hence to maintain a natural scarcity.

Furthermore, the range of care and events offered, as well as the furnishing of the clinics only using natural and original ingredients, reflect the corporate philosophy. The most popular event for the patients fasting at Buchinger Wilhelmi is the morning walk in nature—here the luxury clientele is again sensitized for the original. Finally, it has to be pointed out that Buchinger Wilhelmi does not place any advertising. They rely on true stories instead. Journalists regularly stay in the clinics and report on their experiences. The owners are also sought after for interviews in the media.

The design furniture manufacturer Thonet (red) concentrates on seven core criteria. It should be stressed that Thonet already practices a design charter that reflects the company's stance. This includes the voluntary and mandatory topics, which the designers consider in product developments to maintain design consistency. This charter is also used for Thonet's exhibition booths. It also has to be ensured here that a new booth matches the design furniture manufacturer's identity. The company can look back over a very long history and a valuable legacy. It has remained loyal to its roots and its place of origin and still largely produces in Germany. 80% of the value creation for classical furniture is produced traditionally by craftsmen in the company's own manufactory. Product lines that are partly produced industrially are also communicated and offered outwardly in a transparent way. Visitors are also able to come and see the manufactory in Central Germany.



**Fig. 7** Case study Buchinger Wilhelmi and Thonet and their core criteria (Source Authors, own illustration)

No advertising is placed. Only stories about the cultural and historical importance of Thonet, its well-known designers and customers, as well as the origin of the classics, are communicated externally by storytelling. The mission of safeguarding the continuation of a historically value cultural asset is strongly conveyed here.

The authenticity concept calls for integrated management of its drivers and characteristics. Only if all areas and functions of the enterprise act according to these guides can the organization in the luxury segment be perceived by the outside world as authentic and its further existence ensured in the longer term.

## 6 Future Research

The study's findings raise several questions for the future. Firstly, do we have to consider the various sectors of the luxury market separately? Does authenticity mean something different for a watch brand and for a fashion brand? Such an approach would allow a more detailed classification of features promoting authenticity and an explicit definition of optional and mandatory criteria, depending on the luxury goods or services sector.

Further, it is necessary to learn more about how the luxury clientele defines a company that is operating authentically. What are their wishes, what are their suggestions and criteria? A study in the field of consumer research should be seen as particularly important. Today it is very difficult for the consumer, due to the professional and high-quality development and implementation of communication strategies, to differentiate the truly authentic organizations from the purely communicative authentic performer. Therefore, future research should look for concrete answers regarding this very significant distinction to secure a luxury segment that operates authentically in the long term.

## Appendix: Interview Guide

### Introductory question (open)

- Authenticity is one of the major challenges of the 21st century. Small, authentic craft businesses and niche suppliers thrive in the luxury segment.

How do you see the need for authentic enterprise management in the luxury goods industry?

### Detailed questions (semi-structured)

- Often it is the employee that gives a luxury brand a kind of "soul". Authentic enterprise management requires increased interpersonal contact. How do you see that?
- To judge by a study carried out by Newman and Dhar (2014), the original place of origin of a luxury goods supplier is decisive for its authenticity. Often, the respective regions are seen (e.g. on the basis of their history) as a seal of quality of their trade.

In your opinion, is it necessary to continue production where the company has been rooted since its founding or is it justifiable to relocate to lower-cost regions?

- Craftsmanship is the hallmark of the luxury industry and a determining factor for authenticity. However, most luxury companies manufacture just a small fraction of their range or only a small component of their product by hand. The majority is produced industrially.

To what extent is automatization in the luxury sector acceptable? How would you solve the dilemma between automatization and craftsmanship?

- Companies that operate authentically in the luxury segment are advised to pursue a higher goal than a purely profit-driven philosophy. How do you see that?
- Some scientists are of the opinion that authenticity can be staged in a company. In your opinion, is staging in the luxury industry justifiable, or may authenticity only be achieved in a genuine way, e.g., based a company's history, its roots and the associated natural development?
- Grayson and Martinec (2004), Eggers et al. (2013) and other scientists stress that transparency, honesty and integrity represent the foundation of authentic behavior. The luxury sector seems to pursue activities that are increasingly communicated (e.g. craftsmanship) and those that are practiced in the background (e.g. full automatization, relocation of production).

How do you see the need for transparency and honest communications?

### Final question (open)

- In your opinion, how must a company act to be authentic and to be seen to be so? What other factors should be considered?

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