The impact of brand authenticity on brand trust and SME growth: A CEO perspective

Fabian Eggers [a,*], Michele O'Dwyer [b], Sascha Kraus [c], Christine Vallaster [c], Stefan Güldenberg [d]

[a] Department of Marketing, Menlo College, 1000 El Camino Real, Atherton, CA 94027-4301, USA
[b] Department of Management and Marketing, Kemmy Business School, University of Limerick, Limerick, Ireland
[c] Institute of Entrepreneurship, University of Liechtenstein, Fürst Franz-Josef-Straße, 9490 Vaduz, Liechtenstein
[d] Department of International Management, University of Liechtenstein, Fürst Franz-Josef-Straße, 9490 Vaduz, Liechtenstein

ABSTRACT

This article investigates the linkages between brand authenticity, brand trust, and SME growth from a CEO perspective. Brand authenticity is operationalized as consisting of three factors: brand consistency, brand customer orientation, and brand congruency. The hypotheses derived in this paper will be tested with new measures and data from 285 German SMEs using structural equation modeling. The results confirm that brand consistency and congruency foster brand trust, which in turn drives SME growth.

1. Introduction

de Chernatony and McDonald (2003) define a successful brand as "an identifiable product, service, [organization] person or place, augmented in such a way that the buyer or user perceives relevant unique added values which match their needs most closely. Furthermore its success results from being able to sustain these added values in the face of competition" (p. 18, parenthesis added by the authors). A brand is seen to be authentic when diverse stakeholder groups truly experience what they are promised (Fisher-Buttinger & Vallaster, 2008). To date the preponderance of branding research "has focused almost exclusively on large, multinational brands" (Berthon, Ewing, & Napoli, 2008, p. 28), which has also led to an inadequate understanding of brand authenticity in small and medium-sized enterprises (SMEs) (Abimbola & Kocak, 2007; Jones, Anand, & Alvarez, 2005; Potter, 2010). Given that SMEs provide approximately 75 million jobs and represent 99.8% of the 21 million enterprises in the EU (Stawińska, 2011), increasing understanding of the key determinants of their success (such as brand authenticity) is essential. The aim of this article is to advance understanding of brand authenticity by operationalizing this construct and evaluating its impact on SME growth.

SMEs have been a popular academic research topic since Birch (1979) determined that they create more new jobs than large firms. There is significant regional variation in defining SMEs. For the purpose of this research the official EU definition for its member states defining SMEs as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding €50 million, and/or an annual balance sheet not exceeding €43 million (European Commission, 2003), will be used.

Although growth serves a critical measure of enterprise performance and success (Carton & Hofer, 2006), the growth of small enterprises remains one of the long-standing riddles of management research (Davidsson, Achtenhagen, & Naldi, 2005). This study explores brand authenticity as a driver for SME growth given the strong link between organizational personality, that is, its brand, and sales (Inskip, 2004). We suggest that a brand provides benefits to customers while securing financial returns (Grace & O'Cass, 2002), that is, growth for the firm.

This article proposes that brand authenticity fosters brand trust which in turn leads to SME growth; a proposition which is initially probed using a conceptual framework examining the relationship between brand authenticity, brand trust, and SME growth. This forms the basis for the development of hypotheses regarding determinants and consequences of brand authenticity which were tested with new measures and data from 285 German SMEs using structural equation modeling. Finally, implications of the study for theory and practice are discussed, followed by suggestions for future research directions and objectives.

2. Brand authenticity

Brand practitioners have often promoted authenticity as a key source of competitive advantage and a brand panacea, particularly in times of distress and trust erosion (Abimbola & Kocak, 2007;

* Corresponding author.
E-mail addresses: fabian.eggers@menlo.edu (F. Eggers), michele.odwyer@ul.ie (M. O'Dwyer), sascha.kraus@uni.li (S. Kraus), christine.vallaster@uni.li (C. Vallaster), stefan.gueldenberg@uni.li (S. Güldenberg).

Ballantyne, Warren, & Nobbs, 2006; Brown, Kozinets, & Sherry, 2003). Gupta, Melewar, and Bourlakis (2010) state that a "...positive attitude towards the brand helps to generate a positive brand response for influencing the purchase activity of the customer" (p. 397). Grant (1999) postulates that "authenticity is the benchmark, against which all brands are now judged" (p. 98); where authentic brands are "worthy of acceptance, authoritative, trustworthy, not imaginary, false or imitation, conforming to an original" (Beverland, 2009, p. 15). "In a marketplace where access and institutional authority can no longer be controlled, expertise and authenticity become more crucial than ever before. Every enterprise must be grounded in a clear sense of itself. Indeed, an enterprise or institution that is sure of its purpose, mission and values – and that takes those bedrock definitions seriously – is effectively *compelled* to behave in ways that are consistent with its core values" (Arthur W. Page Society, 2007, p. 16).

Passionate blogs and websites dedicated to authenticity have emerged. Brand authenticity indices have been created (for example ABI, authenticbrandindex.com). The phenomenon of authenticity has been examined by investigating authenticity attributes (Beverland, 2005a; Leigh, Peters, & Shelton, 2006), authenticity forms (Beverland, Lindgreen, & Vink, 2008), the influence of personal goals on authenticating (Beverland & Farrelly, 2009), hyper-authenticity in television viewing (Rose & Wood, 2005), authenticity cues (Grayson & Martinec, 2004), staged authenticity in the tourist and leisure sector (Chhabra, 2005; Goulding, 2000, 2001; MacCannell, 1973; Wang, 1999), and authenticity negotiation and commoditization (Cohen, 1988). According to Diez (2006), a brand is authentic (examples would be *McDonald's*, *Gillette* or *FedEx*) if it is perceived as 'real' and 'honest' (that is, authenticity is intrinsic to the object) instead of 'artificial' and 'superficial' (that is, authenticity can be fabricated) (Grayson & Martinec, 2004; Peterson & Anand, 2004). The 'real' extreme of authenticity relates to what Faust and Householder (2009) note regarding authentic brands which "...are built from the inside out versus one that panders to the latest trend, fad, or customer segment" (p. 47). For instance, tradition is considered as a source of authenticity if certain quality standards and processes in the brand history are proven to be valid currently. Also, Beverland's six attributes of authenticity, that is, heritage and pedigree, stylistic consistency, quality commitments, relationship to place, method of production, and downplaying commercial motives (Beverland, 2006; Beverland & Luxton, 2005) relate to the 'real' conceptualization of authenticity (see also Alexander, 2009; Fine, 2003).

The 'artificial' extreme of authenticity relates to common marketing and communication practices to build authenticity as perceived by an organization's stakeholder groups through communication (Grayson & Martinec, 2004). For instance, the gin brand *Bombay Sapphire* was launched in 1987 and portrays the gin's popularity in India of the days of the British Raj. The sapphire in question is the Star of Bombay on display at the Smithsonian Institution (www.bombaysapphire.com). However, these connotations are purely fabricated as the brand actually is distributed by Bacardi, a family-controlled spirits company located in Bermuda.

3. Development of hypotheses

3.1. Brand authenticity and brand trust

Brand authenticity has become an increasingly relevant focus of discussion in the past decade (Alexander, 2009; Beverland, 2005a, 2005b, 2006; Gilmore & Pine, 2007), given the arrival of the global economic crisis and the erosion of trust emerging in its wake (Rosica, 2007). This erosion of trust is largely based on corporate dissonance, where there is no link between an organization's stated goals/values and its actions/achievements. This disconnect damages brand reputation and fosters lack of trust (Leitch & Davenport, 2011). While a steady general erosion of trust had been documented by many research studies over the past decade (Gerzema & Lebar, 2008), the lack of trust towards society and its regulative forces has quickly extended to business. While practitioners argue that authentic brands can counter this downward spiral of distrust and loss of brand equity, it is only in the last decade that academia has embraced the concept, providing studies on its significance and potential contribution to brand and business success. Customers often associate brand-speak with trickery, exaggeration, misdirection and outright deception (Holt, 2002). Brands are dependent on authenticity and affinity (Balmer, 2011). Brands that are authentic make defined core values their orientation for business actions and practices. This increases trust and has a significant and direct impact on a company's bottom line.

Trust in brand management is regarded as one of the key ingredients required to create loyal customers (Akbar & Parvez, 2009; Chaudhuri & Holbrook, 2001; Delgado-Ballester & Munuera-Alemán, 2001), if customers trust a brand they will recommend it, use more of its products and services, or look to it first for the things they need (Tran & Cox, 2009; Yeung, Cheng, & Chan, 2004). Miranda and Klement (2009) illustrate the difficulty in gaining trust in business relationships, and the ease with which it can be lost again. They demonstrate that even minor trust violations can increase doubt about the relationship and harm future business. In today's society, customers increasingly demand trustworthy companies; they are not interested in companies who may use trust only as another sales technique (Holt, 2002). For those companies who "aspire to build trusted brands, sustainable marketplace success and community reputation, the imperative of authenticity will inevitably grow in importance" (Arthur W. Page Society, 2007, p. 7).

Following Fisher-Buttinger and Vallaster (2008), Burmann and Schallehn (2008, 2010), and Vallaster and Kraus (2011), we regard 'real' *brand authenticity* as perceived by SME CEOs as being conceptualized as consisting of three factors, *brand consistency*, *customer orientation*, and *congruency*:

- *Brand consistency:* Brand consistency means making sure that the company stakeholders experience the brand at *all* brand contact points (Brown, 2001; Burmann & Schallehn, 2008, 2010). A company is brand consistent (examples would be *Apple*, *Porsche* or *Colgate*) if the promise made to stakeholders aligns with its corporate values, strategy and defined vision. The uniqueness of a company is derived from its corporate values that have evolved based on its origin and history (Holt, 2002). Creating an authentic consistency amongst all brand elements (for example, including the product, ways and tools of communication, staff, etc.) is critical (Kapferer, 1992; Keller, 1998), because this will create trust and loyalty amongst the respective stakeholder group (Aaker, 2004; Dunn & Davis, 2002). Thus H1 is proposed.

H1. Brand consistency increases SME brand trust.

- *Brand customer orientation:* Brand customer orientation (examples would be *Colgate* or *McDonald's*) "reflects a customer focus on the functional emotional and self-expressive benefits of brands" (Kuhn, Alpert, & Pope, 2008; Richter, 2007). Brand customer orientation is the organizational wide process of generating and sustaining a shared sense of brand meaning that provides superior value to customers and stakeholders (Ewing & Napoli, 2005). While customer orientation is about understanding the needs of customers, brand customer orientation is about satisfying them (Gupta, Grant, & Melewar, 2008; O'Cass & Ngo, 2009). Therefore, if an individualized benefit is delivered as