

The Hotel Yearbook 2023
The Uncertainty New Normal



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Authenticity in the food and beverage industry

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Over the last decade, authenticity has gained tremendous relevance among consumers and stakeholders in the food and beverage industry as well as in hospitality. Producers are emphasizing the authentic character of their offerings to a greater extent, while consumers increasingly favor authentic products and experiences.

As a result of this growing interest in authenticity, research shows that products and firms that come across as committed to authenticity receive greater benefits. For example, authentic restaurants, wineries and breweries are granted more attention and higher ratings. Consumers also tend to be more forgiving about quality pitfalls when restaurants offer authentic food and experiences.

WHAT MAKES A PRODUCT 'AUTHENTIC'?

But what exactly is authenticity, and how can we help entrepreneurs and managers in the sector understand it better? Evidence from different segments of the F&B industry suggests that aspects such as small-scale, local production, history and tradition are important characteristics when defining authenticity.

Let's consider the American beer industry, traditionally dominated by large producers and increasing in the nineties with a great number of micro-breweries with novel and authentic offers. As a classic example of authenticity in the F&B industry, the American beer industry suggests that breweries began to be seen as authentic when their products as well as production standards became opposed to mass-production and consumption. This implies that smaller, micro-breweries offering unique beer types in small batches are likely to be perceived as authentic by consumers and experts.

Unlike the American beer industry, German breweries as well as Barolo wineries in the Piedmont region in Italy have brought other elements to the table when talking about authenticity. In these specific industries, F&B businesses are perceived as authentic when they play an important role in their respective regions and when they stick to tradition and history. For example, breweries that respect ancient recipes and traditional production processes, maintaining the use of old beer kegs and jars, and which have a beer pub on their premises are perceived as authentic.

In a similar fashion, wine houses producing Barolo wine are perceived as authentic when they respect the production traditions such as storing the wine in 'botti' - large wooden barrels - as opposed to stainless steel ones. This implies that long-standing companies with historical roots in the region where they operate are more likely to be attributed with authenticity than newcomers.

SOME CONSTRAINTS TO AUTHENTICITY

While such a boom in authenticity certainly brings benefits to businesses, it has also triggered a number of constraints in terms of organizational action. For instance, if authenticity in the F&B industry is granted to companies using local produce, producing in smaller batches and respecting the history and tradition of the industry, what happens to innovating firms wishing to change the status quo in the industry?

One could expect that such innovative businesses would also be perceived as authentic because of the unique characteristics they offer. However, our recent research shows that consumers could develop a certain rigidity in regards to what is considered authentic or not, and hence, such strict expectations on authenticity can prevent organizations from introducing change.

For instance, the creation of new businesses and the introduction of new products is undermined in regions where consumers have strong expectations of the type of authenticity that should be used. While product proliferation is one of the most common strategies for fighting competition with innovation, it is a less desired option by producers when consumers favor authenticity. Therefore, although firms may benefit from having product variety including non-authentic products when facing competition, they would follow such strategy at a lower extent when authenticity is a desirable asset by consumers in the region in which they operate.

Similarly, evidence from the wine and champagne industry also reveals that novelty can transgress expectations on authenticity as innovative actions may lack the idiosyncratic and symbolic value consumers search for. For example, in the case of Barolo winemakers in Piedmont, community members vigorously rejected innovations made in the production and storage of wine. Similarly, Champagne houses introducing new ways of commercializing their products were perceived as less authentic by consumers and the local community. As a result, companies may be perceived as non-authentic when introducing novelty in their products and to the industry, and therefore, may experience lower ratings, higher costs, and ultimately, higher closing rates.

HOW TO COME ACROSS AS AUTHENTIC YET INNOVATIVE?

If authenticity is both an asset but also a constraint for the F&B industry, how can firms best come across as authentic without compromising their innovative spirit? While authenticity is difficult to improvise and even harder to stage, there are multiple actions entrepreneurs and managers can undertake to increase the authentic appeal of their businesses:

Use tradition in your narrative.

Even for the most forward-thinking companies in the industry, tradition represents an important anchor that helps customers understand the context the firm belongs to; a type of storytelling that engages the consumer in the production journey and evolution. For instance, combining ancient recipes or ingredients with novel ones, making use of labels and product names that refer to ancient industry features and highlighting the use of traditional production methods.

Localness.

To be perceived as authentic, it is important for restaurants and gastronomic businesses to showcase how local they are. Being local not only means sourcing products nearby, it also reflects how involved firms are in their local context and community. For example, being able to show strong partnerships with relevant business actors in the same district where they operate, or supporting local artists by allowing them to showcase their work. In other words, empowering local communities and neighbors by employing them and offering events and products that are unique and relevant to them.

Remain measured.

Having the capacity to introduce diverse services and products is a useful strategy in times of competition, however, not so much when consumers look for authenticity. Being able to offer a small selection of related products enhances the chance that consumers perceive the unique and authentic value of the firm.

Create a strong relationship with your end-customer.

Building a strong relationship with customers is an important process for a firm wanting to be perceived as personalized and authentic. This implies being able to connect to customers' life events through products, organizing special events or incorporating customer opinion in the strategy-making of the firm.

AUTHENTICITY IMPLICATIONS FOR SUSTAINABILITY

In terms of being local, small, traditional and with strong community ties, authenticity can also be linked to the theme of sustainability in the F&B industry. It's interesting to note, however, that consumers and producers seem to have adopted authenticity more easily in the past decade than sustainability.

Why is this the case and what can F&B managers and entrepreneurs learn from authenticity in regards to their efforts in becoming sustainable? Like authenticity, sustainability cannot be improvised or staged ad hoc. This implies that consumers are smarter than we think and can easily detect when a firm's efforts to become sustainable are inauthentic. We speak about *inauthentic sustainability* (i.e., greenwashing) when sustainable actions are not consistent all along the value chain but only show up at certain stages of the value creation process.

Authentic sustainability actions should go beyond pure reporting or marketing actions and should be used to uphold how sustainable actions are present along the F&B experience. For example, by using narratives that highlight how sustainability has been implemented along the entire value chain, how localness and smallness helps in reducing waste, and how creating community action with customers helps in supporting local communities too.

Authenticity constitutes an important asset for F&B businesses. While there are innovation challenges to being authentic, authenticity offers an important learning case for entrepreneurs and managers in the F&B industry to better connect with customers and deploy important implications for sustainability in their businesses.

AT A GLANCE

WHY HAS AUTHENTICITY BECOME SO IMPORTANT FOR A BRAND'S IDENTITY?

Consumer trends go hand in hand with how industry has evolved. We are now seeing a return to values based on genuine, local and traditional processes after a long spell of large chain mass production. This shift is today becoming very present in F&B, hospitality services and travel experiences. Many consumers, especially the young Gen Z, are now looking for authentic meaning behind their purchases and are willing to pay the premium this requires. In the last 15 years, consumers have become increasingly aware that a less standardized product is often healthier, more attractive and unique. These preferences are based on products that involve a simpler and smaller supply chain, e.g., local produce, family businesses, items that are as close to a 'handmade' approach as possible, (this also extends to clothing, cosmetics and furniture among many other sectors).

HOW IS THE THEME OF AUTHENTICITY RELATED TO SUSTAINABILITY?

The two issues are definitely co-related and share some main principles, but one is not necessarily a trigger to the other. When it comes to communicating the message, it has to be consistent, credible and clearly perceivable in both cases. You can't make up authenticity or sustainability; it has to be there at the core of the brand and its processes, not just in part.

Consumers have become more conscious of what a supply chain might involve and how, in terms of mass production, this alienates them from the originality of the product. Hence, with authenticity, there's an additional motivation: selfishness on behalf of the consumer, e.g., "I want to enjoy a product or experience that's not available to everyone." There's certainly an element of exclusivity to authenticity.

WHAT ARE THE SOLUTIONS TO THE CONSTRAINTS THAT AUTHENTICITY OFTEN BRINGS?

Authenticity is certainly a valuable brand asset but can be very constraining when it comes to wanting to innovate the business model base and operations. On the organizational side it can lock you in. It's often hard to deviate from the main strategy as seen with the Champagne industry. When trying to diversify production processes, some producers were hit hard from different sources: the grape growers gave them higher prices and the connoisseurs didn't approve of the 'unauthentic' changes.

The solution is to remain small when introducing new products or processes, and keep strong connections to the local customer base. Rather than go for 100% new methods, it's best to work on a small product portfolio, good lines of communication and continued use of tradition along the production chain - then gradually introduce the innovation. Make sure to carry on emphasizing the history of the company - this is especially important for F&B brands.



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Margarita Cruz, PhD in Economics, is an Assistant Professor of Strategic Management and Entrepreneurship at EHL. Margarita's research lay at the intersection between organizational theory and entrepreneurship, with a particular focus on the role of authenticity on entrepreneurial outcomes such founding of new organizations and introduction of new products. During her doctoral studies, Margarita has also been a visiting PhD student at Robert H. Smith Business School, University of Maryland (2015-2016), thanks to the competitive Fellowship for most promising candidates granted by the Swiss National Science Foundation. In her research, Margarita is passionate about breweries, restaurants, and luxury hotels. In the classroom, Dr Cruz likes to bring state-of-the-art trends and practices about the entrepreneurial and strategic scene in the hospitality and F&B industries. Before joining academia, she gained experience as business engineer in the banking and chemical industries.

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