

The Authenticity Discount of Firm Growth: Consumer Inferences on Diversification and Expansion

Christian Schaefer

Goethe University Frankfurt

Dominik Hettich

Goethe University Frankfurt

Torsten Bornemann

Goethe University Frankfurt

Cite as:

Schaefer Christian, Hettich Dominik, Bornemann Torsten (2022), The Authenticity Discount of Firm Growth: Consumer Inferences on Diversification and Expansion. *Proceedings of the European Marketing Academy*, 51st, (107660)

Paper from the 51st Annual EMAC Conference, Budapest, May 24-27, 2022



The Authenticity Discount of Firm Growth: Consumer Inferences on Diversification and Expansion

Abstract

Consumers quest for authenticity even in ubiquitous products and experiences, a demand reflected in the sensitivity towards the proportion of extrinsic motives in firms' behavior. We theorize the influence of two common trajectories of firm growth, diversification and expansion, on consumers' inferences about firms' authenticity and related downstream consequences. Work on demand-side externalities of firm growth so far focused on the impact of different authenticity signals but not on consumers' inferences about authenticity. Across three experiments, we document the discount effects of diversification and expansion on two distinct inferences: concerns about whether a firm's behavior reflects its intrinsic value propositions (moral authenticity) and about the degree of typicality that an organizational identity occupies within a socially constructed category (type authenticity). We show that consumers discount moral authenticity significantly more as a result of expansion when firms are specialized (vs. diversified), which suggests that lower type authenticity immunizes against moral devaluations.

Keywords: *Authenticity; Firm growth strategies; Consumer inferences*

Track: Marketing Strategy & Theory