# MANAGING SUSTAINABLE LUXURY AND DIGITALIZATION

## TECHNOLOGY TRENDS AND ETHICAL CHALLENGES IN THE SWISS LUXURY WATCH BUSINESS

Mario D. Schultz and Peter Seele

Routledge

# Managing Sustainable Luxury and Digitalization

This book offers new transdisciplinary perspectives on luxury, exploring the topical phenomenon of digitally retouched (censored) and blockchain-secured (sensored) luxury watches and outlining implications that emerge for the field of luxury studies and managerial practice.

Based on a cross-disciplinary approach, the book integrates theoretical and empirical perspectives to advance the readers' understanding of luxury. With a particular focus on the Swiss luxury watch context, the book thereby draws on qualitative, quantitative, and archival data to shed new light on recent luxury trends, integrating literature on aesthetics of labour, conspicuous consumption, Gestalt theory, ethical theory, functional theories of attitudes, and surveillance studies. Eight chapters take the readers through a range of topical challenges arising with the display and changing moral perceptions of luxury and shifts that the luxury watch sector is facing in light of the digital transformation impacting luxury goods and the luxury management environment.

This unique book will be of value for academics, scholars, and upper-level students across management studies with a particular interest in the luxury and fashion industries, luxury management, brand management, business ethics, and digital transformation.

With a foreword by Thomaï Serdari, Leonard N. Stern School of Business, New York University.

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# Foreword

Reflecting on the greatest civilizations in human history, one realizes that a social group's worldview defines its preoccupation with, focus on, and investments in physical objects that defy the passing of time. For example, the Egyptians, whose main fear was that the sun may not rise for them to see another day, poured their intellect as well as manual labor into building monuments that would, in essence, facilitate an easy transition from life to afterlife. In Egyptians' hierarchical society, objects, buildings, and entire cities that were inspired by the idea of eternity were made to accurately represent the concepts of excellence in quality, heightened aesthetics, innovation, as well as an embedded historical narrative that helped Egyptian leaders maintain the status quo. The Sumerians strove to tame nature. Their worldview of order and organization resulted in written language and the concept of law as well as in objects and structures that were signaling their value through conspicuousness, heavy symbolism, and inference of status. The scarcity of these man-made wonders derived from the extravagant expense of natural resources and physical effort. In Mesopotamia, innovation was often rooted in hedonic pleasure, at least for the ruling class.

It would not be a stretch to claim that watches are the physical manifestation of humanity's *modern* worldview, continuous in all its endeavors since the middle of the sixteenth century. In the past five centuries, change is the result of humans' ability to master science, technology, and design, even if the uncertainty with which philosophical questions are answered remains constant. Since its inception, the Swiss wristwatch is the perfect manifestation of the field of creative innovation, a concept I defined in my work elsewhere as that which expresses the essence of luxury. The wristwatch is also the result of cultural tension between Calvinism's banning of luxurious personal ornaments and the trade's inventiveness and ability to quickly pivot from making jewelry to making wristwatches and remain in business.

In other words, the Swiss watch industry occupies a unique place in contemporary culture. Ironically, the tension that defined its genesis has not been resolved yet. There is a constant pull from two opposite directions: on the one hand, the industry is evolving internally based on technological inventions, evolution of aesthetics, refinement of craftsmanship, and strength in historical narratives; on the other hand, it is asked to respond to external forces linked to democratization,

accessibility, new channels of distribution, and a whole new set of social values that the public expects to see incorporated in the object and practiced by the industry.

The two antithetical directions are indicative of how wealth is distributed in contemporary societies. They accelerate with every new segment that gains access to disposable income as well as with every increase in the disparity of wealth. The former advances the public's desire to acquire a first (sometimes of many) luxurious Swiss wristwatch, while the latter increases the public's propensity to judge luxury consumption as unethical. The survival of an entire industry and the welfare of its stakeholders (a wide range of artisans, manufacturers, suppliers, merchants, multibrand retailers, visual artists, graphic and UX designers, digital marketers, etc.) rests on the precarious fine line between desirability (formed by the individual), and ethics (shaped by the collective) or, simply put, between the sacred and the profane.

Few scholars are equipped to discuss the sustainability and management of the Swiss watch industry with academic rigor and matter-of-fact research that makes their conclusions immediately useful to industry practitioners. The ability to correctly address the industry's strengths and weaknesses and to discuss possible scenarios that overcome current threats and open business opportunities requires a transdisciplinary study.

The authors of this book, Mario D. Schultz and Peter Seele, are both well familiar with the historical, cultural, and business contexts of the Swiss watch industry. Their academic careers are based in Switzerland, where they co-founded the Luxury Observatory Lugano through which they engage with industry professionals in the quest to define questions that are innovative academically and useful to the industry. They have additionally proven their facility in applying a diverse set of methodologies. Their interdisciplinary approach leads them to conclusions that are both scientifically sound and truly practical. Schultz, assistant professor of international management, has a long research track record in corporate social responsibility, business ethics, communication technology and luxury management and his goal is to inform us about how these areas are impacting consumer behavior and consumption patterns in the digital age. Seele, professor of corporate social responsibility and business ethics, delves into philosophical questions on luxury and helps us understand how business and digital ethics are being rewritten as our culture is being transformed by new modes of buying and selling products, knowledge, and status. I have come to know and respect their work through my role as editor-in-chief of the journal *Luxury: History Culture Consumption* (Taylor & Francis), in which I have published two of their academic papers.

In this book, Schultz and Seele have showcased a deep understanding of how current social values, attitudes, and lifestyles are placing new types of pressure on the business of luxury through the lens of Swiss watchmaking and selling in an omni-channel marketplace. The authors' command over the subject of luxury results in a text that is easy to read while it remains intellectually meticulous. Scientifically, the authors demonstrate their excellence in applying the correct methods of study (sometimes qualitative, others quantitative, and others yet a combination of the two) without compromising the quality of the discussion. In fact, this is

what I admire the most about their work. They utilize different disciplines and their respective methods of research with accuracy and precision. For seasoned scholars, this book can serve as an example of how to expand one's academic approach to formulating research questions. For younger scholars and students, the work is representative of thoroughness, clarity, and excellence. For business professionals and industry practitioners, this text should be must-read. Without it, they risk missing out on gaining new perspectives on how the new luxury consumer thinks and what they expect to find in the product, its brand, and the market for luxury. For all of us, inquisitive minds, this book allows us a critical perspective on our own market behavior, our relationship with luxury, and oscillating ethics about its consumption. Who wouldn't want to open a window in the direction of knowledge that helps define humanity's modern worldview through a familiar, everyday object such as the wristwatch?

New York, June 2023

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# Acknowledgments

# Introduction

## Luxury and changing moral perceptions between ethics, consumer demand, and business case logic

Research about luxury constantly reinvents the concept of luxury and what it is and what it is about. So is the moral perception about luxury, particularly as old-fashioned definitions do not hold anymore, such as the distinction of *necessity goods* and *luxury goods*, or the economic definition of increased demand depending on income rise. More sociological definitions link luxury to different societal "codes" and communication to form identity. Luxury thus contributes to social distinction in postmodern societies – and therefore goes back to the landmark theory of luxury from Thorstein Veblen (1899) on conspicuous consumption in his "theory of the leisure class."

However, the new aspect of understanding luxury and managing luxury products and brands is moral – beyond the criticism of decadence and issues of social injustice: luxury consumption and behavior have been identified as one of the key drivers of climate change. As the nongovernmental organization Oxfam reported in 2020, it is the richest 1 percent who "were responsible for 15% of cumulative emissions, and 9% of the carbon budget" and the "richest 10% of the world's population (c. 630 million people) were responsible for 52% of the cumulative carbon emissions – depleting the global carbon budget by nearly a third (31%) in those 25 years [from 1990–2015] alone" (Oxfam International 2022, 2). So, the income-elasticity aspect of luxury finally leads to contributing in an exponential way to the environmental problems the world and the world population are facing. Private jets, 12-cylinder cars, and private homes with 500; 1,000; or 10,000 square meters of construction add to increased emissions, particularly in a per-head count metric. In the realm of digital technologies, the environmental dimension also plays a role. Blockchain identifiers (see Chapters 6 and 8) and non-fungible tokens (NFTs) are increasingly important for luxury marketing, but also add to climate change through increased emissions.

A second example, where luxury is associated with moral bads, is linked to what is called social sustainability – here, its violation, where social injustice, inequality, and violation of human rights are a function of luxurious lifestyles. A recent and symbolic example is the residential skyscraper "Beirut Terraces,"

designed by Swiss star architects Herzog & de Meuron in Lebanon. By referring to publicly available plans of the building, it became known that the construction of luxury apartments also includes "maid rooms" for servants with dimensions of 3.9 square meters and without windows (Frasch n.d.). The rooms were coined "slave rooms," paying reference to the so-called Kafala system in the Arab world, where migrant workers mainly from South Asia and Africa are exploited without legal rights, which is why it is called "modern-day slavery." In Lebanon alone, this new form of slavery accounts for 150,000 workers "struggling to survive in an exploitive system" (Rak 2021, 58). Confronted with these allegations, the architecture firm replied that they had proposed a different design but ultimately had to follow the client's will. There was a discussion in Switzerland (Frasch n.d.) concerning whether the world-famous architecture firm should have refused to design the skyscraper with rooms less than 4 square meters, also taking into account that in Switzerland, the minimum size for a room is 8 square meters. Even prison cells should have a minimum of 4 square meters per inmate, following the European Committee for the Prevention of Torture.

The Beirut Terraces are just one example in the wider context of architecture and luxury. Condello (2014, ix) asks whether the architecture of luxury is an "unqualified benefit or something which should only be present within strict limits." Linking the question back to the Kafala system, the question is if the Swiss architects should stick to Swiss values and norms or – which was the case – operate within the formal legal system, where the building was built and where the Kafala system is part of the status quo? Morality, therefore, affects both perception/consumption as well as the creation of luxury – and opens manifold ways to be looked at from a more philosophical perspective (Wiesing 2019) or from the perspective of critical luxury studies (Armitage and Roberts 2016).

Nevertheless, is the Kafala system a problem of luxury only? The same discussion emerged when considering the FIFA World Football Championship 2022 in Qatar, as the stadiums and other sites were constructed "off the back of modern slavery." Unlike the two architects, Zurich-based FIFA organizing the championship even publicly defended the Kafala system, as Chief Executive Officer (CEO) Gianni Infantino publicly expressed (Renggli 2022). All along, a particular relationship between leaders and luxury exist. Intentionally or not, famous owners of luxury items find themselves at the center of societal attention.

Furthermore, luxury products also have the role and responsibility of pioneering new trends and issues, as new technological features are often too expensive for mass production – at least in the beginning. As Deloitte claims, ethics and sustainability are key drivers of luxury, and therefore the question emerges if luxury businesses have not only a "social responsibility" but also a market-driven incentive to follow up on ethical and sustainable principles. As in the case of the Beirut Terraces, the broader consensus was that Herzog & de Meuron should not accept projects if they are based on dubious ethical grounds. At the heart of the business model, the question remains a business case question: Should corporations make money with unethical implications, while trying to be ethical and sustainable, just because consumers like and demand social responsibilities? Alternatively, does

making money with projects imply certain challenges against sustainability, social responsibilities, and ethics at large? This is where technology comes in, as technology as a neutral catalyst per se (Seele 2023) may be instrumentalized in various directions – be it pro-social or toward dark and dystopian antiliberal times neglecting issues of responsibility and sustainability. The Swiss watch industry here is a suitable example as it is a very well-established segment in the luxury business with a product torn between nostalgic mechanical traditionalism and high-tech regarding materials, technology involvement, and digitally based marketing and product components such as blockchain IDs (NFTs) or popularity through social media. Unfolding the ethical issues, particularly in the changing landscape of moral perception of luxury products and display, is at the center stage of this book used for both theory advancement and guidance for practitioners.

### COVID-19's impact on luxury: luxury consumption against anxiety and isolation

Next to the two major trends of sustainability and digitalization, the luxury industry has continued to be affected by the COVID-19 pandemic. The pandemic may be seen as a third factor shaping the sector, particularly in economic terms, as the revenue of the 100 world's top luxury companies came down from US$281 billion in 2019 to US$252 billion in 2020 (Deloitte Global 2021). However, the even more important implication of the pandemic in this book is not the macro-economic slump but rather the boost the pandemic had on the luxury industry as a catalyst of change, particularly regarding digital technology, online shopping, and e-commerce. Travel bans and curfews led to the closing of shops. Not meeting other people for private or business reasons also led to a decline in the sales of gifts, makeup, bags, and fashion. Companies already positioned in online sales benefited from this enforced transformation. However, not all companies transitioned to online retail. Rolex and Chanel, for example, "continued their refusal to sell online" (Deloitte Global 2021, 26), highlighting the delicate relationship between luxury brands and analog experiences, plus control of physical distribution channels.

Furthermore, supply chains were interrupted because of lockdowns, particularly in port cities, especially in China. The impact of COVID-19, therefore, was not only on the consumer end but also on the supply chain and production. COVID-19 came as a surprise and it became apparent that the implications of the pandemic were and are difficult to anticipate. One striking example of mistaken anticipation came from Bain & Company (2020), identifying consumer trends of the pandemic. The consulting firm's authors wrote, "Luxury shopping is likely to restart first in China if the virus remains under control there. Continued restrictions on travel will mean that many purchases that would have been made abroad will happen in China" (Bain & Company 2020). Two years later, it turned out that China imposed the strictest lockdowns. In contrast, other countries opened up again with mild(er) versions of the virus, which normalized shopping and travel behavior. This misperception of the trend reveals the complexity of the pandemic, and that simple

guessing of trends of such a unique situation as a pandemic in times of globalization does not help to manage the industry professionally.

As the pandemic created a new social reality for consumers because of lockdowns and social distancing, the perception of luxury products and brands also changed. COVID-19 brought social isolation to persons, and next to the slump in demand for certain products mentioned earlier, isolation also impacted how luxury bands were consumed by those coping with it.

Thapa, Guzmán, and Paswan (2022, 984) found:

> [T]he feeling of isolation leads to a higher intention to purchase luxury brands. Both COVID-19 anxiety and social capital moderate the relationship between bandwagon luxury consumption behavior and intention to purchase luxury brands/subjective well-being related to the luxury brand purchase.

As the pandemic increased anxiety and isolation, the role of luxury consumption following this study helped people to socially connect by adopting luxury consumption as perceived by others, primarily through popularity communicated through media channels. In other words, consuming luxury products "helped" to cope with the negative psychological effects of anxiety and isolation by jumping on the bandwagon. Companies orchestrating social connectedness and popularity could benefit from this coping strategy for anxious consumers during the pandemic. Here digital technology is a key driver, as communication is increasingly organized through digital means, intruding increasingly into private life. Social media, smartphones, and surveillance technologies in general help not only to understand the consumer better but also to connect the consumer to other persons. Among these are friends and family, but also increasingly social media influencers with millions of followers, sponsored by brands, promoting products, and creating a luxury impression, which can be instrumentalized by the bandwagon behavior mentioned earlier. Again, the pandemic is to be seen as a booster of this trend, as is technology. Blockchain technology and NFTs, for example – as we will see in the following chapters of this book – also help gain popularity and uniqueness, which may be aligned to values such as sustainability and ethics, leading to what has been recently coined as "positive luxury" (Batat 2022).

**Chapter overview**

The introductory chapter sets the stage, drawing attention to the current transformations in the luxury watch industry triggered by the two central themes of censored and sensored luxury. The introduction begins with a detailed explanation of the core themes, showing how changing moral perception and digital technologies reshape our understandings of luxury, particularly in the Swiss watch context, thus presenting the linkages between luxury watches, ethics, and technology. Further, the introduction provides an overview of the book chapters, emphasizing how each connects to the two core themes.

The first two chapters outline the Swiss empirical context and take a more practitioner-oriented perspective toward the core themes. Chapter 1 focuses on

defining luxury and its underlying dimensions for the watch sector, outlining the positioning of the Swiss luxury watch industry within the global luxury watchmaking universe. Via a principal component analysis, the first chapter analyzes expert survey data to present fundamental dimensions that help define luxury in the watch sector, including elements ranging from excellent quality, aesthetics, and beauty to hedonism, status, and conspicuousness. Informed by an expert survey, Chapter 2 describes new insights on challenges and trends in the (Swiss) luxury watch industry – highlighting the role of digitalization and new technologies, changing consumer perspectives, and ethical and sustainable product attributes.

The next two chapters are underpinned by a more theory-driven approach toward the books core themes, combined with illustrative and quantitative data. Chapter 3 approaches the public display of luxury and the concept of ethical hubris, discussing notions of desirable/undesirable luxury along with illustrative cases of organizational leaders first flaunting and then retouching their luxury items from the public eye. Given the peculiarity of public luxury display, Chapter 4 draws on a quantitative study to explore the ethicality of displaying luxury items in social interactions integrating conspicuous consumption theory and functional theories of attitudes, indicating specific situations where study participants deemed luxury display inappropriate.

The following two chapters each explicitly engage with one dimension of the book's central themes: the fifth chapter focuses on censored luxury in organization contexts, whereas the sixth chapter sheds a detailed light on notions of sensored luxury. Chapter 5 takes an organizational perspective, discussing the role of luxury watches worn at work and how they may contribute to the construction of an organizational image, stabilizing or destabilizing the organizational "gestalt." Based on a qualitative netnography of two luxury watch online communities, Chapter 6 provides an in-depth study of blockchain-based product identifiers, advancing networked surveillance as a concept that can inform an ethical luxury industry by shedding light on the learning and control possibilities relevant for black markets and counterfeits, corporate social responsibility (CSR) reporting, and personalization of luxury products.

The final two chapters emphasize the target audiences of the book. Chapter 7 is research-oriented, synthesizing the theoretical and practical implications of censored and sensored luxury to highlight the contributions offered to the field of luxury studies and avenues for future research. In contrast, Chapter 8 takes a practitioner focus, with a future outlook on challenges emerging in the luxury (watch) industry. In this way, the final chapter provides a practical perspective on future drivers of competition and growth and reflections on cutting-edge technologies such as the transformative Web3 and the changing demands of younger consumer generations that require the attention of researchers, practitioners, and experts.

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# 1 Defining luxury in the watch industry

## Exploring the gestalt of Swiss luxury watches

**Positioning the Swiss luxury watch industry in global luxury watchmaking**

Building on an expert survey, this chapter explores how luxury watch industry professionals perceive luxury. The focus is thereby set on Swiss luxury watchmaking.

> Just as Italy is the global leader in fashion, Switzerland is second to none in luxury watchmaking.
>
> (Deloitte AG 2018, 42)

Swiss watchmakers produce around 30 million timepieces a year, which represents "only" 2,5 percent of all watches in the world (Jaberg and Nguyen 2017). However, this represents 95 percent of high-end watches priced at CHF 1,000 and above manufactured by Swiss companies (Jaberg and Nguyen 2017). The Swiss watch industry employs about 60,000 people working for roughly 500 companies (Jaberg and Nguyen 2017). Taking these numbers into consideration, it is noteworthy that three watch groups dominate the entire industry by their scale and turnover. All three companies focus on high-end luxury watches, with Compagnie Financière Richemont SA ranked third (total revenue of US$11,677 million), Swatch Group Ltd. ranked sixth (total revenue of US$7,665 million), and Rolex SA ranked twelfth (total revenue of US$5,379 million) (Deloitte AG 2018). Together, these three companies account for the absolute majority of luxury watch sales of all Swiss watchmakers (Deloitte AG 2018). In a recent industry report on global luxury goods, the top 100 companies were ranked in terms of sales, featuring the three Swiss companies in the top 12, underlining the importance of Swiss luxury watchmaking as mainstay of global luxury watchmaking (Deloitte AG 2018).

**Luxury perceptions: insights from an expert survey**

To understand the luxury perceptions of Swiss watchmaking professionals, an online expert survey was launched at the end of February 2019. All Swiss watch manufacturers (as listed in the register of the Federation of the Swiss Watch Industry FH 2019), as well as institutions, organizations, and service providers linked

to the watch industry, were invited to participate. Further, experts with varying professional positions were identified on LinkedIn (the largest online professional network) and invited to participate in the survey. The survey allowed us to explore how luxury is more generally perceived with regard to luxury watches and whether the perception toward luxury watches might be in transition.

## Data collection

The survey consisted of several closed questions, with one open-ended question placed toward the end of the survey, followed by demographic questions (see Chapter 2, reporting and discussing further results). In total, 87 (80.20 percent males; 19.80 percent females) experts with various professional positions within the industry participated. The unequal number of male and female participants reflects the overall gender divide in the industry (Donzé and Fujioka 2018), but it should also be noted as a potential limitation of the survey. The response rate was 14.01 percent. Table 1.1 shows a detailed breakdown of the participants' professional background. Almost 60 percent of the experts indicated to have a professional industry experience of more than ten years, with about 24 experts indicating an experience level exceeding 20 years (see Table 1.2).

## Data analysis and results

Given that luxury is perceived very differently (Shukla and Singh 2017; Amatulli et al. 2017), the expert survey data provided the possibility to understand which

*Table 1.1* Professional position of survey respondents.

| | No. of respondents | | |
| --- | --- | --- | --- |
| | Total | Male | Female |
| CEO | 1 | 0 | 1 |
| Communications | 5 | 1 | 4 |
| Customer service | 2 | 1 | 1 |
| General management | 29 | 25 | 4 |
| IT | 3 | 3 | 0 |
| Manufacturing | 7 | 6 | 1 |
| Marketing | 3 | 2 | 1 |
| Operations/supply chain | 4 | 4 | 0 |
| Owner | 2 | 2 | 0 |
| Procurement | 3 | 2 | 1 |
| Researcher | 3 | 3 | 0 |
| Retail and sales | 7 | 5 | 2 |
| Watch design | 3 | 3 | 0 |
| Watchmaker | 5 | 5 | 0 |
| Other | 10 | 8 | 2 |
| Total | 87 | 70 | 17 |

*Table 1.2* Luxury watch industry experience off-survey participants.

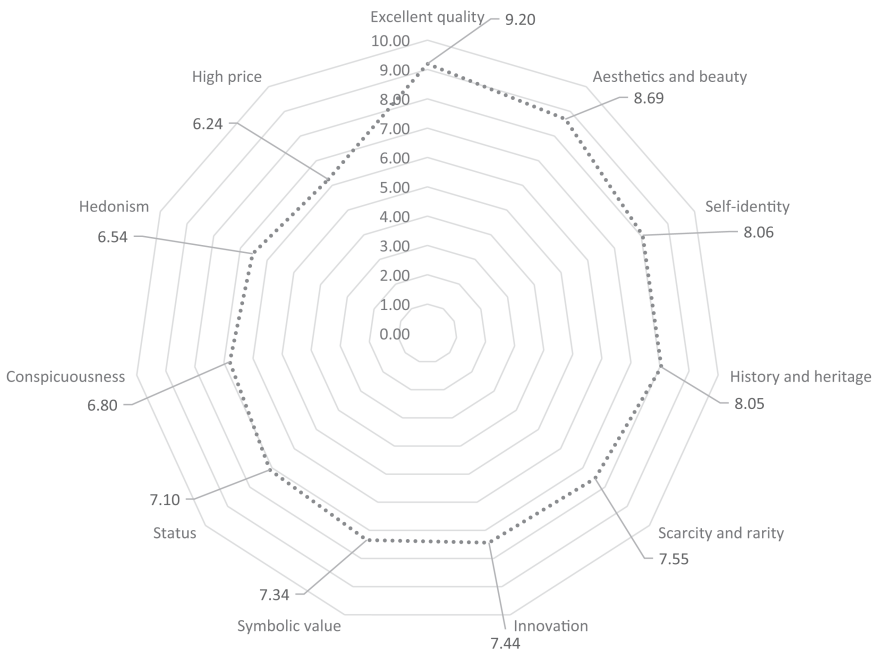| Years of experience | No. of respondents | Percentage | Cumulative percentage |
|---------------------|--------------------|------------|------------------------|
| None | 1 | 1.1 | 1.1 |
| < 1 | 5 | 5.7 | 6.9 |
| 1–5 | 11 | 12.5 | 19.5 |
| 5–10 | 19 | 21.6 | 41.4 |
| 11–20 | 27 | 30.7 | 72.4 |
| > 20 | 24 | 27.3 | 100.0 |
| Total | 87 | | |



*Figure 1.1* Importance of luxury dimensions.

*Note*: *Values shown represent the mean ratings.

dimensions of luxury are particularly valued and relevant when it comes to luxury watchmaking and how these dimensions might be related.

The survey participants were asked to rate the importance of the following items in relation to luxury using an 11-point Likert-type scale for each item (0 = "Not at all," 10 = "extremely important"): (1) aesthetics and beauty; (2) conspicuousness; (3) excellent quality; (4) hedonism; (5) high price; (6) history and heritage; (7) innovation; (8) scarcity and rarity; (9) self-identity; (10) status; and (11) symbolic value. The results presented in Figure 1.1 are based on the average rating for each

dimension. Excellent quality, aesthetics, beauty, and self-identity were rated the highest, whereas high price, hedonism, and conspicuousness were rated the lowest.

### Explorative factor analysis

An exploratory factor analysis using a principal component factor extraction was conducted to determine the factor structure. For all analyses, the standard statistical package SPSS was used. At first, the factorability of the 11 items was examined by utilizing the following well-established criteria. First, all 11 items correlated at least 0.3, with at least one other item, suggesting a reasonable factorability. Second, the Kaiser–Meyer–Olkin measure for the sampling adequacy was 0.77, above the recommended value of 0.5. Further, Bartlett's test of sphericity was significant ($\chi^2$ [55] = 283.30, $p < 0.00$). The communalities were all above 0.3 (see Table 1.3 factor loadings). This confirmed that each luxury item shared some common variance with other items, supporting the inclusion of each item in the factor analysis. Overall, in light of the above criteria, a factor analysis was conducted with all 11 items.

Principal component analysis was used to identify and compute the underlying factor structure of the given luxury items. The initial eigenvalues showed three factors with an eigenvalue >1, suggesting a three-factor solution, with the first factor explaining 37.2 percent of the variance and the second factor explaining 13.1 percent of the variance. However, the third factor explaining 9.8 percent of the variance showed an eigenvalue of just over one. A Parallel Analysis suggested a two-factor solution; thus, the first two factors were retained while dropping the third one. For the interpretation of the two factors, a varimax orthogonal rotation was used. The items were evaluated to meet a minimum criterion of having a factor loading of 0.4 or above. The item "self-identity" was removed due to an almost identical factor loading and cross-loading below 0.4. A principal component factor analysis was performed with the remaining 10 items. A varimax rotation provided a well-defined factor structure, with all items having a primary loading over 0.5

*Table 1.3* Factor loadings and communalities based on a principal component analysis for 11 items. Prompt: Please rate the importance of the following dimensions in relation to luxury:

| *Item* | *Factor 1* | *Factor 2* | *Communalities* |
| --- | --- | --- | --- |
| Hedonism | **0.71** | −0.13 | 0.64 |
| Status | **0.71** | 0.31 | 0.67 |
| High price | **0.71** | 0.28 | 0.67 |
| Conspicuousness | **0.71** | 0.15 | 0.51 |
| Symbolic value | **0.63** | 0.01 | 0.47 |
| Scarcity and rarity | **0.53** | 0.30 | 0.45 |
| Excellent quality | 0.21 | **0.81** | 0.70 |
| Aesthetics and beauty | 0.02 | **0.74** | 0.60 |
| Innovation | 0.09 | **0.62** | 0.54 |
| History and heritage | 0.40 | **0.60** | 0.77 |

*Note*: Factor loadings >0.5 are highlighted in bold.

*Table 1.4* Descriptive statistics for the two factors (*N* = 87).

|          | *No. of items* | *M* (SD)    | *Alpha* | *Eigenvalue* |
|----------|----------------|-------------|---------|--------------|
| Factor 1 | 6              | 6.92 (1.59) | 0.78    | 3.76         |
| Factor 2 | 4              | 8.34 (1.33) | 0.67    | 1.40         |

and only two items having a cross-loading above 0.3 (history and heritage, status), which, however, show a difference of 0.2 and 0.4 between the loadings. The factor loadings for this final solution are shown in Table 1.4. The internal consistency for each of the scales was examined using Cronbach's alpha. The alpha for factor 1 was 0.78 (six items), and for factor 2, the alpha was 0.67 (four items), showing a good and moderate internal consistency. The composite scores were created for the two factors using the mean of the items, which had primary loadings on each factor. A higher score indicates higher importance of the luxury items that make up a factor. Thus, factor 2 was the luxury factor that the experts rated as the most important. An overview of the factors is provided in Table 1.4. Overall, the analysis indicates two distinct factors underlying the luxury dimensions.

**Luxury dimensions in the Swiss luxury watch sector**

The results of the expert survey indicate that distinct dimensions of luxury are perceived as important when it comes to luxury watches. As the factor analysis reveals (see Table 1.4), two divergent underlying factors are present. Factor one captures rather symbolic facets that are sometimes linked to undesirable connotations of luxury, such as social stratification (Turunen 2018; Jaikumar, Singh, and Sarin 2018). In contrast, factor two highlights characteristics that are closely connected to more inherent characteristics or values of the luxury item (Amatulli et al. 2017; Gurzki and Woisetschläger 2017; Shukla and Singh 2017; Serdari 2020). This shows that luxury watches can be perceived with different "gestalts." Gestalt comes from German and typically refers to the English words shape or figure and can be defined as "something that is made of many parts and yet is somehow more than or different from the combination of its parts" (Bonacchi 2015; Encyclopædia Britannica 2022). Thus, the gestalt of a luxury watch can be described as the form in which it appears to an observer (Bonacchi 2015). Similar to Wittgenstein's duck–rabbit analogy, interpretive human perception plays an important role in whether a luxury item is perceived in one way or another. Whereas the experts indicated higher importance of more inherent luxury characteristics reflected by factor two, the findings from the open question of the expert survey show that luxury watches are also valued in the gestalt of factor one:

> Often people are uncertain about buying a watch with our brand, which is considered as "old fashion" compared to another luxury brand which often is perceived as being more modern and recognized as a status symbol. This often happens with young male clients.
>
> (Undisclosed survey participant)

Similar to the perception of the duck–rabbit drawing (Eilan 2013; Crowe 2018), it appears that personal perception plays a key role and might differ according to features such as expectations, past experiences, gender, background, age, and so forth. Thus, many individual aspects come into play when the luxury item is perceived in one way or another. For example, person A, without any knowledge or experience with luxury watches, might only see a shape covering the wrist of the watch bearer. Person B, working with watches on a daily basis, might see the watch in the "gestalt" of aesthetics, beauty, and innovation with excellent quality. Consequently, the gestalt of a luxury watch can manifest in various ways, depending on the observer's perception of its underlying dimensions.

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# 2 Trends and challenges in the Swiss luxury watch industry

## Insights from an expert survey

### Challenges of the Swiss luxury watch market I: from scholarly research and media

#### The Swiss economy and the Swiss Franc

As a rather small and worldwide open economy, Switzerland is strongly influenced by global economic activities, given its strong focus on foreign trade (Indergand and Leist 2013). Therefore, global economic fluctuations, as well as exchange rate fluctuations traditionally, have a high impact on Swiss industries. The Swiss watch industry is Switzerland's third-largest export sector with over 90 percent of its business conducted outside the country (Deloitte 2018; Jaberg and Nguyen 2017). As a direct consequence of this export focus, the industry is generally characterized by high dependency on foreign economic activities and the valuation of the Swiss franc. Currency fluctuations, in terms of a strong Swiss franc, have a negative impact on watch exports, as past exchange rate shocks have shown. In 2015, the Swiss National Bank suddenly unpegged the CHF from the Euro, leading to a soaring CHF (Jolly and Irwin 2015). This, in turn, led to strong export drops across all global export markets of Swiss watch manufacturers (Federation of the Swiss Watch Industry FH 2017). Following this decline, Swiss luxury watch companies have gradually adjusted their strategies and are now able to better handle the strong CHF, resulting in stable export numbers since 2017 (Deloitte 2017; Federation of the Swiss Watch Industry FH 2018, 2019b).

#### Main markets

The Swiss Watch Industry is focused on three key regions, with Asia accounting for 53 percent Europe 31 percent, and America 14 percent of the overall turnover (Federation of the Swiss Watch Industry FH 2019b). Whereas the Asian (+12.2 percent) and American (+7.2 percent) markets are showing a constant growth, the market of Europe (−2.9 percent) is in decline (Federation of the Swiss Watch Industry FH 2019a). This trend is also reflected by developments in the single country markets as shown in Figure 2.1, highlighting the top ten export destinations of Swiss watches as of 2017 and 2018.
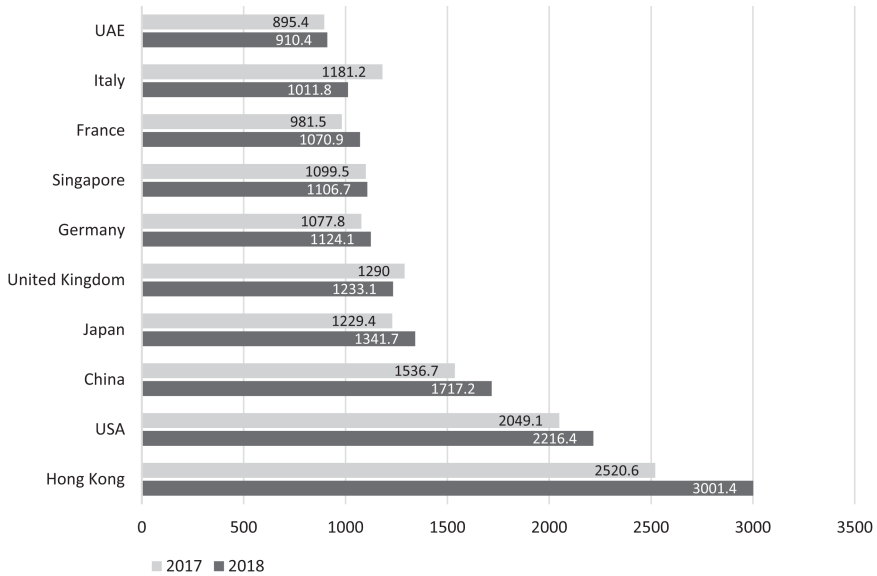
*Figure 2.1* Top ten main export markets of the Swiss Watch industry (total value in million CHF).

What becomes most evident from these recent export numbers is the role of the Chinese market as "[h]alf of all watches sold worldwide end up on the wrist of a Chinese customer" (Jaberg and Nguyen 2017). China with its autonomous territory of Hong Kong represents the most important export destination for Swiss watches. On the one hand, the high demand of Chinese customers can be partially explained by the constant economic growth, allowing an increasing number of people to afford luxury products (Zhan and He 2012). On the other hand, China is known for a gift-giving culture, whereby luxury goods are often exchanged for business favors (Amatulli et al. 2017). Targeting public corruption involving civil servants, the Chinese government initiated an anti-corruption campaign in 2012, banning *inter alia* luxury advertising throughout China (Adams 2012). The campaign had a considerable impact on the Swiss Watch Industry from which it only slowly recovered (Hoffmann, Ramirez, and Lecamp 2018).

### Black and gray markets

Academic literature defines a black market "as a marketplace created beyond the borders of legality to avoid collecting taxes or respecting price and sanitary controls or other governmental impositions, such as simple prohibition" (Hemsley and Pinho 2017, 252). Black markets, also known as shadow economy, can be divided into two general categories: the first arising from product scarcity and the second emerging from high product prices in the legal market (Boulding 1947). Luxury

watches, generally belonging to the latter category, are frequently traded in such clandestine markets, and a distinction is often made between different "shades of black." Whereas stolen, fake, or counterfeit watches are typically sold in black markets, authentic watches are increasingly offered by unauthorized sources in the so-called gray markets, lacking factory warranties (Vartan 2009). Gray markets are aimed at avoiding governmental taxation and entail watches that are mainly sourced from overseas, outside the officially controlled retail networks (Vartan 2009; Koltrowitz 2017). Lecamp (2013) highlights that timepieces of all price classes are offered in such markets, with discounts reaching up to 50 percent of the listed price. Driven by digital selling platforms, it is estimated that gray markets will continue to flourish, expanding their current share of about 20 percent of the market for watches above CHF 5,000 – a billion dollar market (Shannon 2017). Whereas gray market's sales of luxury watches are not clearly illegal and therefore in the gray zone, black market trades are, in most countries around the world, against the law (Vartan 2009; Li, Shao, and Zhu 2018). Watches offered on a black market are sold without an accounting record to prevent any tracing of its source of origin (Lecamp 2013). Next to stolen and fake watches, the absolute majority of black-market offerings are counterfeits (OECD/EUIPO 2016).

### Counterfeits

The popularity of Swiss watches is also reflected in the number of counterfeits that are produced, totaling more than 35 million pieces every year (Jaberg and Nguyen 2017). Counterfeits are defined as "products that bear a trademark that is identical to, or indistinguishable from, a trademark registered to another party and that infringe the rights of the holder of the trademark" (Bian et al. 2016, 4250).

As shown in a recent OECD report, watches have the highest propensity to be affected by counterfeiting compared to all other products (OECD/EUIPO 2016). Particularly well-known brands, such as Rolex, suffer from the high amount of illegal replicas that are trying to imitate the original watches manufactured in Switzerland (Bian and Moutinho 2011). Counterfeiting of luxury watches is no niche phenomenon. The turnover of counterfeit sales, is estimated at CHF 1 billion annually (Jaberg and Nguyen 2017). As the demand for counterfeits is robust and rising, many companies are looking into various applications to counter these practices (Bian et al. 2016).

## Challenges of the Swiss luxury watch market II: results from the survey

### Descriptive and demographic results

The online expert survey introduced in Chapter 1 also served as the basis to better understand the current trends and challenges of Swiss watchmaking. In contrast to previous industry surveys that focused exclusively on company executives (see, e.g., Deloitte 2017), the survey strived to gain a more holistic understanding of
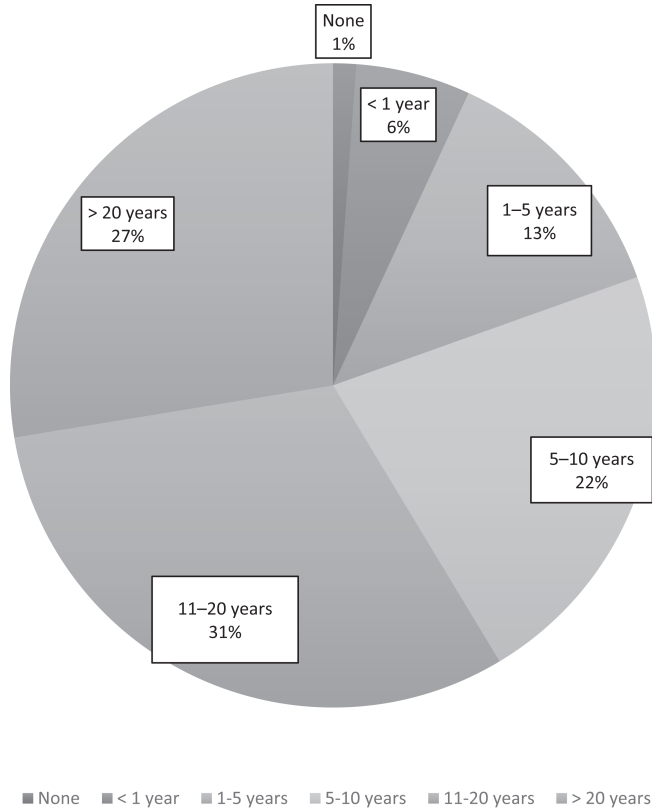
*Figure 2.2* Work experiences in the luxury watch industry.

current dynamics. For this reason, also industry professionals with varying profes-
sional positions were invited to participate. As reflected in Figure 2.2, experts with
various industry backgrounds participated and provided responses to several closed
and open-ended questions (see also Chapter 1). The results will be reported next.

### The top four challenges

The survey participants were asked to rate the following seven items with respect
to their importance as a challenge for the luxury watch industry using an 11-point
Likert-type scale (0 = "Not at all," 10 = "extremely important"): (1) anti-corruption
legislation in China; (2) anti-luxury attitude of consumers; (3) black markets; (4)
counterfeits; (5) decreasing demand; (6) controversies involving luxury watches
worn in public; and (7) smartwatches. Rated with almost the same importance, the
top three challenges were named as black markets (#1), decreasing demand (#2),
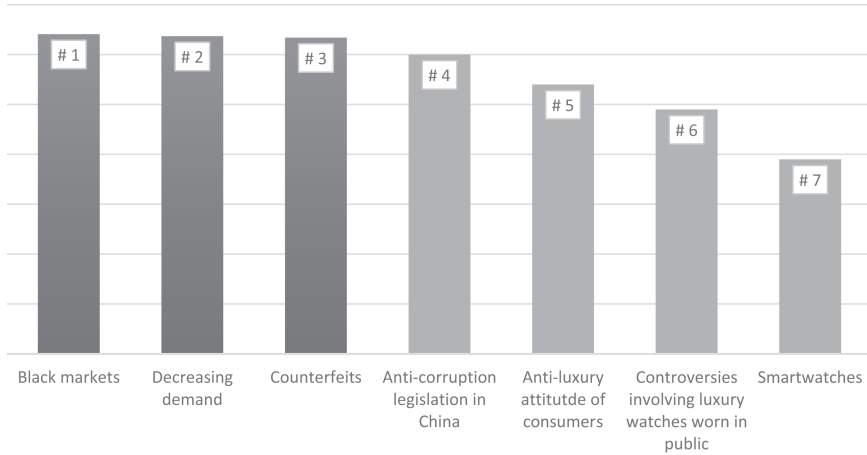and counterfeits (#3) as shown in Figure 2.3.

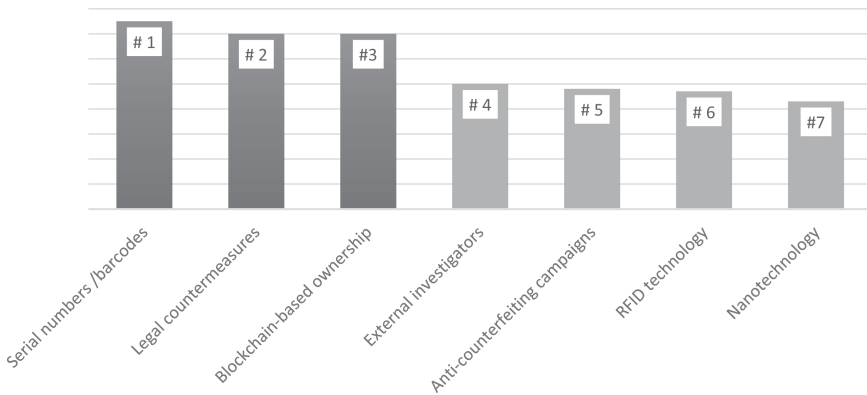*Figure 2.3*  The most important challenges for the luxury watch industry.



*Figure 2.4*  Key measures countering counterfeits and black-market sales.

## Trends in the Swiss luxury watch market: measures for fighting counterfeits and black-market sales

### Key applications

The survey participants were asked to evaluate seven items in relation to countering black-market sales and counterfeits using an 11-point Likert-type scale (0 = "Not at all," 10 = "extremely important"): "How would you rate the importance of these (future) applications against counterfeits and black-market sales of your products?" (1) Anti-counterfeiting campaigns (e.g., produced by child labor); (2) blockchain-based ownership registry; (3) external investigators; (4) legal countermeasures; (5) nanotechnology; (6) radio frequency identification (RFID) technology; and (7) serial numbers/barcodes on products. The results, as shown in Figure 2.4, indicate
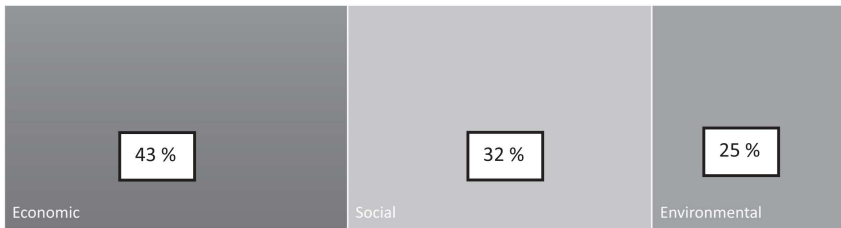
| 43 % | 32 % | 25 % |
| Economic | Social | Environmental |

*Figure 2.5* Which CSR dimension is the most important for your company?

the high importance of serial numbers and barcodes (#1) as a visual identifier for luxury watches. Second and third with almost equal importance, legal counter-measures (#2) and blockchain-based ownership registries (#3), were identified as countermeasures with high relevance for current and future application.

*CSR and corporate sustainability*

The survey participants were asked to rate the importance of CSR and corporate sustainability for their company using an 11-point Likert-type scale (0 = "Not at all," 10 = "extremely important"). The results indicate a high level of importance, with an average of 7.66. In addition, respondents were asked which CSR dimension represents the most important for their company: the economic dimension was rated the most important, followed by the social and the environmental (see Figure 2.5).

*Change in perceptions toward luxury*

To determine future research priorities, survey participants were asked about their perception of the watch industry and whether they see any changes occur-ring. To detect which factors might be of particular interest, triggering a change in perception, an open-ended text entry question was used. The open-ended text entry question was used to determine whether experts see a change in perception toward luxury watches. In this way, participants were encouraged to provide long answers expressing their point of view. Table 2.1 presents exemplary quotes struc-tured according to shifting consumer demands and the topic of digitalization. One recurring theme from the answers is the role of younger consumers namely "mil-lennials" and "generation Z" who are described as taking more ethical and sustain-able consumption choices. Reaching these consumer groups is an important task for watch companies, as the experts indicate. Moreover, the survey participants see female consumers on the rise, offsetting the dominant gender imbalance that stemmed from a traditional industry focus on male clients:

> Often people are uncertain about buying a watch with our brand which is considered as "old fashioned" compared to another luxury brand which often

is perceived as being more modern and recognized as a status symbol. This often happens with young male clients.

From the expert answers, it becomes evident that luxury consumers are expecting an increased level of product personalization. The watch as an expression to be unique and not "like anyone else." In line with previous studies and the answers given in point 3.3, smartwatches are not seen as an industry challenge, particularly not for high-end watches.

*Table 2.1* Exemplary quotes highlighting perceived changes toward luxury watches: "Do you see a change in perception toward luxury watches? By whom?"

| Younger consumer groups and ethical consumption | New standing of female consumers and personalization | Digitalization |
|---|---|---|
| "New generations are more focused on experiential aspects and more inclined to make ethical and sustainable consumption choices, considering the watch as a way to express their personality." | "For a long time, watches have been the sole jewel for men and its importance increased with time, and it became one of the jewels for women as well. The market is in a constant growth, and it serves mostly demonstrating a certain social status. Some people don't care much about this market, but most people do." | "Overtime it can be seen that the entry-level luxury watch market will have a down turn in sales, as a direct result of digital watches. Nonetheless the upper echelon of the luxury watch market will continue to grow rapidly with the increase of wealth around the [w]orld." |
| "A new vague of younger consumers has risen, luxury isn't reserved for elder, rich people. They've therefore become an aim to be reached much quicker by new generations." | "Now, people don't buy only a watch, they are buying an experience. More and more people want to have a personalized watch, they don't want to be like anyone else." | "Post introduction of smart-watches, perception on luxury watches are chang-ing. Functional aspects are necessarily to be added in the luxury watches. High end customers expect functionality as an added feature in luxury watches." |
| "Yes, Millennials and Generation z." | "I also see some young peo-ple (millennial's) in search of something unique perhaps to symbolize something or for identity or to give them meaning." | "Time, rareness and excep-tional experiences are the new luxury. Product itself is not enough anymore." |
| "The challenge is to bring more transparency on the table. Consumers are waiting for that." | "Luxury is not anymore linked to the price, the importance of the ethics questions is growing very quickly, as well as the importance of the stories behind a product." | "Luxury can be "touched by everybody today thanks to Instagram." |

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# 3 Luxury watches and ethical hubris

## A comparative overview of illustrative cases

### Theoretical background

#### *Hubris*

Hubris is a Greek term that implies "a grievous lack of respect for that which demands respect" (Aristotle 2011, 309). In its modern sense, the term is associated with a cognitive bias in the form of arrogance, overconfidence, a behavior that goes contrary to common sense creating outrage and ultimately leading to the downfall of an actor (Picone, Dagnino, and Minà 2014).

It has been shown that several organizational decisions are adversely affected by managerial hubris (Judge, Piccolo, and Kosalka 2009; Roll 1986; Petit and Bollaert 2012; Hayward, Shepherd, and Griffin 2006). Further, McManus (2018) outlines that unethical behavior is another negative outcome of hubris when it comes to organizational leadership, which often involves male actors. The certainty of being correct leads the protagonist to adopt high-flying strategies that, however, are often punished (Greek nemesis) by the downfall (Picone, Dagnino, and Minà 2014). Previous research shows that males give higher importance to exclusivity and elitism, and thus are more likely to act with hubris, as also the following cases underline (Roux, Tafani, and Vigneron 2017).

### Illustrative cases of censored luxury watches

Roger Federer, Cristiano Ronaldo, Kobe Bryant, Larry Ellison, George Soros, Bernard Ecclestone, Sylvester Stallone, Nicolas Sarkozy, Bill Clinton, Justin Trudeau, Rihanna, and Jay-Z. These world-famous athletes, CEOs, actors, country leaders, and singers are not only recognized for their professional achievements but also sometimes recognized for the luxury watches they wear (JamesEdition 2018). For example, Roger Federer, the number four of the highest paid male athletes is often seen with a Rolex on his wrist, lifting his trophies with a shiny timepiece on his arm (Naas 2016; JamesEdition 2018). As an official Rolex brand ambassador, Federer might even be obliged to wear it, yet he does not seem to be too unhappy about the watch – or the brand ambassador contract behind it. Certainly, most of the others mentioned earlier have paid large sums for their watches or are also part of a

marketing sponsorship mandate. As a consequence, the timepieces that "celebrities" are wearing in public are also popular among "normal" consumers. Countless fashion blogs, Instagram entries, YouTube videos, and reports in luxury fashion magazines not only give an indication that consumers are inspired by but also share the celebrities' admiration for luxury watches (see, e.g., Crown and Caliber 2017). In light of so much admiration for luxury watches, it is doubtful that anyone could have an objection to them. Yet, as the following examples from around the world will show, there are situations when the objects of desire become undesirables, switching their "gestalt" as in Wittgenstein's famous duck–rabbit figure (Wittgenstein 1958). In the following, we present illustrative cases of ethical hubris (see overview Table 3.1) to derive our research question from the phenomenon.

### Australia: former Prime Minister Tony Abbott and senior MPs

Deeper knowledge about the Chinese gift-giving culture might have spared Australia's former prime minister and three senior MPs (Ian Macfarlane, Peta Credlin, and Stuart Robert) from several embarrassing news headlines in early 2016 (Ogilvie 2016). In 2013, during an informal dinner party at Australia's Parliament House, the politicians received Rolex watches from the Chinese billionaire Li Ruipeng as a goodwill gesture (Lopez 2016; Coorey 2016). The three politicians declared these Rolex watches correctly with the clerk of the House of Representatives, however, as counterfeits worth $300–$500 (Hunt 2016).

Macfarlane, one of the MPs, wore his watch occasionally and received compliments from Goodenough, another politician who compared his genuine Rolex with the one of Macfarlane (Coorey 2016). Worried about the authenticity of his counterfeit, Macfarlane got his Rolex valued by a specialist, who identified the watch as an original worth $40,000 (Coorey 2016). Thus, taken together, the politicians had received genuine luxury watches worth $250,000 (Hunt 2016). It was reported that all politicians returned their watches to the Chinese billionaire Li (Coorey 2016). The same Li is wanted by the Chinese police for debts of $30 million and has been evicted from an office space that he rented at the Australian Gold Coast, owing $200,000 in rent to the owner (Skene 2016b, 2016a). The whole watch controversy has been received critically by the Australian public with some Twitter users mocking the politicians and giving tips about how to spot a fake Rolex (Backhouse 2016). Langsam (2016) questioned the political judgment of the politicians, arguing that accepting "fake" luxury watches is worse than accepting them as genuine bribes, given the violation of the Australian Trademarks Act and other intellectual property right agreements. As of today, the controversy seems to be partially resolved. However, doubts remain about Stuart Robert having returned the watches that he had received (Jones 2019).

### China: Yang Dacai (provincial safety official)

The situation in China can be observed in the same vein. Since the Communist Party has adopted a market economy with socialist characteristics, luxury items

*Table 3.1* Comparative overview of illustrative cases.

| | *1. Russia: Patriarch Kirill* | *2. China: Yang Dacai* | *3. Australia: Toni Abbott* | *4. Russia: Vladimir Putin* | *5. Germany: Klaus Kleinfeld* |
|---|---|---|---|---|---|
| **Official function** | Leader of the Russian Orthodox Church (ROC) | Former Provincial safety official | Former prime minister and senior member of parliament (MP) | President | Former CEO of Siemens |
| **Object(s) of interest in the case** | Breguet ($30,000) | Montblanc (~ $5,000), Omega ($10,000), Constantin ($32,000) | Several Rolex watches for each politician, in total worth $250,000 | Several: luxury watch collection estimated $700,000 | Rolex Submariner (€3,700) |
| **Photo exposed luxury watch** | Yes, and airbrushed | Yes | No | Yes | Yes, and airbrushed |
| **Apolgetic** | Kirill asserted the journalist that he had never worn the luxury watch and all photos showing him with such a luxury watch are digital manipulations. | Dacai tried to explain that he bought the luxury watches worth £6,500–£64,500 with his own income. | Declared the watches as counterfeits worth $300–$500. | N/A | It was claimed that two photo session, one with and one without watch were done. |
| **Refutation of claims** | The photo showed a reflection of the retouched watch in a glossy table. | Pleaded guilty failing to explain a fortune of ¥5 million that he declared to be " 'festive gifts' of subordinates and old schoolmates" (Chen 2013). | An independent specialist identified one of the watches as original. | N/A | The photo was digitally altered based on the clients (Kleinfeld) request. |

*Table 3.1* (Continued)

|  | *1. Russia: Patriarch Kirill* | *2. China: Yang Dacai* | *3. Australia: Toni Abbott* | *4. Russia: Vladimir Putin* | *5. Germany: Klaus Kleinfeld* |
|---|---|---|---|---|---|
| **(Legal) Consequences** | No consequences for Kirill. A female employee aged 24, who was claimed to have altered the picture on her "personal initiative without getting an approval from her supervisors." Internal investigations followed. | 14 years in jail | Although Abbott and the MPs could have kept the watches from a legal standpoint, it was claimed that all of them were returned. | N/A | Siemens claimed that the photo with the watch will not be used anymore because it was "visually overstated." |
| **Public reactions** | Winner of the silver shoe award for "the most dubious achievements in show business": "immaculate disappearance of watch." | "Brother Watch" symbol of greed and corruption (Gough 2013) | Twitter users mocking the politicians and giving tips about how to spot a fake Rolex (Backhouse 2016). | YouTube videos and websites mocking Putin's excessive lifestyle and seemingly endless reservoir of luxury watches. | Public mockery depicting Kleinfeld as a greedy manager who cuts jobs, while receiving an annual salary of several millions (Kruse 2014) |

stand no longer in conflict with communist values and serve as visual identifiers of the "new rich" (Rovai 2016). Certain luxury goods, including luxury watches, are seen as requirements when expressing membership of a specific social group or class (Rovai 2016). Swiss luxury watch brands are in high demand in China as well as by Chinese tourists visiting boutiques in Switzerland (Jaberg and Nguyen 2017). As stressed by Jaberg and Nguyen (2017), 50 percent of the watches sold worldwide decorate the wrist of a Chinese customer.

The strong demand for luxury goods is also connected to the traditional Chinese culture, in which gift exchange plays a substantial role (Rambourg 2014). Luxury goods are very important items when it comes to showing respect and gratitude but also when building long-term (professional) relationships, particularly with civil servants (Rovai 2016). The gift-giving can be legitimate; however, in relation to governmental officials, it is often linked to corruption (Adams 2012). For the year 2009, estimates suggested that luxury gifts to civil servants accounted for nearly half of China's luxury sales (Osnos 2013). A considerable amount of the luxury gifts were luxury watches, depicted as "symbols of corruption," easy to exchange and less palpable than other items, such as a luxury car (Jaberg and Quesnel 2013; M. Phillips 2013). As outlined by the Swiss television coverage Mise au Point (2012), Swiss luxury watches were worn by the majority of Chinese officials, with differing brands reflecting their official rank.

In 2011 Swiss luxury watch sales in China even increased by almost 40 percent (Wen 2013). However, this trend came to an abrupt slump when Xi Jinping became head of the Chinese Communist Party in 2012 (Jaberg and Quesnel 2013). Only one month after his nomination, a massive anti-corruption campaign was launched to restore the credibility of the ruling party (Forsythe 2016; Zhang 2018). It is estimated that in the ongoing campaign, about two million governmental officials have been investigated for corruption (ChinaFile 2018). In a now famous statement in January 2013, Xi labeled the corrupt officials as "tigers and flies," referring to senior and lower-ranking officials (Ke, Liu, and Tang 2018). As the numbers of sentenced officials are exorbitantly growing, the database "Catching Tigers and Flies" of ChinaFile provides a visual online tool to track the effects of the Chinese anti-corruption campaign (ChinaFile 2019).

The database also lists Yang Dacai, one of the first "flies" caught in September 2013, shortly after the anti-corruption campaign was launched (ChinaFile 2019). Yang, a former provincial safety official, is also known as "Brother Watch" and stands as a symbol of greed and corruption (Gough 2013). He was sentenced to 14 years in prison for taking bribes and possessing luxury items of unknown origin (T. Phillips 2012). Investigations were triggered by Chinese Internet users who spotted a photo that showed the civil servant with a smile on his face, standing next to a road accident in which 36 people were killed (Kaiman 2013). The indifference in Yang's face prompted the Weibo social media users to share photographs that exposed him wearing luxury watches that could not possibly be within his means (Gough 2013). Yang tried to explain that he bought the luxury watches worth £6,500–£64,500 with his own income (T. Phillips 2012; Bacchi 2014). Ultimately, however, he pleaded guilty failing to explain a fortune of

¥5 million that he declared to be "'festive gifts' of subordinates and old school-mates" (Chen 2013). A similar online search previously embarrassed China's rail-ways minister, Sheng Guangzu, who found himself at a loss to explain how he could afford a luxury watch collection worth £40,000, with his yearly salary of £10,000 (Foster 2011).

### Germany: Klaus Kleinfeld (former Siemens CEO)

Klaus Kleinfeld, the former CEO of Siemens can be seen as the German counter-part of Patriarch Kirill when it comes to making watches disappear. In 2005, two almost identical press photos of the Siemens manager made headlines in Germany, encouraging attentive news readers to spot the difference in the two (Hans 2007). The difference in the images is quickly identified as a Rolex watch, more precisely as a Rolex Submariner, which sells for approximately €3,700 (Boyes 2005). The first image including the watch was published in July 2004, when Kleinfeld was not yet the CEO of Siemens; the version without the watch was circulated half a year later when he took over the executive position of the technology company (Merkur 2018). A highly sensitive moment, as Siemens had just achieved record profits while announcing plans to cut 1,350 jobs (Spiegel Online 2005). This delicate situ-ation probably triggered Kleinfeld to ask the responsible communication agency that had taken the initial photo to retouch the watch from his wrist (Hans 2007; Seele 2012). However, the alteration was immediately spotted and became subject to public scrutiny depicting Kleinfeld as a greedy manager who cuts jobs, while receiving an annual salary of several millions (Kruse 2014). The public outcry and reputational damage became even worse when a Siemens spokesman explained that the photos were taken in different photo sessions and the company opted for the one without the watch, which was judged as too dominant (Hans 2007). The German journalist Ulf Poschardt assessed the event as a regretful concession of Kleinfeld bowing " to a climate which says you can only consume that which is allowed by the social consensus" (Boyes 2005).

Indeed, the public flaunting of luxury is often received with great reserva-tion in Germany. In fall 2018, the Rolex worn by the German politician Saw-san Chebli of Germany's Social Democratic Party created an uproar on social media sites (Wallner and Winroither 2018). Many users questioned her values, stressing that it is inappropriate for a socialist to wear a luxury watch, regard-less of her income (Wallner and Winroither 2018). Bemmer (2018) reported in the newspaper *Der Tagesspiegel* about the Sawsan Cheblis case, starting with a personal reflection about a past visit to her dentist. According to Bemmer, the dentist wore a Rolex during a treatment of her teeth, which the journalist deemed to be an inappropriate piece of luxury for a doctor. In Bremmer's analy-sis, the reason why she did not want to see this dentist again was based on the perception and suspicion that the doctor might care more for the accumulation of capital and the acquisition of status symbols than for the patients' well-being (Bemmer 2018).

### Russia: Vladimir Putin (president of Russia)

Swiss luxury watches are popular not only with members of the ROC but also among Russian officials (Schwirtz 2012). The most prominent is President Vladimir Putin, who carefully chooses his watches in accordance with his public appearances. He can pick from his large collection estimated at $700,000 – or six times his annual salary – featuring a wide range of high-end watches, such as a $500,000 A. Lange & Söhne, a Patek Philippe worth $60,000, or several cheaper pieces from Blancpain that sell for $12,000 (Rickett 2013; *The Moscow Times* 2012b). While Putin reserves the rare and more expensive timepieces for special occasions, such as signing the internationally condemned Crimean annexation treaty, he occasionally gives away the cheaper ones (Hodinkee 2014). Two such instances occurred in 2009 when Putin gifted a Blancpain to the son of a Siberian shepherd and one month after to a locksmith working in a factory (Radia 2012). Whereas in the case of the Siberian boy, the delivery of the $10,500 watch was described as a carefully designed Kremlin propaganda act, in the case of the locksmith, Putin hesitated to hand over his Blancpain (Osborn 2009). It is described that Putin addressed the locksmith and other factory workers with a speech about the economic situation in Russia, admitting difficult times for the average citizen (Lecamp 2013). The locksmith asked Putin to leave him a memento that could help him remember Russia's premier (Harding 2009). According to the corporate website of Blancpain (2019), Putin was taken by surprise, signaling that he had nothing to give. At this moment, the locksmith noticed Putin's watch and asked for it (Sudakov 2009). Taken by surprise, Putin fulfilled the workers wish and handed over his £5,500 Blancpain, the annual income for the locksmith (Lecamp 2013; Harding 2009). Russian opposition groups have mocked Putin's excessive lifestyle even going as far as creating a seemingly endless reservoir of luxury watches in a YouTube video (KostyaT 2012). Rickett goes even further stating:

> The message behind these watches is pretty obvious: in a country that reintroduced the term "oligarchy" to the wider world, Putin needs to remind his people that he is in charge; that if Russia is a mafia state, he is its *capo di tutti capi*.
>
> (Rickett 2013)

Overall, the case indicates the debate over luxury in a post-communist society with a high level of material inequality.

### Russia: Patriarch Kirill (leader of ROC)

In 2009, the leader of the ROC, Patriarch Kirill was spotted wearing a Breguet watch during a visit to Ukraine, while he was discussing the topic of asceticism (Schwirtz 2012; Schwirtz and Mackey 2012). Since its first visible display, the timepiece with an approximate value of €28,000–€36,000 created controversial rumors concerning Patriarch Kirill's personal wealth (Unian 2009). In 2012, the

Patriarch addressed these reports during an interview with a Russian journalist, stating that he had found a Breguet watch while arranging his gifts of the past (Schwirtz 2012). However, Kirill asserted the journalist that he had never worn it and all photos showing him with such a luxury watch are digital manipulations (Schwirtz 2012). Only three days after the interview, his words became subject to public debate, when a press photo of Russian justice minister Alexander Kolarov and Kirill – not wearing a Breguet Réveil du Tsar – went viral (Schwirtz and Mackey 2012). The delicate detail in the photo was the reflection of a watch in a glossy table. Apparently, the watch on his wrist had been retouched from the photo, while the reflection had been overlooked (BBC News 2012).

The incident sparked considerable public outcry about Patriarch Kirill's spiritual leadership also in light of a luxurious apartment that he owns in Moscow's center (Jarzyńska 2014). Faced with the indisputable evidence and an additional video in which Kirill can be seen wearing the watch, the ROC had to admit the editing and restored the original photo on its website, at least for a short period of time (Gayle 2012; BBC News 2012). Not addressing the discrepancy in Kirill's claims in relation to the hard evidence of the manipulation, the ROC stated that "a gross violation of . . . internal ethics has occurred, and it will be thoroughly investigated," further asserting that the "guilty will be severely punished" (Schwirtz 2012). The "guilty" was identified as a female employee aged 24, who was claimed to have altered the picture on her "personal initiative without getting an approval from her supervisors" (Schwirtz and Mackey 2012).

In contrast, Kirill did not face any disciplinary consequences. However, the incident substantially questioned his moral integrity as the leader of the ROC. Bloggers assimilated the event by creating mockery retouched versions of the original photo (Schwirtz and Mackey 2012). In addition, the public ridicule reached its climax with the "Silver Shoe award" granted to Kirill by the Russian Silver Rain radio station for his "'immaculate disappearance of a watch' in the category of 'miracles up to the elbows'" (*The Moscow Times* 2012a). Scholars found that the trust in Kirill and the ROC declined as a result of the incident, particularly among younger generations with online media access (Xenia Dennen 2014; Staehle 2018; Andreeva and Andreeva 2015). Lecamp (2012) stresses that the high demand for luxury goods in Russia can also be attributed to a "catch-up effect" after the collapse of the Soviet Union. Whereas private property and luxury ran contrary to communist values, after the collapse of the communist regime in 1991, consumers "rediscovered" luxury goods (Lecamp 2012).

## Discussion and contribution

### *Luxury watches in the public eye and the switch from desirable to undesirable*

This chapter strives to explore the following question: When do luxury products of desire turn into undesirable objects in public contexts? We attempt to answer the question, discussing and comparing the insights from the illustrative cases to existing literature.

A luxury watch might be perceived as a desirable item. However, a certain situation might change this perception. As previously depicted, academic literature highlights that "gestalt-switch" situations are particularly interesting, given that although the object or entity remains the same, a particular trigger can induce a change that leads a person to see the luxury item in a completely different way (Eilan 2013; Schurz 2014; Ash 1995). With the illustrative cases above, it was shown that several ethically relevant situations exist when the moral perception of a luxury item can shift, such that the gestalt is perceived as undesirable. More precisely, the ethical perception toward the luxury watch of an official or high-ranking organizational leader can turn from desirable to undesirable in the public eye.

A luxury watch worn in public might not be noticed by everyone. However, today's online environment and social media play a key role as an amplifier. A morally relevant situation is not limited to the immediate moment as an *in situ* experience, but can be captured, saved, and distributed via digital means, to reach a wide public, which is able to experience "the situation" even at a later point in time. Moreover, as highlighted by Crowe (2018, 9), gestalt-shifts can differ in their magnitude "a duck changing to rabbit is impressive; into a dinosaur is awesome." Given the ethical perception of a gestalt-switch situation, a particular magnitude can arise from its moral significance. The ex-prime minister of Malaysia has been caught in a big scandal, when a search of his properties led to the seizure of 423 watches and other luxury items (Chu and Ananthalakshmi 2022). Taken together, it is shown that several ethically relevant situations exist, when the moral perception of a luxury item in the form of a watch can switch, such that its gestalt is perceived as an undesirable one.

### Ethical hubris of luxury watches

Analyzing the cases of the retouched luxury watches of Patriarch Kirill and CEO Kleinfeld Seele (2012) first introduced the concept of ethical hubris of luxury. In the case of Kirill and Kleinfeld, the nemesis or downfall of the protagonists started with the high-flying strategy of photo manipulation and the denial of doing so, followed by public refutation of the protagonists claims, ultimately leading to public outcry and mockery of the unethical behavior (Xenia Dennen 2014; Staehle 2018; Andreeva and Andreeva 2015; Boyes 2005).

Seele (2012) outlines the ethical hubris of luxury in the case of Patriarch Kirill and CEO Kleinfeld as follows: by wearing the luxury watch, the wearer sends the underlying message that they draw a conscious line to those that cannot participate in the luxury market. Accordingly, in this case, the luxury watch goes along with a social differentiation function, such that the wearer separates themselves from the public (Turunen 2018; Jaikumar, Singh, and Sarin 2018). The perception of the luxury watch as a differentiator is revealed and even highlighted through the image manipulation. The visual optimization strategy (retouching the official press photos) in the case of Kirill and Kleinfeld was used to eliminate the luxury item and to achieve ethical credibility in the public eye

(Seele 2012). Obviously, this did not remain unnoticed. From a gestalt theoretical point of view, this can be interpreted such that the retouching of the photo underlines the watch bearer's willingness to eliminate the entire "duck–rabbit" drawing, given the concern that the public might see the undesirable gestalt of social differentiation.

### Refining the ethicality of luxury products

Wallner and Winroither (2018) stressed in a news article that the public display of luxury watches might create outcry whenever the public perceives that the watch does not fit the professional role and position of its wearer. This raises the question, when do luxury watches undergo a gestalt-switch leading to ethical hubris? More precisely, under what condition is the luxury watch perceived in the gestalt of an undesirable separation of social differentiation? Table 3.2 provides an overview of the discussed illustrative cases from above, indicating both the gestalt-switch and the ethical hubris. What is particularly relevant for a theoretical refinement is the common value creation context that triggers the gestalt-switch when possibly perceived as asymmetric or unethical.

*Table 3.2* Comparative overview of illustrative cases: Ethical hubris.

| | *1. Patriarch Kirill* | *2. Yang Dacai* | *3. Tony Abbott and senior MPs* | *4. Vladimir Putin* | *5. Klaus Kleinfeld* |
|---|---|---|---|---|---|
| **Perception of the luxury watch as an object of a common transaction context** | Breguet (single piece $30,000) | Several luxury watches (estimated $5,000–$32,000) | Several Rolex watches for each politician (estimated total value $250,000) | Several luxury watches collection (estimated total value $700,000) | Rolex Submariner (€3,700) |
| **Watch bearer wealth creation** | Presumed to depend on the donations of church members and the wider public | Salary as provincial safety official | Salary as prime minister/MPs | Salary as president of Russia, other | Salary as company CEO of Siemens |
| **Audience: work/membership/ offering/tax** | Offerings of church members | Tax payments of citizens | Tax payments of citizens | Tax payments of citizens | Company workers |
| **Ethical concern/ perceived taking-advantage asymmetry** | Misappropriation of donations | Asymmetry between salary and unjust enrichment and corruption | Corruption in return for business favor | Material inequality in post-communist oligarchy | High managerial salary, while cutting jobs |

The complete picture reveals itself when looking at the similarities between the described cases. The pivotal aspect of the combined effect of gestalt-switch and ethical hubris emerges as follows:

> If the luxury watch is perceived as an object of a common transaction context, that is, the wealth creation of the watch bearer is linked to the work, membership, or offering of the audience, then the ethical perception of a taking-advantage asymmetry is "in the air" enabling the gestalt-switch and leading to (backfiring) ethical hubris for the bearer.

In the following, the five gestalt-switch cases are used to highlight the key criterion further. In all illustrated cases, the luxury watch is perceived as an object of a common transaction context:

1. Patriarch Kirill. As a representative of the ROC, it is presumed that in the eye of the observer, Kirill's wealth creation is based on donations from church members/the wider public, which is thus linked to the church offering of the observing audience, which senses a potential misappropriation of donations or offerings.
2. Yang Dacai: The wealth creation of Yang Dacai consisted of his salary as a provincial safety official that the observing audience (citizens) linked to their tax payments, consequently raising ethical concerns of unjust enrichment and corruption.
3. Tony Abbott and the senior MPs: In the case of Tony Abbott and the senior MPs, the watches were not even on public display. Yet the publicly confirmed information about the watches was sufficient. The wealth of the politicians is presumed to derive from their salaries as civil servants, which is linked to the citizens' tax payments, which gives rise to the taking-advantage asymmetry.
4. Vladimir Putin: Putin's wealth creation officially stems from his "modest" salary as the Russian president, which the audience linked to their tax payments, sensing a taking-advantage asymmetry.
5. Klaus Kleinfeld: Kleinfeld's wealth creation stemmed from his salary as the CEO of Siemens, which the audience linked to their work, sensing a taking-advantage asymmetry in the high management salary against the background of cutting jobs.

## Outlook and future research

This chapter illustrated the importance of the ethical perception of luxury goods. In this way, the discussions above may serve as a starting point for future research to explore the ethicality of other luxury goods, such as jewelry and clothing (Serdari 2020). In addition, future research could further investigate the relationship between luxury items and leadership hubris (Petit and Bollaert 2012; McManus 2018; Hayward, Shepherd, and Griffin 2006). Thus, future research may look into the risk of the ethical hubris of luxury against the background of publicly listed

firms and what implications might go along with a CEO representing the company in public wearing a luxury item.

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# 4 Gestalt-switch of luxury products

## Exploring pitfalls of inconsistent value expressions in conspicuous consumption

### Introduction

"Did you see him? With the timepiece?" (Spence 2016, 320).

This quote highlights that both audience and bearer play crucial roles in conspicuous luxury consumption. Luxury watches may be worn with different intentions in mind when it comes to social interactions. In an ethnographic study, Spence (2016) describes how a luxury watch may function as an expression of wealth that stands at the beginning of a client–seller relationship of superyacht purchases.

> The rarity of the luxury watch meant that it easily went unnoticed by the untrained eye. Items such as the luxury watch function as subtle wealth indicators to those who share and/or understand the same values, appreciation, and knowledge of such products.
>
> (Spence 2016, 320)

However, a luxury watch may also be displayed in more day-to-day interactions. As little is known about luxury watch display in rather daily social interactions, our study strives to explore this unchartered territory drawing on the lenses of conspicuous consumption theory and functional theories of attitudes.

Conspicuous consumption can be defined as "attaining and exhibiting costly items to impress upon others that one possesses wealth or status" (Vigneron and Johnson 2004; Amatulli and Guido 2012; Truong and McColl 2011; Sundie et al. 2011, 664; Wilson 2015). Whereas intrinsic or personal consumption is generally self-directed and draws benefits from the luxury item's perfection or high-quality, extrinsic luxury consumption is directed toward interpersonal interactions (Roux, Tafani, and Vigneron 2017; Kovesi 2015; Wilson 2015). Externalized conspicuous consumption is defined as "attaining and exhibiting costly items to impress upon others that one possesses wealth or status" (Sundie et al. 2011, 664) and relates to social interactions and the social benefits people derive from the display

of luxuries (Amatulli and Guido 2012; Nelissen and Meijers 2011). These extrinsic motivations are linked to the personal identity and play an important role in the interaction with others, where conspicuous consumption also helps people to express themselves (value-expressive) and/or to fit into a social setting (social-adjustive) (Q. Bian and Forsythe 2012; Schade et al. 2016; Oakley 2015). Recent research employs functional theories of attitudes to explore conspicuous consumption concerning these value-expressive and social-adjustive attitudinal functions and the psychological benefits, which can derive from them (Katz 1960; Shavitt 1989; X. Bian et al. 2016; Kauppinen-Räisänen et al. 2018). Whereas much of this literature has focused on the functional benefits that individuals might draw from conspicuous consumption, little is known about potential ethical pitfalls that the display of luxuries in interpersonal interactions may bring along – a notion that goes beyond feelings of envy (Roux, Tafani, and Vigneron 2017; Schade et al. 2016; Hennighausen et al. 2016).

Attitudes as evaluative judgments and their underlying social functions play a crucial role whether an object in a given situation is seen as favorable or unfavorable and may therefore also precede the ethical perception of the luxury ostentation (Argyriou and Melewar 2011; Fukukawa 2002). In this chapter, we develop a set of two quantitative studies with a focus on individual's social attitude functions, value-expressive function (VEF) and social-adjustive function (SAF), toward luxury timepieces, investigating: the general perceived ethicality of wearing a luxury watch (Study 1) and whether different interpersonal contexts may play a role in the importance of each attitude function concerning the perceived ethicality of the luxury display (Study 2). The findings suggest that the ethical perception of wearing a luxury watch in social interactions may hinge on attitudinal predispositions in the form of salient attitude functions: "to fit in" or "to express the self-identity." Surprisingly, the results show that previously positive attitudes toward conspicuous watch consumption can change in social interactions with transactional nature. Theorizing on this attitudinal change informed by gestalt theory, we offer a contribution to current functional theories and conspicuous consumption literature (Schultz and Seele 2022; Biehl-Missal and Fitzek 2014; Eilan 2013). We argue that the salient attitude function is distorted by conflicting values, such as demanding a salary increase while the luxury item conveys the impression that the watch bearer already possesses ample resources. To avoid a change of the favorable appearance (gestalt-switch), a person might refrain from wearing the luxury item in a transactional social context, where values might collide. Consequently, value-expressive attitudes toward conspicuous consumption may relate to a harmonious gestalt or context value consistency, such that a luxury consumer strives for an alignment of expressed values to avoid being perceived as unethical (Wilcox, Kim, and Sen 2009).

## Theoretical background

### External conspicuous consumption

This chapter focuses on externalized forms of conspicuous luxury consumption where consumption motives are primarily linked to interpersonal or social factors

motivating people to display luxury items in social interactions (Vigneron and Johnson 2004; Wilson 2015). In this regard, the luxury item, respectively the luxury watch, may serve as a social marker and or a demonstration of success (Kapferer and Bastien 2009; Lee 2019). Thus, underlining the belonging to a specific group (social fit) or serving as a means of self-expression (Q. Bian and Forsythe 2012; Schade et al. 2016; Oakley 2015). Functional theories of attitudes help to explain externalized conspicuous consumption forms and the psychological benefits people seek to derive from them (Katz 1960; Shavitt 1989; X. Bian et al. 2016; Schade et al. 2016; Kauppinen-Räisänen et al. 2018; Oakley 2015). In this regard, past research shows that the display of luxuries in interpersonal contexts can yield substantial gains for the wearer, along with beneficial treatment from others. Nelissen and Meijers (2011) highlight that conspicuous consumption can increase individual's social capital, which may manifest as increased protection through alliance formation, care, and cooperation. In addition, Sundie et al. (2011) show that conspicuous consumption can even increase mating opportunities.

In contrast to previous studies mainly focusing on potential benefits for the conspicuously consuming individual, in this chapter, we set out to explore potential pitfalls of luxury display in interpersonal contexts. Although rich anecdotal evidence suggests that ethical perception of wearing luxury watches in social interactions may substantially vary, little is known about this phenomenon and what might trigger a favorable or unfavorable ethical perception in a given situation (Bemmer 2018; Krüger 2012; Oakley 2015). The chapter's objective is to analyze ethical perceptions in relation to attitude functions, going beyond previously explored feelings of envy or notions of wasteful spending (Hennighausen et al. 2016; Dixon 2001; Amatulli and Guido 2012).

### Ethical perception and functional theories of attitudes

In business and marketing ethics, ethical perception is recognized as a central factor referred to as "the degree to which an individual is able to recognize an issue as a moral one" (Ho 2010, 156; Wittmer 2000). In this sense, ethical perception deals with a particular situation that people recognize as morally relevant, containing an ethical component (Blum 1991). According to Blum (1991, 702), "[m]oral perception is formed and informed by our general values and principles, and the converse is true as well." Thus, ethical perception is concerned with a situation or aspect that may be perceived differently by different observers based on their underlying attitudes (Argyriou and Melewar 2011). As evaluative predispositions toward an object or aspect (such as luxury items), attitudes play a crucial role in this regard and can trigger a particular ethical perception (Ajzen 2001; Fukukawa 2002). An attitude can be defined as a "predisposition of the individual to evaluate some symbol or object or aspect of his world in a favorable or unfavorable manner" (Katz 1960, 168). Thus, attitudes precede ethical perception (Fukukawa 2002).

Functional theories of attitudes advocate that peoples' possession of attitudes is due to the psychological benefits that derive from them (Katz 1960; Shavitt 1989; X. Bian et al. 2016). Thus, functional theories focus on motivations that stand behind attitudes and outline the role of diverse functions: through attitudes, people

can organize and structure their environment (knowledge function), attain rewards and avoid punishments (utilitarian function), or maintain their self-esteem (ego-defense function) (Grewal, Mehta, and Kardes 2004). Moreover, attitudes serve important social functions, which can be distinguished according to VEF and SAF (Wilcox, Kim, and Sen 2009), particularly relevant for conspicuous consumption in interpersonal contexts (Jiang and Cova 2012; Wilcox, Kim, and Sen 2009; X. Bian et al. 2016; Ko, Costello, and Taylor 2019).

Functional theories stress the importance of attitude functions in organizing and simplifying human perceptions in complex environments (Simonson and Maushak 1996). In this regard, VEFs facilitate self-expression. A person can communicate intrinsic values or beliefs to other societal members (Kauppinen-Räisänen et al. 2018). Value-expressive attitudes are mainly linked to status consumption (Eastman and Eastman 2015). From this perspective, luxury products serve as a means to communicate particular values to the audience, irrespective of the social situation or context in which the luxury item is worn (Wilcox, Kim, and Sen 2009).

In contrast, SAFs allow for self-presentation to facilitate social interaction (Grewal, Mehta, and Kardes 2004). When social-adjustive concerns are salient, people are motivated to fit in, conform to their social environment, and gain approval from the social setting (Kauppinen-Räisänen et al. 2018). Wilcox, Kim, and Sen (2009) outline that in the case of SAFs, peoples' attitudes toward luxury products may relate to attaining social goals, maintaining relationships, and gaining approval from the social setting.

Overall, an individual's ethical perception of a situation in which a luxury item is on display may stem from attitudinal predispositions, which serve as evaluative judgments of the luxury object (Argyriou and Melewar 2011; Fukukawa 2002). In social interactions, an individual's attitudes toward luxury watches may serve a VEF or a SAF or both. Attitudes can thereby precede the ethical judgment of whether the ostentation of a luxury item in an interpersonal situation is perceived as ethical or unethical. Thus, in this chapter, we set out to explore this potential link, focusing on peoples' ethical perception of conspicuous consumption in societal interactions and whether this perception may hinge on social motivations toward luxury watches, that is, to express themselves and/or to fit in. This leads to the following question: Does ethical perception of conspicuous consumption in societal interactions hinge on social motivations toward luxury watches?

## Methods

### *Study 1: the influence of attitude functions on the ethical perception of luxury watches*

The purpose of Study 1 was to explore the potential link between the social attitude functions toward luxury watches (value-expressive and social-adjustive) and to measure peoples' ethical perception of their display (generally wearing a luxury watch, regardless of societal contexts). We measured peoples' social attitude functions underlying their attitudes toward luxury watches and investigated the

relationship of these functions with respect to the ethical perception about wearing them (RQ1).

*Sampling and participants*. We conducted a quantitative survey, sampling 89 US respondents on Amazon Mechanical Turk (AMT) in September 2019. AMT was deemed appropriate, given the access to many participants with diverse demographic backgrounds (Paolacci, Chandler, and Ipeirotis 2010). In the past, ethical and practical concerns have been raised about using AMT as a data source (see, e.g., Fieseler, Bucher, and Hoffmann 2019; Paolacci, Chandler, and Ipeirotis 2010). By taking these concerns into account, we particularly paid attention to compensating respondents appropriately for completing the survey. Further, regarding practical concerns of AMT samples, we specifically recruited respondents who had previously completed over 5,000 approved "human intelligence tasks" (HITs) on AMT and had a HIT approval rating above 98 percent. These settings were chosen according to previous research to account for respondents with a high reputation (Peer, Vosgerau, and Acquisti 2014).

*Measures*. The questionnaire started with a brief description of the research project's purpose. Additionally, participants were assured about the confidential treatment of their data. At the beginning of the survey, a short description of luxury watches was provided:

> Luxury watches can be thought of as pieces of jewelry or as ornaments subject to the influence of fashion. Due to their high production costs and the way they are marketed, luxury watches are exclusive products with a high price tag. For this survey, please assume that the price for a luxury watch starts at approximately US$3,000 and upwards.

Following Grewal Mehta and Kardes (2004) and Wilcox, Kim, and Sen (2009), we used a multi-item measure adjusted to luxury watches to ask participants for agreement or disagreement (1 = "Strongly disagree" to 7 = "Strongly agree") with a four-item measure for the VEF ($M = 3.19$, $\alpha = 0.96$) and a four-item measure for the SAF ($M = 3.74$, $\alpha = 0.85$). The items for both measures were presented in one block and in a counterbalanced order. To measure participants ethical perception ($M = 3.59$, $\alpha = 0.85$) about wearing a luxury watch, we used a three-item, seven-point semantic differential scale adopted from Wilcox, Kim, and Sen (2009) ("Please state your opinion to the following sentence. Wearing a luxury watch is: 1= "immoral," and 7 = "moral"; 1 = "unethical," 7 = "ethical"; 1 = "insincere," 7 = "sincere"). An overview of all scale items is provided in Table 4.1. Given that all multi-item measures were reliable, we averaged the items to form a composite measure for each construct. For all analyses (including Study 2), the standard statistical package SPSS (version 25) was employed.

*Results: Study 1*

The measure for the VEF and the measure for the SAF correlated at 0.86 ($p < 0.05$). The correlation between the ethical perception measure and the measure for the

*Table 4.1* Scale items: Study 1.

| Scale items | α | M | SD |
| --- | --- | --- | --- |
| VEF (see Wilcox, Kim, and Sen [2009]) | 0.96 | 3.19 | 1.82 |
|   1. A luxury watch would reflect the kind of person I see myself to be. | | | |
|   2. A luxury watch would help me communicate my self-identity. | | | |
|   3. A luxury watch would help me express myself. | | | |
|   4. A luxury watch would help me define myself. | | | |
| SAF (see Wilcox, Kim, and Sen [2009]) | 0.85 | 3.74 | 1.53 |
|   1. A luxury watch would be a symbol of social status. | | | |
|   2. Wearing a luxury watch would help me fit into important social situations. | | | |
|   3. I would like to be seen wearing a luxury watch. | | | |
|   4. I would enjoy it if people knew I was wearing a luxury watch. | | | |
| EP (adapted from Wilcox, Kim, and Sen [2009]) | 0.85 | 3.59 | 1.05 |
|   1. immoral – moral | | | |
|   2. unethical – ethical | | | |
|   3. Insincere – sincere | | | |

*Note*: $N = 89$. EP = ethical perception. VEF and SAF measured on a seven-point Likert scale: 1 = strongly disagree; 7 = strongly agree. EP measured on a seven-point semantic differential scale.

VEF was 0.45 ($p < 0.05$). The correlation between the ethical perception measure and the measure for the SAF was 0.40 ($p < 0.05$). Given these salient relations between the social functions and ethical perception, we ran a regression analysis. We regressed the ethical perception on the VEF and SAF. $F(2, 86) = 10.89$, $p < 0.05$, $R^2 = 0.20$). The VEF was a significant, positive predictor of the ethical perception ($b = 0.23$; $t = 2.01$, $p < 0.05$), whereas the SAF was not ($b = 0.04$; $t = 0.30$, n.s.). In addition, a simple linear regression was calculated to predict the ethical perception based on the VEF; a significant regression equation was found: $F(1, 87) = 21.93$, $p < 0.001$, $R^2 = 0.20$, $b = 0.26$; $t = 4.68$, $p < 0.001$. We probed another simple linear regression model to predict the ethical perception based on the SAF: $F(1, 87) = 16.75$, $p < 0.05$, $R^2 = 0.16$ ($b = 0.28$; $t = 4.09$, $p < 0.05$). Overall, these results show that participants ethical perception toward wearing luxury watches vary predictably with the social functions served by their luxury watch attitudes.

### Study 2: the ethical perception of wearing a luxury watch in different social situations

Building on the insights gained from Study 1, the objective of Study 2 was to investigate how the social attitude functions may explain the ethical perception of wearing a luxury watch, given differing interpersonal contexts. We used different scenarios to reflect everyday societal interactions in which a luxury watch may

be on display. Thus, the scenarios are also aimed at exploring potential attitudinal changes and how they are ethically perceived.

*Sampling and participants*. Similar to Study 1, we conducted a quantitative survey, sampling 191 US respondents on AMT in September 2019, applying the same strict measures for approved HITs, approval rating, and high reputation. In contrast, to the previous study, we asked participants to picture themselves in different situations wearing a luxury watch.

*Measures and procedure*. The questionnaire started with the same introductory description of luxury watches as in Study 1. We used multi-item measure adapted from Grewal Mehta and Kardes (2004) and Wilcox, Kim, and Sen (2009) to ask participants' agreement or disagreement (1 = "Strongly disagree" to 7 = "Strongly agree") with a four-item measure for the VEF ($M = 3.18$, $\alpha = 0.96$) and a four-item measure for the SAF ($M = 3.84$, $\alpha = 0.89$). The items for both measures were presented in a block with a randomized order for each item. We then used five brief scenarios that appeared in a randomized order to elicit participants' ethical perceptions. In line with previous research (Haines, Street, and Haines 2008; Tsalikis and Fritzsche 2013), we chose this scenario-based approach to trigger ethical thinking. Participants were required to picture themselves in a specific situation wearing a luxury watch. The five scenarios presented in the questionnaire were as follows (see Table 4.2):

(1) Scenario (1): Imagine yourself wearing a luxury watch when being interviewed for a new job.
(2) Scenario (2): Imagine yourself wearing a luxury watch when meeting new colleagues at a dinner party.

*Table 4.2* Scenarios and scale items: Study 2.

| Scenarios: | | |
|---|---|---|
| Scenario (1): Imagine yourself wearing a luxury watch when being interviewed for a new job. | | |
| Scenario (2): Imagine yourself wearing a luxury watch when meeting new colleagues at a dinner party. | | |
| Scenario (3): Imagine yourself wearing a luxury watch when asking for a pay raise. | | |
| Scenario (4): Imagine yourself wearing a luxury watch when speaking in front of a class. | | |
| Scenario (5): Imagine yourself wearing a luxury watch when asking someone out for a first date. | | |
| EP (adapted from Grougiou, Balabanis, and Manika [2018] and Reidenbach and Robin [1990]): | $\alpha$ | $M$ |
| inappropriate – appropriate | 0.91 | 4.87 |
| unfair – fair | | |
| not morally right – morally right | | |
| unacceptable – acceptable | | |

*Note*: $N = 191$. EP = ethical perception. EP measured on a seven-point semantic differential scale.

(3) Scenario (3): Imagine yourself wearing a luxury watch when asking for a pay raise.
(4) Scenario (4): Imagine yourself wearing a luxury watch when speaking in front of a class.
(5) Scenario (5): Imagine yourself wearing a luxury watch when asking someone out for a first date.

To measure participants ethical perception ($M = 4.87$, $\alpha = 0.91$) about wearing the luxury watch, we used a four-item, seven-point semantic differential scale adapted from Grougiou, Balabanis, and Manika (2018) and Reidenbach and Robin (1990) ("Please state your opinion to the following sentence. Wearing a luxury watch in this situation is: 1= "inappropriate," and 7 = "appropriate"; 1 = "unfair," 7 = "fair"; 1 = "not morally right," 7 = "morally right"; 1 = "unacceptable," 7 = "acceptable"). We then asked participants to indicate on a seven-point Likert-type scale if they would wear the luxury watch again in the same situation ("How likely are you to wear the luxury watch in the same situation again?": 1 = "extremely unlikely," 7 = "extremely likely"). The remaining measures were about demographics and identical to Study 1. Further, we included two attention checks in the survey. In total, a sample of 191 responded (62.30 percent male, 37.70 percent female). Table 4.3 provides an overview of the sample demographics.

*Table 4.3* Sample demographics for Study 2.

|  | N | Percentage of total | M | Median |
| --- | --- | --- | --- | --- |
| Gender | 191 | 100.00 |  |  |
| Male | 119 | 62.30 |  |  |
| Female | 72 | 37.7 |  |  |
| Age | 191 | 100.00 | 35.59 | 35.00 |
| Education | 191 | 100.00 | 4.16 | 5.00 |
| High school diploma (or similar) | 28 | 14.70 |  |  |
| Some college but no degree | 38 | 19.90 |  |  |
| Two-year bachelor's degree | 24 | 12.60 |  |  |
| Four-year bachelor's degree | 85 | 44.50 |  |  |
| Master's degree | 11 | 5.80 |  |  |
| Doctoral degree | 2 | 1.00 |  |  |
| Professional degree | 3 | 1.60 |  |  |
| Employment status | 191 | 100.00 | 1.32 | 1.00 |
| Working (paid employee) | 154 | 80.60 |  |  |
| Working (self-employed) | 31 | 16.20 |  |  |
| Not working (looking for work) | 2 | 1.00 |  |  |
| Not working (disabled) | 2 | 1.00 |  |  |
| Not working (other) | 2 | 1.00 |  |  |
| Prefer not to answer | 2 | 1.00 |  |  |
| Gross salary | 191 | 100.00 | 4.81 | 4.00 |
| Less than $10,000 | 13 | 6.80 |  |  |
| $10,000–$19,999 | 28 | 14.70 |  |  |

|                      | N   | *Percentage of total* | M | *Median* |
|----------------------|-----|-----------------------|---|----------|
| $20,000–$29,999      | 25  | 13.10                 |   |          |
| $30,000–$39,999      | 32  | 16.80                 |   |          |
| $40,000–$49,999      | 29  | 15.20                 |   |          |
| $50,000–$59,999      | 22  | 11.50                 |   |          |
| $60,000–$69,999      | 12  | 6.30                  |   |          |
| $70,000–$79,999      | 10  | 5.20                  |   |          |
| $80,000–$89,999      | 5   | 2.60                  |   |          |
| $90,000–$99,999      | 6   | 3.10                  |   |          |
| $100,000–$149,999    | 7   | 3.70                  |   |          |
| More than $150,000   | 2   | 1.00                  |   |          |

*Results: Study 2*

The five scenarios were perceived differently by the respondents with respect to the ethicality of wearing a luxury watch in the situation: Scenario (1) job interview ($M = 4.85$, SD $= 1.50$), scenario (2) dinner party with colleagues ($M = 5.41$, SD $= 1.29$), scenario (3) pay raise ($M = 3.78$, SD $= 1.68$), scenario (4) speaking in front of a class ($M = 4.92$, SD $= 1.41$), and scenario (5) asking for a date ($M = 5.37$, SD $= 1.22$). From the five scenarios presented to the participants, scenario (3) pay raise ($M = 3.78$, SD $= 1.68$) elicited the most extreme responses in this regard. A Kruskal–Wallis H test revealed that there was a statistically significant difference in the ethicality score between the different scenarios, $\chi^2(4) = 123.75$, $p = 0.001$, with a mean rank ethicality scores of 573.83 for scenario (2), 562.97 for scenario (5), 480.92 for scenario (4), 474.56 for scenario (1), and 297.72 for scenario (3). Pairwise comparison showed that the perceived level of ethicality differed according to three subsets (set 1: scenarios [2] and [5]; set 2: scenarios [1] and [4]; and set 3: scenario [3]). The scenarios (2) dinner party and (5) date were significantly higher compared to scenarios (1) job interview and (4) speaking in front of a class and compared to scenario (3) pay raise (between sets $p < 0.05$). Across all scenarios, the correlation between the ethical perception and the likelihood of wearing a luxury watch in the same situation again was highly significant, ranging from 0.65 to 0.72 (see Table 4.4). From the five scenarios, respondents indicated for scenario (5) that they were most likely and in scenario (3) that they were least likely to wear a luxury watch in the same situation again.

All scales had a high internal consistency, with Cronbach's alpha for the scale measuring the VEF being $\alpha = 0.96$ and for the scale measuring the SAF being $\alpha = 0.89$, and the scale measuring ethical perception being $\alpha = 0.91$ for the overall sample. Given that all multi-item measures were reliable, we averaged the items to form a composite measure for each construct. To find potential relationships between the central variables, Pearson correlation was used. Table 4.4 summarizes the descriptive statistics and correlations of the focal variables. The correlations show that the VEFs and SAFs are positively related to the ethical perception of wearing a watch in each scenario. A hierarchical multiple regression analysis was

*Table 4.4* Descriptive statistics, correlations among variables, and Cronbach's alpha: Study 2.

| Construct | M | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. VEF | 3.18 | 1.88 | (0.96) | | | | | | | | | | | | | | |
| 2. SAF | 3.84 | 1.72 | 0.83** | (0.89) | | | | | | | | | | | | | |
| 3. SC 1 EP | 4.85 | 1.50 | 0.19** | 0.24** | (0.92) | | | | | | | | | | | | |
| 4. SC 1 intention of wearing again | 4.15 | 2.05 | 0.38** | 0.39** | 0.72** | – | | | | | | | | | | | |
| 5. SC 2 EP | 5.41 | 1.29 | 0.31** | 0.36** | 0.62** | 0.45** | (0.92) | | | | | | | | | | |
| 6. SC 2 intention of wearing again | 4.78 | 1.96 | 0.50** | 0.51** | 0.44** | 0.65** | 0.70** | – | | | | | | | | | |
| 7. SC 3 EP | 3.78 | 1.68 | 0.17* | 0.16* | 0.55** | 0.37** | 0.39** | 0.22** | (0.93) | | | | | | | | |
| 8. SC 3 intention of wearing again | 2.88 | 2.01 | 0.37** | 0.34** | 0.40** | 0.56** | 0.23** | 0.40** | 0.68** | – | | | | | | | |
| 9. SC 4 EP | 4.92 | 1.41 | 0.35** | 0.31** | 0.55** | 0.40** | 0.72** | 0.56** | 0.44** | 0.31** | (0.91) | | | | | | |
| 10. SC 4 intention of wearing again | 4.31 | 1.93 | 0.45** | 0.41** | 0.43** | 0.58** | 0.55** | 0.76** | 0.26** | 0.41** | 0.70** | – | | | | | |
| 11. SC 5 EP | 5.37 | 1.22 | 0.36** | 0.42** | 0.50** | 0.38** | 0.75** | 0.57** | 0.34** | 0.23** | 0.65** | 0.55** | (0.88) | | | | |
| 12. SC 5 intention of wearing again | 4.82 | 1.91 | 0.48** | 0.48** | 0.32** | 0.57** | 0.51** | 0.82** | 0.16* | 0.37** | 0.49** | 0.73** | 0.65** | – | | | |
| 13. Gender | 1.38 | 0.486 | –0.12 | –0.09 | –0.12 | –0.12 | –0.09 | –0.05 | –0.25** | –0.20** | –0.10 | –0.07 | –0.17* | –0.10 | – | | |
| 14. Age | 35.59 | 8.82 | –0.17* | –0.18* | –0.13 | –0.17* | 0.04 | 0.00 | –0.19** | –0.26** | –0.03 | –0.11 | –0.07 | –0.05 | 0.21** | – | |
| 15. Gross salary | 4.81 | 2.64 | 0.22** | 0.18* | 0.09 | 0.17* | 0.17* | 0.14* | 0.06 | 0.13 | 0.14 | 0.11 | 0.15* | 0.14 | –0.10 | –0.08 | – |

*Note*: SC = scenario; EP = ethical perception. Cronbach's alpha coefficients are on the diagonal in parentheses.

Gender: 1 = male, 2 = female; $N$ = 191; * $p < 0.05$; ** $p < 0.01$.

used to examine the ability of the VEF and the SAF to predict perceived ethicality in each scenario. Before the analysis was performed, the independent variables were examined for collinearity. The variance inflation factor of $< 3.3$ indicates that the estimated $\beta$s are well established in the following regression models. Covariates included in the first step were gender, age, and gross salary. In step 2, the VEF and SAF variables are entered.

*Scenario 1*. In the first step of the hierarchical multiple regression, gender, age, and gross salary entered. This model was not statistically significant $F(3, 187) = 1.96; p > 0.05$. After entry of the VEF and SAF variables at step 2, the total variance explained by the model as a whole was 7.4 percent: $F(5, 185) = 2.96; p < 0.05$. The introduction of VEF and SAF explained additional 4.4 percent variance in the ethical perception, after controlling for gender, age, and gross salary ($R^2$ change $= 0.04; F(2, 185) = 4.36; p < 0.05$). Only SAF as a predictor variable was statistically significant in the final model, with ($\beta = 0.26, p < 0.05$).

*Scenario 2*. In the first step of the hierarchical multiple regression, gender, age, and gross salary entered. This model was not statistically significant $F(3, 187) = 2.58; p > 0.05$. After entry of the VEF and SAF variables at step 2, the total variance explained by the model was 16.1 percent $F(5, 185) = 7.11; p < 0.001$. The introduction of VEF and SAF explained additional 12.1 percent variance in the ethical perception, after controlling for gender, age, and gross salary ($R^2$ change $= 0.12; F(2, 185) = 13.39; p < 0.001$). Only SAF as a predictor variable was statistically significant in the final model, with ($\beta = 0.34, p < 0.05$).

*Scenario 3*. In the first step of the hierarchical multiple regression, gender, age, and gross salary entered. This model was statistically significant $F(3, 187) = 5.62; p < 0.001$ and explained 8.3 percent of the variance in ethical perception. After entry of the VEF and SAF at step 2, the total variance explained by the model was 7.3 percent $F(5, 185) = 3.98; p < 0.05$. The introduction of VEF and SAF explained additional 1.5 percent variance in the ethical perception, after controlling for gender, age, and gross salary ($R^2$ change $= .01; F(2, 185) = 1.49; p > 0.05$). In the final model, only the predictor variable gender ($\beta = -0.21, p < 0.05$) was statistically significant.

*Scenario 4*. In the first step of the hierarchical multiple regression, gender, age, and gross salary entered. This model was not statistically significant $F(3, 187) = 1.65; p > 0.05$ and explained 2.6 percent of the variance in ethical perception. After entry of the VEF and SAF at step 2, the total variance explained by the model was 13.1 percent $F(5, 185) = 5.59; p < 0.001$. The introduction of VEF and SAF explained additional 10.6 percent variance in the ethical perception, after controlling for gender, age, and gross salary ($R^2$ change $= 0.11; F(2, 185) = 11.24; p > 0.001$). In the final model, only the predictor variable VEF ($\beta = 0.26, p < 0.05$) was statistically significant.

*Scenario 5*. In the first step of the hierarchical multiple regression, gender, age, and gross salary entered. This model was statistically significant $F(3, 187) = 3.17; p < 0.05$ and explained 4.8 percent of the variance in ethical perception. After entry of the VEF and SAF at step 2, the total variance explained by the model was 20.20 percent $F(5, 185) = 11.462; p < 0.001$. The introduction of VEF and SAF

explained additional 15.4 percent variance in the ethical perception, after controlling for gender, age, and gross salary ($R^2$ change = 0.15; $F(2, 185) = 17.87$; $p > 0.001$). In the final model, only the predictor variable SAF ($\beta = 0.42$, $p < 0.001$) was statistically significant.

Overall, the results show that participants' ethical perception of wearing luxury watches varies predictably with the social functions of their luxury watch attitudes across the different scenarios. In scenarios (1) job interview, (2) dinner party with new colleagues, and (5) asking for a date, the SAF remained as a statistically significant predictor. Thus, in scenarios that reflect situations in which self-presentation appears to be central, people are motivated to fit or conform with their social environment and gain approval. In contrast, when speaking in front of a class (scenario 4), a person can communicate intrinsic values to other societal members rather than trying to fit in. Scenario (3) could not be explained by the independent predictor variables VEF or SAF; however, the covariate gender served as a significant predictor. Showing that particularly male participants had a statistically higher level of perceived ethicality toward wearing a luxury watch when asking for a pay raise compared to female participants ($M_{male} = 4.11$; $M_{female} = 3.24$)

## Discussion and contribution

In this chapter, we investigated the ethicality of conspicuous consumption when it comes to displaying luxury watches in social interactions building on the functional theories of attitudes (Katz 1960; Shavitt 1989). Specifically, we investigated whether the ethical perception of displaying a luxury watch in social interactions is linked to social functions of attitudes toward luxury watches' VEF and SAF (Q. Bian and Forsythe 2012; Schade et al. 2016). Through two quantitative studies, we found evidence that the ethical perception of displaying luxury watches in social interactions hinges on the individuals' salient social attitude functions, influencing whether wearing a luxury watch is perceived as ethical in a specific context.

In this regard, Study 1 highlights that individuals' ethical perception of wearing a luxury watch is directly linked to value-expressive and social-adjustive attitude functions, which serve as evaluative judgments of the luxury item, preceding the ethical perception. The extent to which the attitudinal functions were salient also influenced the extent to which wearing a luxury watch was perceived as ethical. Going beyond a neutral baseline setting, in Study 2, the different scenarios exposed that diverse societal interactions correspond with salient attitude functions: whereas the job interview (scenario 1), the dinner party with new colleagues (scenario 2), and asking for a date (scenario 5) corresponded to the SAF, speaking in front of a class (scenario 4) was linked to the VEF. Accordingly, in each scenario (except for scenario 3), the ethical perception of displaying a luxury watch was linked to one of the two social motivations toward luxury watches (to express oneself or to fit in). Surprisingly – and contrary to the other scenarios – "asking for a pay raise" could not be explained by the attitude functions. In the scenario, the attitude toward the luxury watch was overall negative. In other words, the ethical perception of

wearing the watch in this situation was the lowest ($M = 3.78$) compared to the other scenarios. This was also shown by 63.9 percent of the participants indicating that they would not wear a luxury watch in the same situation again.

Overall, the two studies provide empirical evidence that social attitude functions (value-expressive and social-adjustive) toward luxury watches are underlying elements of the individual's ethical perception. Consequently, in light of the research question, we found a link between peoples' ethical perception of conspicuously consuming luxury watches in social interactions and social attitude functions, except for social interactions as described in scenario 3.

### Luxury watches and the ethical perception of wearing them in interpersonal contexts

In light of the findings, we offer a contribution to existing research by providing new insights into the ethicality of conspicuous consumption in social interactions. Our study suggests that the ethical perception of a situation in which a person is wearing a luxury watch depends on the salient attitude functions and situational parameters. Attitudes are evaluative judgments of objects retrieved from prior experience interacting with context-depend information, in which an evaluation happens (Argyriou and Melewar 2011). The ethical perception of wearing a luxury watch in a given context is thereby connected to whether the luxury watch may serve as a means to communicate self-identity or fit into the social setting. From the perspective of functional theories, these results are plausible, given that our scenarios 1, 2, and 5 (job interview, dinner party, and asking for a date) represent contexts in which the individual might have the tendency to meet the expectations in the social setting and or gain approval from peers (Schade et al. 2016). Thus, the SAF is highly predictive in explaining the perceived ethicality of wearing a luxury watch in these social interactions. In contrast, speaking in front of a class represents a context where a person might tend to use the luxury watch as a means to communicate the self-identity (personal belief and values) to others, even if this may run contrary to the social expectations (Q. Bian and Forsythe 2012; Grewal, Mehta, and Kardes 2004). Hence, the VEF is of high predictive value, explaining the perceived ethicality of wearing a luxury watch in a setting where the individual strives to express themselves.

The attitude toward a luxury watch hinges on the notion that it may serve as a social marker to demonstrate success in social interactions (Kapferer and Bastien 2009; Fionda and Moore 2009; Lee 2019), thus, underlining the belonging to an aspirational group (social fit) or serving as a means of self-expression (Q. Bian and Forsythe 2012; Schade et al. 2016; Oakley 2015). On a more general level, these results suggest that human attitudes play an essential role in whether a luxury good is judged favorably or unfavorably and whether its display in social interactions is perceived as ethical or not. Individual attitudes toward the luxury item play a key role and differ according to the personal background and experiences that contributed to the formation of the salient attitude functions (Karanasiou and Pinotsis 2017).

### Ethical pitfalls of luxury display and the gestalt-switch

Contrary to the other scenarios, functional theories of attitudes cannot explain the results of scenario (3). In this scenario, respondents were requested to imagine themselves asking for a pay raise while wearing a luxury watch. Respondents perceived the luxury watch display as undesirable here, and ethical perceptions of wearing it in this situation were the lowest compared to all other scenarios. Most participants further underlined this, indicating that they would not wear a luxury watch in the same situation again. This unexpected finding shows how a desirable item, such as a luxury watch, may turn into an undesirable object under certain conditions. However, these results cannot readily be accounted for by neither the value-expressive nor the social-adjustive attitude function. Consequently, by providing a preliminary interpretation of these findings, we offer a contribution to existing luxury research extending current theorizing on conspicuous consumption and functional theories of attitudes with a gestalt-theory perspective.

Previous luxury research points out that the display of a luxury item may trigger a value inconsistency, in the sense that a favorable appearance (gestalt) of person can switch into an unfavorable one, with the luxury item becoming an unwanted object (Schultz and Seele 2022; Biehl-Missal and Fitzek 2014; Eilan 2013). We argue that such a gestalt-switch may also arise when a person expresses conflicting values. As highlighted by functional theories, the display of a luxury watch in social interactions may hinge on the notion that it serves as a value expression, a signal of accomplishment aimed at an observing audience (Fionda and Moore 2009; Kapferer and Bastien 2009; Kauppinen-Räisänen et al. 2018). In this sense, the luxury watch implies a certain wealthiness or status of the watch bearer, which goes along with the aspect that they possess (abundant) resources to afford the luxury item (Nelissen and Meijers 2011; Eastman and Eastman 2015). However, the value expression stands in conflict with the request for additional resources (a pay raise). Thus, the watch bearer communicates asymmetrical values, demanding a salary increase while the luxury item conveys the impression that they already possess ample resources. To avoid a gestalt-switch, a person would refrain from wearing the luxury item in the situation. Consequently, value-expressive attitudes toward conspicuous consumption relate to a harmonious gestalt or context value consistency (Wilcox, Kim, and Sen 2009). In other words, a luxury consumer strives for an alignment of expressed values to avoid being perceived as unethical in transactional situations.

## Outlook limitations

The results of this study can be seen as a first step toward a better understanding of the ethical perception of conspicuous consumption of luxury watches when it comes to social interactions. The theoretical analysis provides novel insights into the ethicality of luxury watches worn in everyday situations. Thus, the findings illustrate important aspects of the ethical perception of luxury goods and, therefore, may serve as a starting point for future research to explore the ethicality of other luxury goods, such as jewelry, fashion, or travel, just to name a few. This

study focused on the two social attitude functions (VEF and SAF). Future research may go beyond these two functions and explore the other functions outlined by the functional theories (e.g., knowledge function, utilitarian function, and defense function) (Katz 1960; Shavitt 1989; X. Bian et al. 2016). A particular starting point for future research lies also in the finding that the only significant predictor variable for the ethical perception for the pay raise scenario was gender. Compared to female, male respondents had a significantly higher ethicality rating and were more likely to wear a luxury watch in the same situation again. Thus, future research may further explore the reasons for this difference and whether it may depend on aspects such as an increased willingness to express conflicting values or even a form of hubris (Petit and Bollaert 2012; Hayward, Hambrick, and Publications 1997). The quantitative data collection is limited to US AMT participants and thus reflects the specific country conditions. Past research has shown that cultural differences concerning social attitude functions exist (Q. Bian and Forsythe 2012). Therefore, future research could go beyond the United States and compare different cultural or country contexts.

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# 5 "Some of my customers [. . .] take off their Rolex prior to a client meeting"

## Luxury display at work and the social (re)construction of the organizational image

### Introduction

In 2010, Swiss bank UBS made headlines sending a dress code to its customer-facing staff that explicitly encouraged the use of a wristwatch, given that the watch carries the notion of "reliability and great care for punctuality" (Berton 2010). However, as wristwatches are often more than simple indicators of time, their display in an organizational setting can also be controversial (Oakley 2015). Anecdotal evidence shows that luxury timepieces, in particular, may lead to unwanted outcomes when worn at work (Krüger 2012; Bemmer 2018). In a recent newspaper article, a reporter recalls a visit to the dentist, who was wearing a luxury watch during the treatment (Bemmer 2018). Although the dentists' work was satisfactory, the journalist concluded that she did not want to return to the dental practice, given the doubt that the organization might prioritize profits over patient well-being (Bemmer 2018).

In this chapter, we follow up on this peculiar phenomenon drawing on an emerging research strand of organizational literature that engages with the social construction and reconstruction of an organizational image in professional work settings (Müller 2018; Mumby 2016; Vallas and Cummins 2015; Timming 2017; Salzer-Mörling and Strannegård 2004). This research body stresses the processes involved in the formation of an organizational image, understood here as an aesthetic expression in the organizational context that is socially constructed and thereby grounded in "visual impression and expression" (Salzer-Mörling and Strannegård 2004, 226). In today's organizational environments, where employees often stand representative for organizational products and services, their appearance moves center stage in this social (re)construction process (Hatch and Schultz 2009). As a first touching point between the organization and the external environment, the work appearance of frontline employees is a crucial element when conveying organizational values and informing the organizational image (Müller 2018). By drawing on the theoretical lenses of *gestalt theory* (Biehl-Missal and

Fitzek 2014; Wittgenstein 1958; Grondin 2016), and the literature on *aesthetics of labour* and *branded labor* (Timming 2017, 2016), we examine the dynamics of luxury watch display in organizational settings. We build on a qualitative netnography based on 193 topical entries derived from one of the largest luxury watch online forums. The netnography is guided by the insights from a pre-study with interviews with high-level experts from the luxury watch industry. The overall research question is: *How does a luxury watch worn at work influence the social construction and reconstruction of an organizational image*?

Our findings suggest that the display of a luxury watch in an organizational setting can contribute to a harmonious *organizational gestalt*. A *gestalt* "refers to something which is stable in its dynamic nature, something which is recognizable as such as a result of a process which structures its inner form" (Bonacchi 2015, 13). Thus, an employee wearing a luxury timepiece can contribute to conveying an *organizational gestalt* to the internal and external audiences consistent with the values attached to the organization. For example, a portfolio manager wearing a luxury watch in a client meeting may contribute to constructing a positive *organizational gestalt*, indicating that their personal success and organizational success are linked (Sádaba and Bernal 2018). However, as shown in the introductory example, organizational settings exist where the watch triggers an inconsistency in an employee's appearance relative to the organization that is being represented. Thus, a *perception change* arises when the appearance of the organizational member projects values that conflict with the established aesthetic, organizational representations (Eilan 2013; Schurz 2014; Ash 1995). Therefore, a conversion of a previously stable organizational image – *gestalt-switch* – occurs, meaning that the external audience perceives the gestalt of the organizational image as irritated or scattered. As a result, the authenticity and credibility of the employee and the organization may suffer as the audience perceives the watch bearer to take advantage. Consequently, we define the *organizational gestalt as a dynamic projection of organizational values informed and conveyed by aesthetic, organizational representations (in this study: employees' wristwatches)*.

## Theoretical background

### The social (re)construction of an organizational image

Organizational literature has long discussed aspects of organizational image, identity, and reputation (Hatch and Schultz 2008; Schultz et al. 2012). In recent years, this discourse started to take a cross-disciplinary turn, engaging with the related marketing concept of branding (Kärreman and Rylander 2008; Müller 2018; Mumby 2016; Vallas and Cummins 2015; Bertilsson and Rennstam 2018; Willmott 2010). Organizational literature thereby takes up elements from the marketing literature but goes beyond the largely behaviorist and functionalist conceptualization of an organizational brand (Kärreman and Rylander 2008; Mumby 2016). As pointed out by Kärreman and Rylander, treating a brand as a mere marketing tool means that social and communicative processes involved in the construction,

recognition, and reconstruction of an organizational image are overlooked. However, these processes are essential for constructing an organizational image and ongoing branding processes in organizational settings (Schultz et al. 2012; Hatch and Schultz 2008). Thus, recent organizational literature is particularly suited to engage with important and peculiar organizational phenomena, such as the one described in the Introduction, thereby departing where mainstream marketing literature typically ends.

Organizational studies literature goes beyond marketing perspectives by recognizing the importance of both the internal and external organizational audience regarding the social construction of an organizational image, consequently, emphasizing a broader perspective on the branding concept typically found in the marketing literature (Schroeder 2009) – away from a narrow focus that is rather product- and customer-centric and toward a broader perspective that considers a comprehensive set of internal and external stakeholders (Hatch 2012). In this regard, "the notion of branding relates to the practices of attempting to emphasize specific values to be associated with the organization and/or its products and services" (Kärreman and Rylander 2008, 104).

In today's corporate environments, which are often characterized by service firms, the product moves further into the background. Employees stand representative of the offered goods and services. In such organizational settings, "values to be associated with the brand need to be connected to the employees (and their capabilities and characteristics) rather than a physical product (and its capabilities and characteristics)" (Kärreman and Rylander 2008, 106). In this chapter, we follow Salzer-Mörling and Strannegård's (2004) understanding of an organizational image as an aesthetic expression that is socially constructed, grounded in "visual impression and expression." Crucial in this regard is the visual impression and expression of employees in relation to the internal and external audience and how they perceive and process this image (Hatch and Schultz 2008). From this perspective, the organizational image is socially constructed and reconstructed in an ongoing manner, involving employees and the internal and external organizational audience.

### Gestalt theory and the organizational image

To investigate the social construction and reconstruction of an organizational image, we draw on "Gestalt" theory, which has a long tradition in social psychology and philosophy (Biehl-Missal and Fitzek 2014; Wittgenstein 1958; Grondin 2016; Wertheimer 2012, 2017; Ellis 2013). Although there is no direct translation of the German word "Gestalt," the English words "appearance," "pattern," "shape," or "form" are close approximations. In the past, gestalt theoretical approaches have been used to explore complex systems that are characterized by human interaction and when it comes to the perception and aesthetics of organizations, which makes the theory particularly suitable for investigations into corporate image creation (Biehl-Missal and Fitzek 2014).

Gestalt theory focuses on perception and perceptual structuring with a holistic notion at its core: "perceiving is more than the summation of the sensations

produced by stimuli" (Grondin 2016, 89). As depicted by Bonacchi (2015, 13), a gestalt "refers to something which is stable in its dynamic nature, something which is recognizable as such as a result of a process which structures its inner form." Consequently, gestalt theory highlights the organization's perceivable facets, such as a consistent corporate image or brand, as an aesthetic expression in the market-place (Biehl-Missal and Fitzek 2014; Timming et al. 2017).

We argue that it is highly relevant to adopt a gestalt perspective to better understand an organizational image's social construction in light of an internal and external audience. Thus, the objective of this chapter is to explore the social construction of the gestalt of an organizational image in light of the expression and impression of employees' aesthetic appearance in an organizational setting (Salzer-Mörling and Strannegård 2004). To do so, we build on recent organizational literature that focuses on employees' central role in projecting an organizational image.

### Aesthetics of labour, branded labor, and conspicuous luxury consumption at work

We discuss the social construction of an organizational image through the theoretical lenses of aesthetics of labour and branded labor – two related and complementary literature streams (Pettinger 2004; Sirianni et al. 2013; Karlsson 2012; Warhurst et al. 2000; Witz, Warhurst, and Nickson 2003; Warhurst and Nickson 2007; French, Mortensen, and Timming 2019; Timming 2016, 2017). At the core of this literature body are questions on how an employee's appearance can positively or negatively convey the organizational image, thus contributing to favorable or unfavorable perceptions thereof (Timming 2016; Zeithaml, Bitner, and Gremler 2018). The research thereby focuses on the organization's internal and external relationships and the respective audiences, recognizing the critical role that employees' physical appearance can play in image formation (French, Mortensen, and Timming 2019; Timming 2017). Thus, whereas the aesthetics of labour literature focuses more on the internal organizational perspective, the branded labor literature is more concerned with the external view.

Past research on aesthetics of labour has discussed the adverse effects that can go along with an employee or job candidate having "the wrong look" (Karlsson 2012). Here, intrinsic or extrinsic physical "imperfections" can be a source of bias and even lead to different forms of workplace discrimination (Woodford 2018; Timming et al. 2017). For example, service sector personnel are often judged by their physical appearance, whether they have a "desirable look" that fits the organization. Attributes, such as body art and piercings, can be a potential disadvantage in this regard (Woodford 2018; French, Mortensen, and Timming 2019).

In addition to the research stream on aesthetics of labour, research about "branded labour examines employee appearance on the consumption side, with an emphasis on consumers' perceptions of front-line employees" (Timming 2017, 1042). In this regard, frontline staff's actions and appearance are crucial, given that they represent the link that connects the organization with the external environment. Employees can be thought of as manifestations of the organization's

offerings and, as such, project the corporate image to the outside world (Nickson et al. 2001; Sádaba and Bernal 2018).

When interacting with an internal or external audience, employees are, therefore, decisive actors contributing to the construction and reconstruction of an organizational image and crucially positive or negative perceptions of it (Sirianni et al. 2013; Liljander and Strandvik 1995). As depicted earlier, body art and piercings may appear as undesirable characteristics, raising issues for employees. However, recent research cautions that such attributes can also turn into an advantage, positively projecting specific organizational values in some contexts (see, e.g., French, Mortensen, and Timming 2019). In contrast to these previous studies, in this chapter, we focus on a potentially desirable attribute, a luxury watch forming part of an employee's appearance.

Although luxury watches take up a substantial presence in the everyday workplace and organizational settings, their role in the overall dynamics between employees' appearance and the construction and reconstruction of an organizational image appears to be an overlooked aspect in current literature (Vigneron and Johnson 2004; Amatulli and Guido 2012; Truong and McColl 2011; Oakley 2015; Nickel 2015). Luxury watches are particularly interesting to study, as they form part of an employee's appearance and connect the individual to the work environment (Duberley et al. 2017). As outlined by Woodward (2007), accessories such as luxury watches mediate the relationship between the wearer and the work context. The watch as a material object of high value can convey aspects of the self to the external environment and may be worn for strategic reasons (van den Berg and Arts 2019; Entwistle and Mears 2013; Lee 2019; Nickel 2015). Given that the watch represents an element of the employee's appearance, and, as such, becomes part of the interaction with an internal and external audience, a luxury watch may therefore, contribute to a favorable or unfavorable perception of the employee as well as the overall organization (Sirianni et al. 2013; Liljander and Strandvik 1995; Grandy and Mavin 2012; Müller 2018). Thus, the watch may play an important role in the social construction and reconstruction of an organizational image and the way in which this image is perceived and processed by an audience (Salzer-Mörling and Strannegård 2004; Sádaba and Bernal 2018). Consequently, by examining the role of luxury watches displayed by employees in organizational settings, we follow up on the social construction and reconstruction of an organizational image in the form of the *organizational gestalt*. Thus, we strive to answer the question: *How does a luxury watch worn at work influence the social construction and reconstruction of an organizational image*?

## Methods

To answer the research question, we adopt a qualitative research approach based on a netnography. The development of the netnography was informed by insights gained from a pre-study drawing on descriptive expert interviews (Swedberg 2016) with high-level experts from the luxury watch industry. The netnography follows the approach of a non-participatory netnography study (Kozinets 2019, 2010;

Leavy 2014; Denzin and Lincoln 2018; Cova, Pace, and Skålén 2015). Given the peculiarity and sensitive topic of luxury watches and their usage in organizational contexts, we adopt this approach to gain thorough insights into the complex and dynamic phenomenon of organizational image changes. In this regard, pre-study expert interviews combined with netnography are particularly relevant for entering niche communities, such as luxury watch users (users of a highly exclusive products) and for exploring in depth their mindset and reasoning processes (Sharma, Ahuja, and Alavi 2018). Thus, the research followed two stages.

First, expert interviews were conducted to make a quick and deep dive into the phenomenon of organizational image change (Swedberg 2016). In the second stage, a netnographic study followed. In contrast to traditional ethnography, netnography helps to observe openly accessible information generated by an online community in an unobtrusive manner, thereby benefitting from naturally arising communication between the community members (Kozinets 2002, 2010). Thus, the netnographic approach is aimed at uncovering the deeper motivations, meanings, and attitudes of a large online community in displaying luxury watches in organizational settings. The netnographic study thereby benefited from the descriptions of the experts, highlighting the need to adopt an unobtrusive approach to tap into the reasoning processes of luxury watch owners and their experiences concerning the sensitive aspect of conspicuous luxury consumption in an organizational setting (de Lassus and Anido Freire 2014; Timming 2017).

### Pre-study: expert interviews

We used pre-study expert interviews to dive into the phenomenon of organizational image change (see, e.g., Swedberg 2016). The expert interviews thereby provided the opportunity to start the research project by gaining initial understandings of the luxury watch environment and approaching luxury watch display in organizational settings from multiple angles. In this manner, we carried out semi-structured interviews with experienced industry experts (on average, over 20 years) with diverse expertise fields. Interview partners were identified and contacted through information provided in a public database of the Federation of the Swiss Watch Industry (Federation of the Swiss Watch Industry FH 2019) combined with LinkedIn profiles.

Experts received a semi-structured interview guideline before the interview. Thus, it was ensured that the experts had a clear understanding of the interview objective. They could remain anonymous, stop the interview at any point, and leave questions unanswered. Appendix A[1] lists the wording of the guiding questions that were asked to the experts. The interviews were conducted in March 2019, lasted between 20 and 60 minutes, and were conducted in English, with one expert responding in Italian. In accordance with interview partners, four of the five interviews were recorded. Experts included a luxury watch historian (face-to-face interview in Switzerland), a managing director (Skype interview), a principal of a luxury watch competence center (phone interview), and two experts in managing positions in marketing and sales (face-to-face interview in Switzerland; phone

interview), as well as customer services (phone interview). Experts were asked if they wanted to be quoted anonymously or with their identity. Quotations used further below indicate their decision accordingly by adding or not adding a name.

*Summarizing interviews: perceptions of luxury watches and organizations*

We first summarized the interviews in protocols and categorized them according to emergent and recurring elements (Saldaña 2013). Table 5.1 summarizes the initial understandings that we gained from the interviews along with major themes (micro, macro), which we elaborate next.

   The pre-study expert interviews revealed that perceptions of luxury watches worn by employees should be observed according to two broader environments: luxury watch contexts and non-luxury watch contexts.

*Luxury watch contexts: aesthetics perceptions*

From the interviews, it became clear that organizational and professional settings explicitly linked to luxury watches represent a particular environment that has to be observed differently from other organizational environments when it comes to the display of luxury watches. In settings related to luxury watches, frontline employees wearing a costly timepiece on their wrist are seen as a natural element of the organizational environment. Here, the watch is also perceived from an intrinsic perspective that is focused on the *aesthetic* attributes of the watch, as one of the interview partners explained:

> It [the watch] is first a piece of art. . . . What is very strange with watches is actually the system, the mechanism is coming back to more than 200 years ago. . . . It is something quite old in terms of technology, but so magic when you start to wind your watch and you see it moving. . . . [T]here is something which is, I would say, extremely emotional.
> <div align="right">(Managing director, luxury market development company)</div>

Thus, the frontline employee with a luxury watch on the wrist is perceived as a manifestation of the organizational product offerings as a carrier of the corporate image projected to customers (see, e.g., Cutcher and Achtel 2017; Nickson et al. 2001). Therefore, positive perceptions toward the frontline employee and the organization are common, as the experts indicate. Consequently, conspicuous extrinsic consumption of luxury watches is seen as a desirable attribute of the work setting (Timming 2017; see, e.g., French, Mortensen, and Timming 2019). However, this aspect can differ in non-luxury watch contexts.

*Non-luxury watch contexts: indifference, ethical conflicts, and gestalt-switch situations*

According to the experts, luxury watches worn by frontline employees have to be observed differently in contexts where watches are not the core element of

*Table 5.1* Themes arising from the pre-study.

| Context | Macro themes (5) | Micro themes (17) | Representative data |
|---|---|---|---|
| **Watch contexts** | *Aesthetics perceptions* | □ Positive perceptions<br>□ Aesthetics<br>□ Organizational brand carrier<br>□ Luxury watch context | "It [the watch] is first a piece of art. . . . What is very strange with watches is actually the system, the mechanism is coming back to more than 200 years ago. . . . It is something quite [*sic*] old in terms of technology, but so magic when you start to wind your watch and you see it moving. . . . [T]here is something which is, I would say extremely emotional." (Managing director, luxury market development company) |
| **Non-watch contexts** | *Indifference* | □ Neutral perceptions<br>□ Lack of awareness<br>□ Non-luxury watch context | "The general public is getting less and less aware of a watch." (Principal, luxury watch competence center) |
| | *Ethical conflict* | □ Negative perceptions<br>□ Lack of trust<br>□ Contradictory values<br>□ Neutral perceptions<br>□ Non-luxury watch context | "Yes, it [referring to a luxury watch] can give a bad signal to the people in front of you. Especially if you are an official in politics or something like that." (Manager, luxury watch customer services) "If farmers or workers in France see an official like Macron, walking around with a very, very expensive watch, this is not going to help him, that's for sure." (Principal, luxury watch competence center) |
| | *Gestalt-switch situation* | □ Perception change<br>□ Signaling<br>□ Contradictory values<br>□ Image adjustment<br>□ Non-luxury watch context | "Some of my customers that are working in the insurance industry take-off their Rolex prior to a client meeting. They are afraid that the watch could send a misleading message, for example, that they make a lot of money and that they might want to rip off their clients." (Manager, marketing and sales of luxury watches) |
| | *Digital organizational settings* | □ Negative perceptions<br>□ Digital environments<br>□ Amplifier of value conflicts<br>□ Beyond office space<br>□ Digital audience<br>□ Non-luxury watch context | "But then you have some clever bloggers that are very influential and suddenly spot a politician wearing an expensive watch and then decide to take him down online or something like this." (Principal, luxury watch competence center) |

organizations' daily business. An interview partner explained that not everyone might recognize a luxury watch and thus can have neutral or *indifferent* perceptions: "The general public is getting less and less aware of a watch" (Principal, luxury watch competence center). Another interview partner added that neutral or positive perceptions can shift, given the function of the frontline employee relative to the represented organization: "Yes, it [referring to a luxury watch] can give a bad signal to the people in front of you. Especially if you are an official in politics or something like that" (Manager, luxury watch customer services). The expert drew a link between the luxury watch's external audiences' perception as a negative indicator that may disturb the relation between the frontline employee and the represented organization. As specified by the expert, this may go along with a lack of trust due to contradictory values between the frontline employees flaunting of the luxury item and the organizational function occupied. Thus, an external audience may sense a potential *ethical conflict*. In a similar vein, another expert highlighted the fear of frontline employees wearing their luxury watches during client encounters, providing insights into a potential *gestalt-switch situation*.

> Some of my customers that are working in the insurance industry take-off their Rolex prior to a client meeting. They are afraid that the watch could send a misleading message, for example, that they make a lot of money and that they might want to rip off their clients.
> (Manager, marketing and sales of luxury watches)

The expert's remark on the moral conflict and the perception change that could follow from a luxury watch display in a client encounter is noteworthy. In a similar vein, another expert indicated a potential value conflict between the frontline employees' position and the external audience, discussing the example of a politician as an organizational representative:

> It would be kind of logical if you pay your representatives' tax money and then they wear a very expensive Rolex watch. It might, for a certain type of people, be a little bit felt as a betrayal. But I think it would be a very, very small number and the general public is getting less and less aware of a watch.
> (Principal, luxury watch competence center)

The expert described that social media plays a vital role as a digital extension of the organizational context in today's digital environments. In this sense, the frontline employee's appearance as a first touching point between an external audience and the organization may expand in terms of time and space. Thus, the perception of a frontline employee is not limited to the immediate moment as an *in situ* experience but captured and saved as a digital image; it can be distributed via digital means, reaching a broader audience that may see the watch bearer at any later point in time: "But then you have some clever bloggers that are very influential and suddenly spot a politician wearing an expensive watch and then decide to take him down online or something like this" (Principal, luxury watch competence center).

The descriptions by the expert connect to and are also corroborated by news reports about organizational leaders who were caught in social media scandals due to the luxury watch they wore as representatives of their respective organization (see, e.g., Boyes 2005 about Klaus Kleinfeld former CEO of Siemens, and Schwirtz 2012 about Patriarch Kirill, as the leader of the ROC).

*Netnography*

Building on the descriptive insights from experts interviews, we collected netnographic data to gain deeper understandings on a broader basis of the dynamics between employees' appearance and the social (re)construction of an organizational image. In this regard, we looked for a suitable online community to collect netnographic data that fulfilled the following criteria (Kozinets 2010, 2019): (1) the size of the community and number of posts (as an active community), (2) rich data in terms of thread length and post contents, (3) diversity in forum members and interactions, and (4) relevant concerning the research question. After an online search that revealed several luxury watch communities (particularly on LinkedIn, yet with a very small number of active members and few threads, unrelated to the research question), we selected the "Rolex forum" as a field site that corresponded with the above criteria. The Rolex forum is an online forum that is not affiliated with the luxury watch company Rolex (Sádaba and Bernal 2018). It represents one of the largest online forums related to luxury watches, given its user base of 246,588 registered forum members, which have contributed to numerous threads (710,559) and posts (10,581,797) related to multiple luxury watch brands at the data collection cut-off date in early August 2020. Thus, it represents an open discussion forum about multiple topics related to luxury watches and not limited to a single watch brand. The forum topic "Wearing a Rolex when meeting clients" appeared as the most suitable fit for the selection criteria, with 193 comments in total. The first comment was made in May 2016. The last comment was made in August 2016. Overall, 146 different forum members commented on the topic. A total of 125 forum members made a single comment, and only 21 members commented more than one time. The four most active forum members commented more than three times: clb521 (12 comments), speedolex (eight comments), jdlc1406 (four comments), and jmiicustomz (four comments).

*Analysis and results: "wearing a Rolex when meeting clients"*

In line with netnographic data analysis (Kozinets, Dolbec, and Earley 2010), we used open-coding to iteratively label and categorize the forum data, thereby grouping the emerging data categories while moving between literature and nascent themes (Colquitt 2001; Saldaña 2013). Through this analysis, 33 salient second-order themes emerged. Subsequently, these themes were further refined into six first-order themes. Appendix B[2] lists the themes together with representative quotes from forum members. The following results with exemplary quotes show the perceptions, attitudes, and broader thought processes of luxury watch owners,

reflecting on wearing a luxury watch in organizational settings and professional interactions.

### Personal values

Many of the forum members stressed that wearing a luxury watch is important to them regardless of the context. They strongly associate the watch with personal values and positive feelings. In this way, they see the luxury watch as an aesthetic object that serves as an expression of the wearer's personality:

> I find that those of us who collect and wear watches because it's our hobby and passion manage to "pull it off" in all social and business situations quite well as we don't think of the watches as s "show of affluence." Rather, they are reflective of our enjoyment if anything and that is what shows to outsiders (if anything is evident at all).
>
> (Mfrankel2)

Strong personal emotions and intrinsic values are linked to the display of the luxury watch. Thus, rather than making a connection with the organization or the audience, these forum members depict the watch as an object directly linked to their personality, detached from contextual aspects. Consequently, the watch is worn without additional considerations about external perceptions thereof.

### Indifference

Several forum members indicated that luxury watches represent a very particular item, which is not always noticeable in organizational contexts. Therefore, it may often be met with indifference. In terms of interactions with an external audience, it was stressed that clients may lack awareness of luxury watches, such that neutral perceptions prevail: "Unless it had diamonds on it, most people won't notice and even less will care" (forum member myc ritz). The forum members also indicated that their personal attention for others wearing a luxury watch is high. "Nobody has ever noticed. . . . I have noticed many watches in client meetings myself though:chuckle" (forum member LightOnAHill).

### Indicator for personal and organizational success

Another salient theme that emerged from the forum community is the perception of the luxury watch as an indicator of personal and organizational success. Several members made a direct connection between the display of the luxury watch and financial accomplishments, personal and organizational: "If I saw an attorney wearing a Rolex compared to one with a Casio I would want the attorney with the Rolex because we view it as financial success, so they must be good at their job" (cpark). Here, the luxury watch is perceived as a success symbol and indicator for competence, effort, and experience, which indicates the performance of the

organization that the individual represents. In this regard, the luxury watch positively reinforces the organizational image that the employee projects.

*Value consistency: employee and organization*

From the forum entries, it became clear that a luxury watch worn in an organizational setting can be an essential element to show the employees' fit and belonging to a specific organization. The watch can thereby serve as a linkage between the employee and the organization, indicating the belonging. The forum members specifically associated legal, wealth management, medical, architectural, and design-related organizations with the display of luxury watches:

> Nobody has ever had a problem, but the position I've put myself in practicing law and my field make it easy and culturally acceptable. Presence is important in the courtroom, and wearing what I like and looks good to me causes me to project well.
>
> (LightOnAHill)

Thus, similar to the interview partners' comments, these settings can be seen as luxury watch contexts. As such, the watch worn by the employee forms part of the organizational image. Further, forum members hinted that a luxury watch can be indicative of seniority within an organization, particularly concerning executive positions:

> When someone sees $7,000 on your wrist it also tells them you are a well-established executive in your industry, not some newb or retread trying to keep up in a $200 Seiko. I'm an EVP and when I hire 20 year veterans in my industry as VP's or Directors, wristwear matters, if they want a six-figure job they'd better have some visible symbols that show they've been successful and care about the finer things.
>
> (speedolex)

*Value inconsistency: employee and organization*

In contrast to the previous description, several forum members outlined a potential value inconsistency between the organization and an employee wearing a luxury watch at work. From an internal perspective, a luxury watch displayed to colleagues or superiors can be associated with personal value conflicts and discomfort, as some expressed. Particularly concern over judgment or misinterpretations by the internal organizational audience was raised, indicating that the watch may lead to unintended or adverse consequences for the wearer: "I also used to work with people who were very frugal and if I wore a Rolex all the time they would say I would never need a raise since I can afford a Rolex" [Stelyos]. Therefore, some forum members remarked that the display of a luxury watch can be delicate

and that they would refrain from wearing it in an organizational setting to avoid any form of conflict, especially when being new to an organization. Consequently, a luxury watch worn during a job interview was controversially discussed, with forum members mentioning that it may or may not correspond with organizational values and increase or decrease the applicants' chances of joining the organization. A crucial aspect appeared to be the notion that the wearer of the luxury timepiece could be perceived as asymmetrically benefitting from the organization:

> Wear your Rolex on your interviews. It would be way more uncomfortable if they didn't see it until after you started a new position. At that point they'll probably just assume it's a new purchase and bad feelings could result around the office if they think you bought it after the job offer. Certainly would make some bosses feel like maybe they paid you too much.
>
> (904VT)

*Gestalt-switch situation*

A large part of the online community's discussion about wearing a luxury watch in an organizational context centers on displaying a luxury watch when interacting with the organization's external audience. Meeting (new) clients was deemed to be one of the most sensitive situations. Forum members mentioned that when products or services are offered in a sales context, a luxury watch may well be noticed by clients and may trigger adverse effects for the wearer and the represented organization. Several second-order themes emerged, underlining the characteristics of such a situation. In such a context, a luxury watch can signal contradictory values relative to the represented organization. As outlined, a taking-advantage perception may arise, such that clients may associate the luxury watch with overpriced products or services:

> I think that if I wore a Rolex most of my regular guests would probably notice as they also wear a Rolex. On the service side, I would almost forecast reduced sales based on the perception of taking advantage of people.
>
> (BSelby)

The luxury watch thereby enters the professional interaction as an interfering signal, which the client connects to the organizational offerings. Thus, a perception change may occur such that a client perceives themselves as being "ripped off." As a consequence, the client may refrain from any present or future acquisitions with the organization. To avoid potential adverse effects and perception changes in the eyes of the client, forum members indicated to refrain from wearing a luxury watch in such a situation or switch to a less costly watch: "I feel the same way. On new clients where my Apple Watch. When at the office where my Rolex. I do feel self-conscious" (woodbine).

**General discussion and conclusion**

Luxury watches are desirable items frequently appearing in organizational settings and professional interactions (Vigneron and Johnson 2004; Amatulli and Guido 2012; Truong and McColl 2011; Oakley 2015). As elements of employees' physical appearance, they can contribute to the social construction of an organizational image, conveying values to an internal or external audience (Timming 2017; Lee 2019). Thus far, organizational literature has not yet examined their role in the dynamics between employees' appearances in an organizational setting and the social construction of an organizational image (Timming 2017, 2016; Müller 2018; Grandy and Mavin 2012; Kärreman and Rylander 2008; Hatch and Schultz 2009). By drawing on the theoretical lens of gestalt theory and the aesthetics of labour and branded labor, we respond to recent calls for more cross-disciplinary research into the organizational image concept and its related marketing concept of branding. Consequently, we adopt an organizational studies perspective informed by cross-disciplinary literature to discuss the dynamics involved in the social (re) construction of an organizational image in the form of the *organizational gestalt* (Biehl-Missal and Fitzek 2014; Kärreman and Rylander 2008).

On the basis of a netnographic study that was informed by a pre-study with luxury watch experts, we gained insights into the way in which the aesthetic appearance of an employee wearing a luxury watch in an organizational setting can contribute to the social (re)construction of the organizational image. Through expert interviews, we started to approach the luxury watch environment from multiple perspectives. From the expert descriptions, we learned that employees' display of luxury watches might be perceived differently in what can be termed *luxury watch* and *non-luxury watch* contexts. In settings where the daily business conduct is connected to luxury watches, frontline employees are perceived as manifestations of the organizational products, as described in branded labor literature (Nickson et al. 2001; Timming 2017). This descriptive aspect was underlined by netnographic data showing that certain professional service firms are associated with the display of luxury watches. Thus, luxury watches worn by employees in these settings are seen as an aesthetic and desirable attribute of the organizational environment, connecting the employee's appearance with the organizational image (Timming 2017; French, Mortensen, and Timming 2019). In these situations, a value consistency between the employee and the organization is indicated. The employee's appearance featuring a luxury watch expresses the values associated with the organization (Kärreman and Rylander 2008). Thus, employee and organizational values are in harmony, and the *organizational gestalt* appears as a stable image (Morsing 2006).

In these situations, the luxury watch can be seen as an important artifact that carries the organization's values (Schultz, Hatch, and Ciccolella 2006). The watch is not an explicit artifact (not bearing a logo) but more an abstract indicator of organizational principles. In this case, the values relate to the previous and ongoing accomplishments, competence, and experience of an organization. Thus, when it comes to the external audience, the employee's luxury watch depicts here a

positive image of the organization, highlighting success and performance in the marketplace (Morsing 2006). For example, a portfolio manager wearing a luxury watch in a client meeting contributes to constructing a positive image, indicating that their personal success and organizational success are linked. In this way, the *organizational gestalt* may appear as authentic and credible to an external audience (Schultz et al. 2012):

> Maybe my "recklessness" will change if I lose a prospect or customer one day due to wearing a nice watch but as of now it hasn't given me any issues. If they notice it, I honestly don't think it will be a big deal, prospects and customers know that we are very successful because we make our customers successful.
>
> (Gus2)

As indicated by the comment, the watch thereby forms part of an employee's personality, and the distinction between the organization and employee's image becomes blurry (Salzer-Mörling and Strannegård 2004). Accordingly, the netnographic data illustrate that employees use the luxury watch in a very self-centered manner in organizational contexts. In this regard, the watch serves to express the personal identity and attract and manage the demand for their own "personal brand" or personal image (Vallas and Cummins 2015). Thus, the employee conveys an image to the external and internal audience with individual values attached.

Our findings show that an internal audience may approach the employee's appearance with indifference beyond positive perceptions. However, these perceptions may be subject to change and can also lead to reservations. This connects to previous research in the aesthetics of labour literature, in which elements of the employee's appearance have been associated with potential value conflicts (Woodford 2018; Timming 2017; Timming et al. 2017; Baumann, Timming, and Gollan 2016; French, Mortensen, and Timming 2019). A luxury watch can communicate contradictory values from an inside perspective, disturbing the relationship between the employee and the organization. Thus, in light of an internal audience, the individual employee's personal image can conflict with the organizational image (Vallas and Cummins 2015). As a result, a value inconsistency may arise, and the individual may appear less credible and face potential drawbacks.

As outlined by the aesthetics of labour literature, such drawbacks may even prevent an individual from becoming part of an organization, as the aesthetic appearance may be perceived as unfitting for the professional setting and the contact with clients (Woodford 2018; Timming et al. 2017):

> Wear your Rolex on your interviews. It would be way more uncomfortable if they didn't see it until after you started a new position. At that point they'll probably just assume it's a new purchase and bad feelings could result around the office if they think you bought it after the job offer. Certainly would make some bosses feel like maybe they paid you too much.
>
> (904VT)
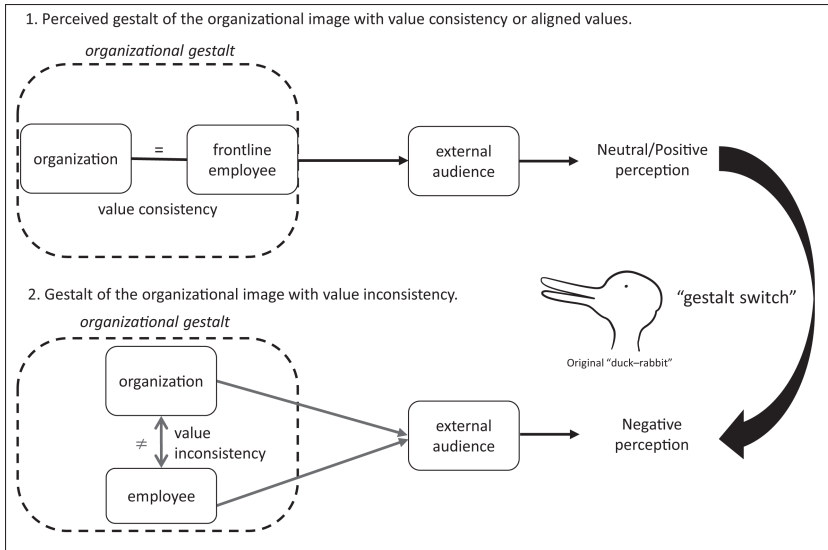
*Figure 5.1*  The *organizational gestalt-switch* and Wittgenstein's (1958, 194) original duck–rabbit drawing.

One can argue that in such a situation, a dissonance between the employee's personal image and the organizational *organizational gestalt* arises, such that the values the employee projects differ from the organizational values (Morsing 2006). From an internal perspective, such a conflict between the personal image and the organizational image may come with disadvantages for the individual employee displaying the watch. However, from an outside perspective, it may also influence the overall organization in terms of the social construction of the corporate image in the eye of an external audience.

### *Theorizing gestalt-switch: a reconstruction of the organizational image*

By conceptualizing the organizational image from a gestalt perspective, we offer a contribution to existing organizational literature (Kärreman and Rylander 2008; Müller 2018; Mumby 2016; Vallas and Cummins 2015; Witz, Warhurst, and Nickson 2003; Willmott 2010; Bertilsson and Rennstam 2018). As shown earlier, a frontline employee's appearance can successfully contribute to conveying an organizational image and organizational values to an external audience, such as consumers and the wider public. We argue (see the first part of Figure 5.1) that in this situation, the personal image of the employee is in line with the organizational image, such that an external audience perceives the "gestalt" of the organization as a single entity (Bonacchi 2015). Thus, a consistency or harmony of values between the frontline employee and the organization exists. In other words, the employee's appearance is aligned with the organization's image, forming an authentic and

credible *organizational gestalt* conveyed to the external audience (Schultz et al. 2012; Biehl-Missal and Fitzek 2014).

However, a perception change (Eilan 2013; Schurz 2014; Ash 1995) may arise when a frontline employee's appearance contradicts the image and underlying values that the organization embodies and projects to the outside (as depicted in the second part of Figure 5.1). In such a case, a value inconsistency between the employee and the organization arises. This means that the employee's physical appearance is not in line with the organizational values, and an external audience perceives the "gestalt" of the organization as irritated or scattered: *a gestalt-switch arises*.

A core theme discussed in gestalt theory is the "gestalt switch or shift," which is often illustrated by Wittgenstein's duck–rabbit drawing (Schurz 2014; Ash 1995). Among experimental psychologists and philosophers, the duck–rabbit analogy is known as an illustration of the fundamentally interpretive human perception (Eilan 2013). The drawing can be seen as a duck or as a rabbit, yet not as both at the same time. Whereas the drawing remains the same, the "gestalt-switch" is attributed to a change in perception, "when one first experiences an image or entity in one way and then in a quite different way" (Crowe 2018, 1). Thus, an organization's gestalt may appear stable and positive for an external audience. However, a luxury watch worn by an employee may trigger a value inconsistency. This suggests that a gestalt-switch occurs when a previously stable image of an organization undergoes a conversion due to a frontline employee having a look that appears to conflict with the established aesthetic organizational representations (Schroeder 2009; Hatch 2012; Cutcher and Achtel 2017). In conclusion, and to summarize the above discussion on an organizational image's social construction, we define the *organizational gestalt* as *a dynamic projection of organizational values informed and conveyed by aesthetic, organizational representations (in this study: employees' wristwatches)*.

Against this background, both organizations and employees need to watch for potential value inconsistencies that may trigger a gestalt-switch. Consequently, as an organization or frontline employee, it will be difficult to win back customer confidence. Like a scientific paradigm shift, the previously favorable image of the organization and its representative is reconstructed to an unfavorable one (McDonagh 1976; Crowe 2018). A duck turns into a rabbit. Once a favorable gestalt has switched to a "new" unfavorable one, it may be difficult to turn it back, as trust and credibility have to be regained (see, e.g., Bachmann, Gillespie, and Priem 2015; Fuglsang and Jagd 2015).

## Outlook, limitations, and future research

The workplace is crucial when it comes to the formation of an organizational image. In this social setting, employees' physical appearance increasingly moves center stage, as a crucial aesthetic expression of organizational values. Focusing on the role of luxury watches worn at work, we followed up on the social (re)construction of an organizational image in light of an internal and external audience. We thereby

built on a qualitative approach involving pre-study expert interviews and netnographic data to gain insights into the dynamics between employees' appearance in the workplace and the formation of an organizational image. In light of the findings and the cross-disciplinary research that we drew on (gestalt theory, aesthetics of labour, and branded labor), we conceptualized the formation of an *organizational gestalt* and its restructuring – as a *gestalt-switch*. Thus, this chapter offers a new perspective to recent organizational literature engaging with the social processes involved in the organizational image construction and its marketing concept of branding (Kärreman and Rylander 2008; Witz, Warhurst, and Nickson 2003; Vallas and Cummins 2015). Not seeking to generalize, our findings may serve as a starting point for future research to further explore the role of other luxury items entering the workplace. A noteworthy example for departure might be the diamond ring of former French justice minister Rachida Dati, airbrushed in 2008 from *Le Figaro*'s front page (Samuel 2008). Thus, future research may look into the degree to which luxury items as an aesthetic expression in the workplace can represent a risk factor for the organizational image, trust, and reputation (Schultz et al. 2012; Fuglsang and Jagd 2015; Sádaba and Bernal 2018). What implications might go along for the organizational reputation and value when individual organizational members flash luxuries? To what extent should an organization manage or control its *organizational gestalt* against the background of an internal and external audience (Müller 2018)?

Given this study's exploratory nature, we drew on a qualitative study that is not without limitations. Pre-study interviews were conducted with a convenience sample of luxury watch experts. This approach was chosen to make a quick and profound dive into the topic but comes with the risk of respondents' bias and subjectivity. To counter this risk, we interviewed experts from diverse backgrounds and with long-term experience approaching the topic from multiple angles (Payne and Mansfield 1973). Also, the netnographic data were limited to a sample from a US-based luxury watch forum. Although representing one of the largest forums worldwide with forum members dispersed worldwide, forum comments tend to reflect the US country settings. Thus, future research could go beyond this context and strive to compare insights from different settings. Additionally, future research may apply differing methodological approaches to look deeper into the gestalt-switch via, for example, social-psychology experimental research, ethnography, or in-depth content analysis of social media cases. Theoretically, future research may also take up other theories in light of potential value and power conflicts between organizations and their members and external audiences contributing to the construction of an *organizational gestalt* (Mumby 2016; Bertilsson and Rennstam 2018).

## Notes

1 Appendix A: Schultz, Mario D., and Peter Seele. "'some of My Customers [. . .] Take Off Their Rolex Prior to a Client Meeting' Luxury Display at Work and the Social (re) construction of the Organizational Image". Taylor & Francis, March 26, 2022. https://doi.org/10.6084/m9.figshare.19424776.v1

2  Appendix B: Schultz, Mario D., and Peter Seele. "'some of My Customers [. . .] Take Off Their Rolex Prior to a Client Meeting' Luxury Display at Work and the Social (re) construction of the Organizational Image". Taylor & Francis, March 26, 2022. https://doi. org/10.6084/m9.figshare.19424776.v1

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# 6 The transitory Janus-face of surveillance: Studying blockchain-based product identifiers in the Swiss luxury watch industry

## Introduction

The Roman god Janus is often depicted with two faces that look in different directions (Brady 1985; Evans 2005). Here, we use the Janus image to stress the double nature of surveillance (Kling and Lyon 1995; Lyon 2007), where on the one side, there are rather positive connotations, namely surveillance for "good." In this sense, surveillance can provide corporations new ways to control their business conduct, enabling desirable outcomes for the firm and its consumers and can, therefore, be seen as an ethical approach (Ball, Haggerty, and Lyon 2012; Sobczak and Havard 2014; Kewell, Adams, and Parry 2017). However, on the other side, more negative connotations about surveillance prevail, in other words, surveillance for "bad." From this perspective, surveillance may take shape as an unethical control form, with detrimental effects for the firm and its consumers (Bernstein 2017; Ganascia 2011; Seele 2021; Wörsdörfer 2020).

To elaborate on the Janus-face of digital surveillance, we take blockchain-based product identifiers of luxury products, more specifically, Swiss luxury watches. They are within the luxury goods industry, among the fastest-growing product sectors of recent years (Deloitte AG 2018). Luxury watches will be the focus of this study, with Swiss luxury watchmaking seen as the industry leader and being described as one of the mainstays of the worldwide luxury goods industry (Hoffmann and Lecamp 2015). Like other sectors, luxury watch producers suffered sales slumps during the pandemic. However, they may recover soon as crucial sales regions, such as China, return to pre-COVID-19 numbers (Deloitte AG 2020). Post-pandemic sales growth is expected to exceed other industries, as luxury segments are less affected by consumers' financial constraints (The Swiss Federal Council 2017; Deloitte AG 2020). The popularity of luxury watches is also reflected by 35 million pieces produced and sold via unofficial channels each year, thereby challenging the formal economy and right holders faced with economic and social losses (OECD/EUIPO 2016; Jaberg and Nguyen 2017).

In this study, we focus on recent shifts brought along by digitalization and its transformative potential against the background of increasingly interconnected societies. Drawing on surveillance theories and the managerial typology of surveillance as transparency (Whelan 2019; Lyon 2007), we analyze the controversial

Janus-faced nature of surveillance in the form of distributed ledger technology (DLT) and blockchain-based product identifiers as a major force reshaping the luxury watch industry. Given the novelty of DLT (Gurzawska 2020) and the concept of networked surveillance in general (Whelan 2019), little is known about this topic in relation to the luxury watch industry. Thus, the purpose of this chapter is to look into recent developments brought along by blockchain-based networked surveillance and how it is perceived in the industry as a means for transparency that creates novel opportunities for learning and control for luxury corporations and their stakeholders (Bernstein 2017; Gurzawska 2020).

To gain insights into the phenomenon, we apply an inductive approach to collecting and analyzing data, drawing on consumer perceptions stemming from a qualitative netnography based on 247 topical posts of two luxury watch online communities. Further, we build on insights gained from an explorative pilot study with industry experts involving open-ended survey data collected from 87 professionals working in the luxury watch industry, as well as in-depth expert interviews (Creswell and Clark 2017; Greene 2007; Tashakkori and Teddlie 2010). Expert and consumer voices reveal four major themes that are characteristic for the recent digital transformations: (1) new consumer generations are becoming increasingly important, with changing expectations about corporate transparency; (2) higher standards are demanded, particularly regarding social, environmental, and ethical product attributes; (3) personalization beyond the physical product is moving center stage with verifiable insights into the product history; and (4) digitalization and innovation may trigger digital product certification and warranties via DLT.

The findings thereby indicate that the transformations brought along by DLT have the potential to substantially change the interactions between luxury watch corporations and their customers. DLT-based surveillance with blockchain-based product identifiers plays a crucial role in linking the previously depicted themes ([1] new consumer generations; [2] higher demanded standards; [3] personalization beyond the physical product; and [4] digitalization and innovation), while carrying the potential for addressing industry challenges. Based on these findings, we offer a contribution to existing literature, evoking the depiction of the Roman god Janus. As symbolized by this two-faced god's image, debates on surveillance are often exclusively focused on one of two opposing conditions: good or bad, desirable or undesirable surveillance (Kling and Lyon 1995; Lyon 2007; Hong 2017). Thus, we outline the *networked surveillance* concept as a processual and transitory entanglement, an approach that accounts for the dual nature of surveillance: with Janus symbolizing the bridge between previous dichotomies (desirable/undesirable), to allow for new ways of thinking about the surveillance concept and DLT (Ball, Haggerty, and Lyon 2012; Hong 2017). Specifically, this digital transparency conception of surveillance can inform an ethical luxury industry, providing new insights and opportunities for learning and control along the three key dimensions: (1) black markets and counterfeits, (2) CSR standards and supply chains, and (3) personalization beyond physical products toward virtual luxury identities.

**Blockchain-based surveillance and supply chain transparency**

Against the background of persistent industry challenges, blockchain-based technologies offer new opportunities for watch corporations to protect the quality of their products, as well as to deliver additional value to consumers via increased product information. This chapter draws on surveillance theories as a theoretical framework to explore digitalization and DLT concerning the luxury watch industry (Whelan 2019; Lyon 2007; Dierksmeier and Seele 2018). Surveillance is thereby understood as "new surveillance" or "surveillance as transparency" involving the utilization of technologies to generate or extract information that allows for learning and control (Ball, Haggerty, and Lyon 2012; Bernstein 2017). In this sense, surveillance relates to increasingly interconnected societies in which surveillance has become a core element (Lyon 2018; Zuboff 2019; Wörsdörfer 2020). As outlined by Whelan (2019), it is crucial to distinguish between three main types of surveillance: (1) *top–down*, (2) *bottom–up*, and (3) *blockchain-based networked surveillance*.

1. *Top–down surveillance*: It is typically associated with more traditional surveillance understandings with a government or an organization as the central surveillance actor (Ball, Haggerty, and Lyon 2012). This understanding of surveillance often goes along with adversarial notions, such as increased control and the loss of privacy and is famously conceptualized as Bentham's panopticon (Lyon 2006; Hong 2017; Zarghami, Fatourehchi, and Karamloo 2017; Vandekerckhove 2019; Seele 2021). Top–down surveillance in the corporate sector may take various shapes and aim to secure product quality and trademark protection (Whelan 2019; Wörsdörfer 2020). Several luxury watch corporations, for example, are known for monitoring the authenticity of their products and spare parts via serial numbers and following-up on counterfeits (Key et al. 2013).

2. *Bottom–up surveillance*: Going beyond the panoptical understanding with a central actor, bottom–up surveillance represents a form of surveillance, whereby observer and the observed switch roles as a form of watching from below (Mann, Nolan, and Wellman 2002). Bottom–up surveillance can take the form of sousveillance, which describes an inversion of the panopticon (Ganascia 2011). Today's digital contexts give consumers vast room to engage in surveillance themselves. This may manifest in different ways, such as checking the authenticity of a luxury watch or collecting information about a watch brand on the Internet, such as raw materials used or manufacturing methods applied (The Watch Register 2019; Kapferer and Michaut 2015). In general, such forms of bottom–up surveillance can be used by individuals to protect themselves and their interests from undesirable or unethical practices (Whelan 2019).

3. *Blockchain-based networked surveillance*: This refers to DLT, which allows for recording and tracking of interactions in a decentralized irreversible public ledger (Whelan 2019; Dierksmeier and Seele 2018; Gurzawska 2020). A blockchain represents "a ledger of transactions of digital assets: of who owns what, who transacts what, of what is transacted and when" (Kewell, Adams, and Parry

2017, 431). Whereas top–down surveillance relates to vertical and bottom–up surveillance to a horizontal information spread, networked surveillance is associated with a distributed or decentralized information cast (Ganascia 2011; Whelan 2019). In this sense, networked surveillance offers a transparent system, protected from manipulation of a single entity, to trace, for example, raw materials up to the finished product and beyond, for example, to verify the items ownership status over time (Hawlitschek, Notheisen, and Teubner 2018; Stein Smith 2020; Gurzawska 2020). Overall, networked surveillance stands representative for "new surveillance" or "surveillance as transparency," detached from traditional surveillance understandings ("Editorial: Thought Experiments" 2008) (e.g., as a tool of hierarchical power), thereby delivering a dual benefit of learning and control that arises from data being stored on a public blockchain (Bernstein 2017; Whelan 2019; Gurzawska 2020).

Recent developments in the luxury watch industry indicate that networked surveillance in the form of DLT is becoming a major force transforming and driving the industry's future. Several luxury watch companies have started to set a closer focus on the potential that these approaches may hold for their businesses and clients. Noteworthy examples include Arianee (2019), ChronoBase (2018), LVMH (Kolesnikov-Jessop 2019), Woleet, and Ulysse Nardin (Deloitte AG 2020), which engage with the ledger technology to address the previously mentioned challenges and to deliver new value to customers.

Given the novelty of DLT and the concept of networked surveillance in general (Whelan 2019; Dierksmeier and Seele 2018), this study aims at exploring networked surveillance concerning the luxury watch industry as a means for "new transparency" that goes along with novel opportunities for learning and control (Ball, Haggerty, and Lyon 2012; Bernstein 2017). Parris et al. (2016, 233) define transparency as the "extent to which a stakeholder perceives an organization provides learning opportunities about itself." This indicates that stakeholders may benefit from networked surveillance as a form of transparency that provides new insights into the firm. In addition, corporations may benefit from networked surveillance as a transparency-control instrument, providing new information on business processes and products and services in general (Bernstein 2017). Given the lack of research specifically addressing networked surveillance in relation to the luxury watch industry, and the notions of transparency, learning, and control that go along with the topic, this study strives to follow up on the research question: How are recent developments brought along by DLT perceived in the luxury watch industry and what potential do they hold for luxury watch companies and their stakeholders, in light of increasingly interconnected societies and current industry trends?

## Methods

We adopt an inductive research approach to follow up on the research question (Creswell and Clark 2017; Greene 2007; Tashakkori and Teddlie 2010). This

approach is particularly beneficial for studying new phenomena and combining different data sources that provide different angles on a novel topic (Tashakkori and Teddlie 2010). In this study, the approach is utilized to shed light on blockchain-based networked surveillance concerning the luxury watch industry and how these developments are perceived against the background of recent industry developments. Thus, the inductive approach to data analysis aims to discover patterns rather than testing hypotheses (Yin 2009). Accordingly, data were collected in two phases. In phase I, an explorative pilot study was performed as an informal exchange with high-level experts. This phase involved an online survey among luxury watch industry professionals conducted in February 2019 and was followed by in-depth interviews with luxury watch experts (held in March 2019). Phase II was built on the insights gained from the expert voices and involved collecting netnographic data from luxury watch online communities in August 2020 (Kozinets 2010, 2019).

### Phase I: preliminary pilot study with industry experts

#### Expert survey and expert interviews

The expert survey's purpose was to gain a general understanding of current developments and trends in the luxury watch industry. Chapter 2 provides a detailed outline and discussion of the survey results. In this chapter, we focus on the survey findings in relation to DLT, and networked surveillance, and particularly the qualitative survey data in the form of open-ended questions not presented in Chapter 2. In addition to the survey, we used semi-structured expert interviews to explore recent changes brought along by DLT in depth. For this purpose, we looked for experts with long-term industry experience with different fields of expertise. Suitable interview partners were searched online and via the professional platform LinkedIn. Before the interview, the experts received a semi-structured interview guideline, based on the previously analyzed expert survey responses. In Appendix A, the core themes and interview questions are listed in detail. Besides, we made sure that experts were informed about the study's purpose and that they could opt to leave questions unanswered, and abort the interview whenever they wanted. We interviewed five luxury watch experts: a managing director, a historian, a director of a competence center, and marketing and sales managers. The interviews were in English and Italian and ranged from 20 to 60 minutes. To guarantee the interview partners' anonymity, quotes that are used in the following paragraphs do not include names or the professional position of the interviewee.

#### Expert perceptions: analysis and results

The data analysis core rests on an inductive approach aimed at theory advancement (Eisenhardt 1989). Thus, we iteratively developed categories from the qualitative data that we gained from the expert survey. The qualitative interviews thereby

provided the opportunity to explore further the insights we learned from the online survey, particularly the salient and recurring themes that we found in the open-ended questions. In the following, we describe the qualitative insights and emerging themes from the open-ended survey question along with representative quotes from the expert interviews.

*Changing perceptions toward luxury watches*. The analysis followed an open-coding approach for analyzing contents (Colquitt 2001; Saldaña 2013). In line with the inductive research approach, we followed an iterative process to identify major patterns and categories in the data. Thus, experts' responses were read in depth, and multiple times by the authors to identify recurring themes. Consequently, we found nine salient second-order themes, which we refined into four first-order themes: (1) new generations, (2) higher standards demanded, (3) personalization beyond products, and (4) digitalization and innovation. Table 6.1 presents all first and second-order themes along with representative quotes from the experts. The results are further elaborated next:

1. *New consumer generations*. One recurring theme from the answers is the role of younger generations, namely millennials. About 40 percent of the experts' responses referred to the rising importance of this consumer group regarding luxury watches. One can thereby observe a generational as well as a gender shift. Whereas previously older generations and male consumers appeared to be core clients for luxury watches, younger generations and female clients are becoming more important: "For a long time, watches have been the sole jewel for men, and its importance increased with time, and it became one of the jewels for women as well" (Survey respondent).

   The survey participants see female consumers rising, offsetting the dominant gender imbalance that stemmed from a traditional industry focus on male clients. As the experts indicate, reaching these new consumer groups with their novel demands toward the brands and companies is an essential task for watch companies.

2. *Higher standards demanded*. We found that with the generational shift, higher standards are demanded by luxury watch consumers who may focus on more transparent business processes connected to ethical and sustainable product attributes. "New generations are more focused on experiential aspects and more inclined to make ethical and sustainable consumption choices" (Survey respondent). "The challenge is to bring more transparency on the table. Consumers are waiting for that" (Survey respondent).

   This suggests that corporations are expected to provide novel solutions to target such "transparency" challenges and adopt new operational mechanisms that give younger generations insight into corporate conduct regarding CSR-related aspects. Moreover, experts indicated that higher quality and functionality are rising in consumers' focus, requiring luxury watch firms to implement novel customer needs into their products. An interview partner added that governmental agencies in certain countries also require increased

*Table 6.1* First- and second-order themes arising from the expert survey and representative data.

| First-order themes | Second-order themes | Representative data |
|---|---|---|
| *New consumer generations* (41.46% of respondents referred to younger generations) | Younger generations | "A new vague of younger consumers has risen, luxury isn't reserved for elder, rich people. They've therefore become an aim to be reached much quicker by new generations." "The luxury watch market has a well-defined and stable customer target, younger generations are interested in these products after 40 years." |
|  | Millennials | "I also see some young people (millennial's) in search of something unique perhaps to symbolize something or for identity or to give them meaning." "More accessible/millennial are more interested." |
|  | Female consumers | "For a long time watches has been the sole jewel for men and its importance increased with time and it became one of the jewels for women as well." "Women love personalized watches with a meaning." |
| *Higher standards demanded* (26.83% of respondents referred to higher standards demanded by consumers) | Ethical and sustainable product attributes | "The challenge is to bring more transparency on the table. Consumers are waiting for that." "New generations are more focused on experiential aspects and more incline to make ethical and sustainable consumption choices." |
|  | Higher quality and functionality | "The level of quality and technology required for the Luxury watches is increasing by consumers." "Post introduction of smartwatches, perception on luxury watches [is] changing. Functional aspects are necessarily to be added in the luxury watches." |
| *Personalization beyond products* (46.34% of respondents referred to personalization beyond the luxury watch) | Personalization | "More and more people want to have a personalized watch, they don't want to be like anyone else." "[New generations are] considering the watch as a way to express their personality." |

| | Stories behind the product and experience | "Time, rareness and exceptional experiences are the new luxury. Product itself is not enough anymore."<br>"The importance of the ethics questions is growing very quickly, as well as the importance of the stories behind a product." |
| --- | --- | --- |
| *Digitalization and innovation* (12.20% of respondents referred to digitalization and innovation) | Online platforms | "Luxury can be 'touched' by everybody today thanks to Instagram." |
| | Changing sales patterns | "Customers and retailers are growing apart. Direct sales from within the companies are emerging."<br>"[I]t is worth mentioning Kickstarter as new way to 'consume' luxury watches. Many brands and concepts are presented, in opposition to the world of famous brands. Luxury watches brands should spend some extra time to understand what happens here in term of concept, marketing."<br>"Overtime it can be seen that the entry level luxury watch market will have a down turn in sales, as a direct result of digital watches. Nonetheless the upper echelon of the luxury watch market will continue to grow rapidly with the increase of wealth around the World." |

*Note*: Percentage are calculated based on $N = 41$. Not all experts responded, given that the open-ended survey question was not required to be answered.

insights, and thus transparency, when it comes to the ownership of a luxury watch:

> Depends on the country. In some countries, it's fine because they pay properly and declare what they have to declare. But in China, or some other countries where the average salary is very low, it can be a challenge.
>
> (Undisclosed interview partner)

Another interview partner added:

> In China for example, that's true for at least seven or eight years since the new president. No civil servant can wear – officially – the name [of a brand] that is in a list, given to every civil servant, even to top-ranked. You cannot wear Omega, you cannot wear Rolex, they were the two most famous.
>
> (Undisclosed interview partner)

3. *Personalization beyond products*. Another recurring theme that became evident from the expert survey's answers is the consumer demand for more personalization of the products and beyond (mentioned in about 47 percent of the responses). Luxury watch consumers are expecting an increased level of customization that makes them stand out as an expression to be unique and not "like anyone else." What is particularly notable here is the increased consumer demand for information and experiences that go beyond the product itself. The experts highlighted that this shift goes along with the necessity to provide stories behind the product, such that the luxury watch can be perceived in new ways. "Time, rareness and exceptional experiences are the new luxury. Product itself is not enough anymore" (Survey respondent).

4. *Digitalization and innovation*. In terms of digitalization and innovation, the experts suggested that online platforms, such as Instagram, represent new ways in which watch brands and customers can interact or be experienced, as the following hints "Luxury can be 'touched' by everybody today thanks to Instagram" (Survey respondent).

   Through digitalization and novel technologies, new sales channels arise that provide entry points for niche brands that can interact beyond traditional distribution and sales networks. In line with previous studies (see, e.g., Deloitte AG 2017; Oakley 2015), the experts' answers indicate that smartwatches are not seen as a particular industry challenge, given that these devices may only affect the entry level of the luxury watch market.

> Over time it can be seen that the entry level luxury watch market will have a downturn in sales, as a direct result of digital watches. Nonetheless the upper echelon of the luxury watch market will continue to grow rapidly with the increase of wealth around the World.
>
> (Survey respondent)

The following section will discuss the potential brought along by networked surveillance in the form of DLT in light of the results above.

***Phase II: netnography***

Following the insights gained from the pilot study, netnographic data were collected in phase II to understand how networked surveillance aspects are perceived from a consumer perspective. In line with netnography (Kozinets 2010, 2019), our criteria to select suitable luxury watch online communities were based on: (1) the fit concerning the research objective, (2) the online communities' size and establishment in terms of the number of posts and long-term existence, (3) rich data concerning the posts content and length written in English, and (4) forum member diversity and interaction. Via an online search, we identified two large-scale online communities related to luxury watches/brands that matched our selection criteria as field sites: (1) the "Rolex forum" established in 2004 with 246,588 registered forum members and several million posts (10 581,797) and (2) WatchUSeek established in 2005 with 435,000 registered forum members and several million posts (17,900,000) at the data collection cut-off date (early August 2020). We identified eight threads with 247 comments (posts) after searching for the following keywords in the forums in early August 2020: blockchain, DLT, tracking, sustainability, CSR, and reporting. In total, 156 forum members have commented at least once in one of the threads.

*Data analysis and results*

To analyze the netnographic data, we followed the same coding approach that we applied previously to the open survey question analysis of phase I (Colquitt 2001; Saldaña 2013; Kozinets, Dolbec, and Earley 2010). Thus, we labeled and categorized the forum data iteratively, moving back and forth between data and theory, which revealed 18 second-order themes, which we refined into five first-order themes. The results are further outlined next concerning potential learning and control opportunities associated with DLT (see Table 6.2).

*Transparency versus disclosure.* Several forum members highlighted a discrepancy between available and desired information about the corporate conduct of luxury watch organizations: "They [Rolex] are a very secretive company with a vertically integrated supply chain which makes an objective assessment of that supply chain's sustainability quite difficult" (LyingFlat). Whereas the forum members highlighted their interest in supply chains, manufacturing processes, and particularly sustainability disclosure of their preferred luxury watch brands, they were also skeptical about corporations' willingness to provide such insights. Therefore, some commentators stressed that luxury watch corporations have room to further offer learning opportunities about themselves.

*Product history and manufacturing track record.* In fact, forum members indicated that more extensive information about the product's history and key dates of the product life cycle would add value, thereby highlighting the increased bonding that may be created, given the expanded knowledge about the development story of their luxury timepiece:

> I think knowing the history of a particular watch adds so much more value and personal bonding with it. Imagine again, if you even knew the name of the watchmaker at Rolex SA that gave birth to your piece.

*Table 6.2* First- and second-order themes arising from netnographic data.

| Blockchain-based transparency | Macro themes (5) | Micro themes (18) | Representative data |
|---|---|---|---|
| **Perceived learning opportunities** | *Transparency vs. disclosure* | ☐ Trade secrets<br>☐ Supply chain<br>☐ Manufacturing<br>☐ Sustainability disclosure | "The watch industry in general is very opaque about this – probably a blend of 'trade secrets' and not wanting us to know how little workers are paid – but more transparency on this is helpful for all." (new_to_rolex)<br>"They [Rolex] are a very secretive company with a vertically integrated supply chain which makes an objective assessment of that supply chain's sustainability quite difficult." (LyingFlat)<br>"Rolex is not open about much of their manufacturing process and so it's hard to really answer this. It's also philosophical as well with significant complexity." (Chester01)<br>"So the question becomes, is Rolex maximizing its opportunities – right now it appears to be transparency that Rolex's greater concern. The old adage, 'if it can't be measured, it can't be managed' seems to ring true for a company notoriously secretive Rolex is. And as a private company they have no such public obligations for disclosure or ESG benchmarking. On that point, it makes sense that the publicly traded Richemont Group brands (IWC) would be rated as further along – if only because they have disclosure obligations." (LeonMorin) |
| **Perceived learning opportunities (continued)** | *Product history and manufacturing track record* | ☐ Product history<br>☐ Key dates of product life cycle<br>☐ Added value | "I think knowing the history of a particular watch adds so much more value and personal bonding with it. Imagine again, if you even knew the name of the watchmaker at Rolex SA that gave birth to your piece.<br>Beyond the technical jargon, Blockchain is really a simple concept to grasp. An easy explanation would be, how the records of the watch is kept electronically across multiple database (ledgers) and in so doing increases the intrinsic value of the watch." (LeonMorin)<br>"Effective immediately, ALL Ulysse Nardin watches will process their warranties via blockchain. A FIRST in the industry; specially because owners will have full access to this exciting technology at UN.<br>Users will know EXACTLY the footprint of every watch . . . original sale date, customer, services . . . no more question marks on the story behind the watch." (GerardoG) |

| | | | |
|---|---|---|---|
| | *Social, environmental, and ethical product attributes* | ☐ Provenance/sourcing<br>☐ Environmental impact<br>☐ Resource consumption<br>☐ Raw materials (gold, conflict/diamonds) | "But in all seriousness Rolex watches last multiple generations, so they are some of the least disposable goods in existence. In a multi-factor review of ESG, disposability is probably the most important factor in evaluating long-term impact. And in this fashion, Rolex is probably one with least detrimental impacts in the world today." (904VT)<br>"What I was inquiring about was the origin and means of obtaining the materials used to make these watches. Truth is, as many have mentioned, that diamonds and gold come from conflictive areas." (pedrocaguirre)<br>"This WWF report linked above is a great starting point to understand the sustainability profile of the watch industry at large. It highlights that there are an array of sector specific concerns, many of which the group have touched upon. Of course extraction comes top of the list – all that smelting doesn't happen without joules." (LeonMorin)<br>"I guess no one but Rolex will know about that, and I would also guess we would not WANT to know since the Diamond business is not always as "clean as diamonds." (SPACE-DWELLER) |
| **Perceived (over) control opportunities** | *Digital product certificate and warranty* | ☐ Product warranty<br>☐ Customer service<br>☐ Black/gray markets<br>☐ Theft protection | "Rolex can also use it to manage their warranties." (cuffs)<br>"True, yet how many of you would never register your new Rolex/verify it is authentic? Don't you want your Rolex wallet to have all your timepieces in it just in case they get stolen, need service, etc." (enjoythemusic)<br>"Blockchain or something like it is going to infiltrate many aspects of everyday life. It would not only benefit Rolex SA but dealers and buyers as well. Think of its impact on tracking lost and stolen watches?" (challer)<br>"As with other jewelry, some manufacturers are now considering using IBM's blockchain to track jewelry. Rolex could easily do the same and thus no need for warranty card as each watch has a specific ID as does the owner's wallet. As ownership changes from the Rolex factory to the AD it is registered. Sale to first buyer is naturally registered/tracked, as are RSC services. Blockchain allows some verification of authentication during resale of course, and said sale can be registered and tracked, thus becoming a part of the overall watch's open and transparent history." (enjoythemusic) |
| | *Invasiveness of technology* | ☐ Purchase with potentially illicit funds<br>☐ Obligatory/voluntary registration<br>☐ (Data) privacy | "How would a Rolex sales associate explain blockchain to a guy buying himself a retirement present and wanting to pay cash from under his mattress?!" (steeevvvooo)<br>"[T]he downside is you are relying on people to register their goods. and let's [sic] be honest who the hell wants to do that." (mobster600)<br>"For those concern about privacy, it doesn't have to record any individual names, just the ref. serial# and most importantly the history right up to the display cases (even at the greys)." (cuffs) |

Beyond the technical jargon, Blockchain is really a simple concept to grasp. An easy explanation would be, how the records of the watch is kept electronically across multiple database (ledgers) and in so doing increases the intrinsic value of the watch.

(LeonMorin)

*Social, environmental, and ethical product attributes* were discussed in depth by forum members. Some commentators perceived the broader social and environmental impact of luxury watches as neglectable, given their small size and durability, further, highlighting that they can be passed on cross-generational, with their mechanical core not even requiring an energy source that may decay:

But in all seriousness Rolex watches last multiple generations, so they are some of the least disposable goods in existence. In a multi-factor review of ESG, disposability is probably the most important factor in evaluating long-term impact. And in this fashion, Rolex is probably one with least detrimental impacts in the world today.

(904VT)

Other commentators, however, indicated that ethical challenges may be hidden in the provenance and sourcing of precious raw materials used in a watch. Particularly gold and (conflict) diamonds remain a relevant topic in this regard. Some even speculate that increased transparency in this regard might uncover information not everyone might appreciate: "I guess no one but Rolex will know about that, and I would also guess we would not WANT to know since the Diamond business is not always as 'clean as diamonds'" (SPACE-DWELLER). *Digital product identity and warranty*. Another theme that emerged from the comments focused on potential control opportunities, going along with DLT. Many commentators revolved around potential consumer benefits arising with digital product identity and warranty stored on a blockchain. For commentators, a digitally stored product warranty and a track record of customer services are perceived very favorably. Moreover, DLT is seen as a beneficial means to verify and protect property in the form of a watch and thereby have an additional assurance when purchasing:

True, yet how many of you would never register your new Rolex/verify it is authentic? Don't you want your Rolex wallet to have all your timepieces in it just in case they get stolen, need service, etc.

(enjoythemusic)

*Invasiveness of technology*. Although forum members perceive DLT on a general basis as rather favorable, several doubts were raised that may go along with too much or over control. Issues may arise concerning data storage and privacy. Further, the question of whether blockchain product registration should be obligatory or voluntary is causing concern. This aspect is seen as highly relevant, as some consumer groups may refrain from purchases that leave a record or could reveal

the source of the funds used for the acquisition of a watch: "How would a Rolex sales associate explain blockchain to a guy buying himself a retirement present and wanting to pay cash from under his mattress?!" (steeevvvooo).

## General discussion: surveillance for good?

In this study, we followed up on how recent developments brought along by DLT are perceived in the luxury watch industry and what potential DLT may hold for luxury watch corporations and their stakeholders, given digitally interconnected societies and current industry trends. In light of this question and the findings that we gained through an inductive approach with quantitative and qualitative data, we discuss the concept of networked surveillance as a form of transparency, which goes along with notions of learning and control (Whelan 2019; Ball, Haggerty, and Lyon 2012; Gurzawska 2020). By building on a netnography focused on consumers' perceptions and a preliminary pilot study with industry experts, we gained novel insights into the changing luxury environment against increasingly digitally interconnected societies.

Through the informal exchange with the high-level experts that participated in our preliminary pilot study, we found that black markets, decreasing demand, and counterfeits remain critical challenges for luxury corporations. Moreover, the overall luxury watch industry is undergoing a broader shift in the unfolding digital age. This transformation is characterized by new consumer generations that demand higher quality and functionality levels, particularly insights into ethical and sustainable product attributes, as our netnographic data suggest. This is in line with the recent luxury research underscoring that corporate CSR initiatives and consumers' willingness to buy are positively connected (Amatulli et al. 2018). The insights gained from the pilot study and the netnographic data indicate that luxury watches are expected to be unique and personalized, which includes the broader experience connected to the luxury item and beyond. Thus, it is the physical appearance of the watch and the stories behind the product that are becoming paramount in an increasingly digital world. Against the background of today's digital societies, online platforms are becoming an important sales channel, where luxuries are "touched" by the consumer for the first time. An aspect also highlighted by recent research (Hoffmann and Lecamp 2015). The changing marketing and sales patterns can be challenging for corporations. Yet the digital realms also provide novel opportunities for luxury watch corporations to interact with customers and the broader stakeholder network. From the consumer perceptions and the informal exchange with the experts, it became clear that technological advancements in the form of DLT may have a considerable impact on the industry in the coming years. Blockchain-based systems were regarded as a potential game changer, which may gradually manifest its full potential.

Consequently, our findings suggest that broader transformations and changes related to DLT have vast potential to reshape the interactions between luxury watch corporations, their consumers, and the extended network of stakeholders directly or indirectly connected to the firms. Against the background of the depicted findings,

we offer a contribution to existing literature describing networked surveillance as a transparency means that creates opportunities for learning and control.

### Janus-faced surveillance: enabling ethical luxury through networked surveillance

In this study, we use the Janus metaphor as a concept to bridge between the dichotomic meanings of surveillance to propose networked surveillance (Whelan 2019), amalgamating the opposing dichotomies of desirable and undesirable surveillance, and allow for new ways of thinking about the surveillance concept (Hong 2017). As Ball, Haggerty, and Lyon (2012, xxi) highlight: "[s]urveillance was neither good nor bad, but context and comportment made it so." Using the Janus image, we depict networked surveillance as a concept that acknowledges the presence of these two distinct conditions while being unbiased toward a specific side. Thus, we argue that networked surveillance in the form of DLT goes along with increased transparency and may, therefore, hold benefits for luxury corporations and their consumers, potentially resulting in a more ethical luxury (watch) industry. However, this surveillance conception also acknowledges potentially undesirable aspects connected to customer privacy and voluntariness (Hong 2017; Gurzawska 2020; Vandekerckhove 2019). Consequently, we depict network surveillance as a digital transparency concept (Bernstein 2017; Whelan 2019; Schultz and Seele 2020) that provides new opportunities for learning and control alongside the three key dimensions: (1) black markets and counterfeits, (2) CSR standards and supply chains, and (3) and personalization beyond physical products, toward virtual luxury identities. Table 6.3 lists the key dimensions along with potential benefits for learning and control.

*Black markets and counterfeits*. Concerning learning opportunities, consumers can learn about the authenticity of a luxury watch offered to them and thereby rely on the integrity of the information stored on a (public) blockchain. In comparison, corporations can safeguard their products, controlling for stolen, fake, or counterfeit watches that are adversely affecting their business. Moreover, consumers can secure the ownership of their watch, tracking their property rights. These control effects can also benefit law enforcement and governmental agencies that can draw on data attached to a luxury watch blockchain. In this way, corruption issues also can be omitted or easily detected, such as the one referred to by an interview partner:

> The ex-prime minister of Malaysia has been caught in a big scandal . . . they found in his house something like 550 watches and only expensive ones. Obviously a watch is small, easy to carry. So it's[sic] always been a good tool for money laundering as well.
>
> (Undisclosed interview partner)

*Standardized CSR reporting*. Consumers demanding high levels of quality and the upholding of CSR standards in the supply chain can learn about their products'

*Table 6.3* Networked surveillance and transparency: New opportunities for learning and control.

| Dimension | Networked surveillance and transparency | |
| --- | --- | --- |
| | *Learning* | *Control* |
| *Black markets and counterfeits* | ☐ Improved knowledge on authenticity of luxury watch<br>☐ Trust in integrity of information stored on a (public) blockchain | ☐ Safeguarding of luxury watches, controlling for stolen, fake or counterfeit watches.<br>☐ Secure ownership registry benefitting consumers and businesses and tracking of property rights.<br>☐ New possibilities for law enforcement and governmental agencies. |
| *Standardized CSR reporting* | ☐ Comprehensive and verified insights into ethical and sustainable product attributes and production processes<br>☐ Learning opportunities about nature, quality, and origin of materials used | ☐ Corporate control over supply chain and compliance with social and environmental standards.<br>☐ Proof of product and raw material quality.<br>☐ Quality differentiation and locational advantage. |
| *Personalization beyond physical products: The virtual luxury identity* | ☐ Learning and added value due to unique product story attached to the blockchain<br>☐ Virtual consumption of the luxury watch | ☐ Controlling for a unique and personalized virtual product identity through additional information.<br>☐ Control over originality of luxury watch, with respect to particular production process, raw materials, and manufacturing.<br>☐ Distinction from competition and strengthening of a brand. |

nature and quality through information stored on a blockchain (Stein Smith 2020). New consumer generations, increasingly concerned with ethical and sustainable product attributes, can gain verified insights about production processes, the raw materials used, their provenance, and under which conditions they were sourced (Serdari 2017). Corporations can better control their supply chain, thereby guaranteeing that suppliers comply with social and environmental standards. Moreover, the increased supply chain control provides corporations potential to differentiate themselves by also underlining existing quality standards, such as referred to by an interview partner:

> If you are buying a luxury product, especially made in Switzerland, I wouldn't see anything unethical in terms of the production process . . . in terms of pure ethics of production, paying the salaries and everything, 100 % of the luxury watchmaking business in Switzerland is clean. There is no risk her.
>
> (Undisclosed interview partner)

In this way, CSR and supply chain data provided on a blockchain can help corporations by building on locational advantages and communicating them to stakeholders.

*Personalization beyond physical products: Toward virtual luxury identities.* Information stored on a blockchain can allow for increased product personalization that may add value for consumers beyond the physical item itself. The story behind the product can be provided to the consumer via a blockchain registry, depicting a journey from the raw materials to the final polishing of a watch. Blockchain information can make a luxury watch "unique" in the sense that a particular production process, the raw materials and their origin, and the ownership history may create a product that cannot be imitated. In today's online environments, the digital product identity, namely the virtual portrayal of a luxury watch, may become crucial along with the physical item. It may be seen as a distinction from the competition, strengthening the brand or corporate image. Further, consumers may consume the luxury item virtually as a non-depreciable good. However, against the background of increasing amounts of data stored on blockchains, consumer privacy and security needs to be guaranteed (Dierksmeier and Seele 2020; Xu et al. 2017).

## Conclusion and future research

Contemporary surveillance debates often swing between the opposing dichotomies of desirable/undesirable or ethical/unethical surveillance. In this research, we investigated the dual nature of surveillance in the form of DLT and blockchain-based product identifiers within the luxury watch industry. Using the Janus image as a representation for the middle ground or bridge between opposing sides, we argue for new ways of thinking about the surveillance concept. Consequently, going beyond the surveillance concept's dichotomies, we outlined *networked surveillance* as a processual and transitory entanglement. Thus, we depicted networked surveillance as a means that provides novel opportunities for learning and control for luxury corporations and their stakeholders, highlighting both desirable and undesirable effects that may go along with increased networked transparency of DLT. Our findings from the exploratory pilot and the netnography thus provide new insights into the broader transformations that the luxury watch industry is facing and the potential that networked surveillance has in light of digitally interconnected societies.

Given the infancy of blockchain approaches within the luxury watch industry, our inductive research design was limited to luxury watch experts mainly located in Switzerland as the industry's key location. Further, the netnographic data were built on a sample from two North American luxury watch communities. Although the two forums are among the largest worldwide with an international user base,

the forum comments may reflect the North American, English-speaking country settings. Thus, it would be fruitful for future research to extend the approach in a geographical sense and with respect to a broader stakeholder perspective, which may involve alternative methodological approaches. Thus, it would be interesting to look beyond the expert and consumer perspective and to consider, for example, governmental views about the topic via focus groups. Also, a case study may focus on the recently introduced blockchain approach of luxury watchmakers, such as Ulysee Nardin. Further, the applied approach of expert data collection can raise issues regarding respondents' subjectivity or bias, which we strived to limit by involving experts with long-term experience and very diverse backgrounds (Payne and Mansfield 1973).

What goes beyond this chapter's scope is the study of specific limitations connected to a networked surveillance approach based on blockchain technology, mainly related to the technical challenges involved. DLT is still evolving, and issues remain regarding the scalability, the integrity of network users, and privacy and security aspects related to encryption (Dierksmeier and Seele 2018; Gurzawska 2020; Vandekerckhove 2019). Therefore, a fruitful avenue for future research is the analysis of potential drawbacks of networked surveillance concerning luxury corporations and consumers and the more general Janus-faced nature of surveillance. For example, a fully transparent ownership record of luxury watches may not be in the interest of specific consumer groups. The anti-corruption legislation in China is an important aspect in this regard (Adams 2012). As Gurzawska (2020) highlights, technological advances such as DLT may enhance supply chain responsibility, however only to the extent that economic, political, and social actors are willing to do so. Moreover, potential security leaks may reveal unwanted information about customers to the public, thereby creating reputational risks for the corporation and the involved consumers. Besides, from a practical point of view, today's supply chains' complexity may not allow for all-encompassing surveillance and transparency of every product aspect (Kim and Davis 2016).

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# 7   Censored and sensored luxury

## A new theory, combining retouching of public luxury display and digital product identifiers

### Introduction: Swiss luxury watchmaking in 2022

The Swiss luxury watch industry is a crucial part of the broader luxury goods industry, showing its overall stability by continuously generating high value even in times of global instability. As stressed by Jaberg (2022c), recent events, such as "[t]he war in Ukraine, strict COVID-19 lockdowns in China, inflation, plunging stock markets and collapsing crypto currencies" have left the industry seemingly unmoved. The years 2021 and 2022 are described as the most successful years for Swiss watchmaking, given the high consumer demand and record exports (Deloitte AG 2022; O. R. Müller 2022). Although the export volumes remained relatively stable, the industry's success builds on the market for high-end watches priced above "CHF7,500 ($7,732) apiece" (Jaberg 2022c). Swiss luxury watchmaking represents a distinct context linked to a dense industry environment that builds on specialized craftsmanship that comes with the Swiss-made indicator as a signal for high quality (Deloitte AG 2022; Deloitte Global 2022; Jaberg 2022c).

Next to a few very successful small-sized and often family-owned businesses, the Swiss watch industry is characterized by a concentration of three large-scale corporations that own the primary brands (Hoffmann and Lecamp 2015). Two of them are stock-listed corporations: Swatch group, with 17 individual watch brands, and La Compagnie Financière Richemont, which oversees 13 individual watch brands (Compagnie Financière Richemont SA 2023; The Swatch Group Ltd 2023). In addition, the third one Rolex SA is owned by the Hans Wilsdorf Foundation and manages two watch brands (Rolex SA 2023; Compagnie Financière Richemont SA 2023; The Swatch Group Ltd 2023). In recent years, the three watch companies accounted for an approximate worldwide market share of 70 percent in the luxury watch sector (Handelszeitung 2021; O. R. Müller 2022).

Particularly Rolex SA stands out in this regard, outperforming the previous market leader, Swatch Group, with an estimated turnover of CHF8 billion in 2021 (O. R. Müller 2022). Scarcity, exclusivity, and a simple as well as coherent product range were mentioned as some of the crucial success factors of Switzerland's most successful luxury watch manufacturer Rolex SA (Handelszeitung 2021). The strong performance of Rolex is underlined by its plans to expand its Swiss production facilities, investing CHF1 billion in a new Swiss production site at Bulle that

could create around 2,000 new jobs when completed in 2029 (Swissinfo 2022). Rolex SA's plans to expand its Swiss production facilities are not an exception but follow a strategy that matches its competitors, Swatch Group and La Compagnie Financière Richemont. Over the past ten years, the three main players have invested in their internal production equipment, limiting their dependence on external suppliers by acquiring subcontractors (Jaberg 2022c). This vertical integration strategy has helped the three leading corporations to increase their control over production and substantially decrease their reliance on external partners (Hoffmann and Lecamp 2015). However, this power concentration of the three leaders adversely affects smaller firms looking for independent suppliers and deters potential start-ups from entering the market (Hoffmann and Lecamp 2015; Jaberg 2022c).

Nevertheless, several start-ups have taken up the challenge, striving to disrupt the market by drawing on fine-grained approaches to anticipate and exploit new market developments. New market entrants mainly target the growing demand for pre-owned watches, direct-to-consumer sales, and the shrinking mid-range market that represents an essential foundation of the entire watch industry (McKinsey & Company 2021; Deloitte AG 2022). The new entrants share a common element, namely their reliance on digital platforms as the backbone for their strategies. For example, the start-up Subdial uses a real-time market index to transparently inform collectors and investment-oriented consumers about the development of pre-owned luxury watches and their current market price (Shoaib 2022). Another example is BA111OD, a Swiss-based start-up that uses its website and "afluendor" platform as exclusive distribution channels. The company's community strategy forgoes controlling its brand storytelling to rely on consumer-generated promotion and sales (Girod 2022). As a consequence, the start-up can do without an extensive distribution and marketing budget, offering their luxury watches at a bargain (Jaberg 2022a).

Against this broader industry background, this chapter will revisit the previous chapters and synthesize the theoretical and practical implications of the single chapters. Thus, this chapter looks at the combined contribution of the single chapters, discussing the findings in light of two emerging themes, *censored* and *sensored luxury*. To outline this core contribution to the field, the remainder of the chapter proceeds as follows. We revisit the first chapter that sets the stage for exploring the luxury concept from the perspective of Swiss watchmaking, presenting gestalt theory and the idea of luxury as a dynamic concept that can appear in different forms (Bonacchi 2015; Encyclopædia Britannica 2022; Eilan 2013; Crowe 2018). Then, we synthesize Chapters 3–5, identifying and conceptualizing *censored luxury* as an overarching theme that captures a seemingly undesirable manifestation of luxury. Thus, censored luxury describes a form of luxury that is perceived as unethical, which comes with attempts to conceal, cover, or retouch this seemingly *unethical gestalt* from the public eye. Next, we synthesize Chapters 2 and 6, identifying and conceptualizing *sensored luxury* as a combined theme that captures how the digital transformation is reshaping current luxury understandings. Consequently, we outline *sensored luxury* as a concept that refers to the increasing digitalization of luxury and the use of digital product identifiers that enhance physical luxury items

and enable luxury corporations and their stakeholders to keep track of them in both physical and digital realms.

## The dynamic gestalts of luxury

Chapter 1 introduces and explores the luxury concept from the perspective of Swiss luxury watchmaking, drawing on expert perceptions and the theoretical angle of gestalt theory. Luxury can appear in many forms and relate to manifold goods, services, and experiences that are perceived differently across time and context (Shukla and Singh 2017; Amatulli et al. 2017; Serdari 2020). Thus, the first chapter builds on a survey to explore how Swiss luxury watch experts perceive the luxury concept.

From a practical point of view, the chapter revealed that experts recognize two particular and diverging luxury dimensions. The first one is closely linked to the inherent characteristics of a luxury good, encompassing *excellent quality, aesthetics, innovation, as well as history and heritage*. The second dimension goes beyond the physical appearance of a luxury good and relates to somewhat symbolic aspects, such as *hedonism, status, and conspicuousness*. Interestingly, the price of a luxury good was perceived as less critical with respect to all other items.

A practical interpretation of the experts' perceptions certainly reflects the current Swiss luxury watch context. In order to sustain continuous growth, luxury watch companies do not only provide tangible products that continuously innovate along the first dimension but also watch brands that deliver intangible meanings that contribute to the second dimension (Turunen 2018). On the one hand, Swiss luxury watchmaking builds on a long history of highly specialized watchmakers and craftspeople that strive to unite the attributes of the first dimension in their new creations (Jaberg 2022c). On the other hand, the watchmaking sector builds on a relatively small number of corporations that have shaped the second dimension with their various brands and distinct marketing strategies. In a recent article, analyzing 420 magazine ads from 36 luxury watch brands, Philippe, Debenedetti, and Chaney (2022) outline how watch brands strategically mobilize their status, reputation, and legitimacy to shape consumers' luxury perceptions. The recent market success of Rolex SA exemplifies this technique. One factor contributing to Rolex's success is the brand's ability to clearly communicate its values, including scarcity and exclusivity (Handelszeitung 2021). Thus, luxury can be seen as a concept in transition that is shaped and reshaped by brands and the broader societal settings and dynamics in which the brands and physical luxury items are embedded (Philippe, Debenedetti, and Chaney 2022). Consequently, the two distinct luxury dimensions revealed by the expert survey also connect to existing research that discusses various meanings of luxury, stretching from a physical item focus to broader societal meanings of luxury that are subject to continuous change (Amatulli et al. 2017; Gurzki and Woisetschläger 2017; Shukla and Singh 2017; Turunen 2018; Jaikumar, Singh, and Sarin 2018).

To capture this dynamic nature of the luxury concept, Chapter 1 introduces the basic background of *gestalt theory* (Bonacchi 2015; Encyclopædia Britannica

2022; Eilan 2013; Crowe 2018). The German word "Gestalt" can be translated to the English expression "shape" or "figure." Thus, a gestalt resembles "something that is made of many parts and yet is somehow more than or different from the combination of its parts" (Encyclopædia Britannica 2022). Applied to the dimension of the luxury concept revealed by the expert survey, luxury can be perceived in different gestalts or forms depending on an individual's perspective. The underlying elements, such as excellent quality and aesthetics or status and conspicuousness, thereby inform the gestalt of luxury.

Central to the perception of luxury is the observer's standpoint. What *luxury gestalt* a person sees is subject to the individual's perception. Wittgenstein's duck–rabbit drawing is a helpful analogy to exemplify the interpretative human perception (Wittgenstein 1958). The famous drawing can be seen as depicting a duck or a rabbit head. Thus, where one might see luxury as an aesthetically appealing, high-quality timepiece, another observer could perceive luxury in the rather symbolic gestalt of status hedonism and conspicuousness. As with Wittgenstein's drawing, although one might only see one at a time, both gestalts inform the luxury concept as a whole. In addition, Wittgenstein's duck–rabbit drawing helps draw attention to the dynamic nature of luxury. Although the drawing remains unchanged, a switch in the observer's perspective can reveal a new gestalt: the duck turning into a rabbit or vice versa. Similarly, the different chapters of this book explore different viewpoints on the luxury concept that can be best synthesized as *censored* and *sensored luxury*.

**Censored luxury**

Luxury can be described as a concept in transition that evolves over time. Once exclusively available to a few, mobile phones have changed from desirable luxury items to everyday commodities (Kapferer and Valette-Florence 2016, 2018; Turunen 2018). As Turunen (2018, 28) shows, luxury understandings may shift such that "yesterday's luxuries would be today's necessities" or vice versa. The mobile phone is an example of a (former) luxury good that has constantly evolved, changing its physical appearance. Contrary to this well-observed phenomenon, Chapters 3–5 explore changing perceptions of luxury in light of unchanged physical manifestations. Still, little is known about the contrast between desirable and undesirable luxury when the physical appearance of luxury remains unchanged, but contextual parameters shift. Thus, Chapters 3–5 explore luxury as a concept in transition in light of individual and situational characteristics linked to a luxury consumer appearing in the broader societal sphere. Taken together, the three chapters give rise to a particular perspective on luxury. The notion of *censored luxury* refers to a seemingly undesirable gestalt of luxury that is concealed, covered, or retouched in some way.

Luxury possession and the public display have long been discussed as a reflection of an individual's identity and social self (Sundie et al. 2011; Thorstein 1899; Douglas and Isherwood 1996; Bourdieu and Bourdieu 2002). In this sense, the public luxury display can be described as a mode of communication whereby the

individual strives to convey a particular signal to the social environment. Previous research shows that this communication approach has long evolutionary roots and may serve various purposes (Sundie et al. 2011). As Beckham and Voyer (2014) outlined, motives for engaging in conspicuous consumption include an individual's desire to signal status, wealth, class, and social and economic power. Chapters 3–5 explore this form of communication from multiple perspectives, looking at: (Chapter 3), illustrative cases of powerful individuals engaging in luxury display; (Chapter 4) which social context increases or decreases an individual's willingness to flaunt a luxury item and; (Chapter 5) how luxury display is interpreted in organizational settings, when observers may perceive competing signals from conspicuously consuming workers and their employer.

### Hubris of luxury

Chapter 3 approaches luxury display from the theoretical perspective of hubris, by exploring five cases of powerful individuals wearing luxury watches in public situations. The Greek term hubris refers to "a grievous lack of respect for that which demands respect" (Aristotle 2011, 309). In other words, hubris relates to overconfidence or arrogance, as a cognitive bias of an individual engaging in behavior that runs against common believes (Picone, Dagnino, and Minà 2014). Individuals in power positions are more likely to engage in such unacceptable behavior, given their elevated capacity to withstand normative pressure from the public (Beckham and Voyer 2014; Claxton, Owen, and Sadler-Smith 2015). However, the breaking of social norms can go too far. Hubris can trigger nemesis, in the sense of public anger against an injustice behavior, which ultimately leads to the downfall of the protagonist (Picone, Dagnino, and Minà 2014; Aristotle 2011).

Public figures may underline their power position and status by wearing a luxury watch in societal settings. In fact, their professional success is often the foundation that allows them to afford the luxuries that they display (JamesEdition 2018). However, as shown in Chapter 3, the public perception about a luxury item can shift, such that the luxury gestalt turns into something undesirable. *If the luxury watch is perceived as an object of a common transaction context, that is, the wealth creation of the watch bearer is linked to the work, membership, or offering of the audience, then the ethical perception of a taking-advantage asymmetry is "in the air" enabling a luxury gestalt-switch and leading to (backfiring) ethical hubris for the bearer.*

In Chapter 3, the notion of censored luxury becomes evident by a visual optimization strategy that is used to change the appearance of the luxury bearer. The cases of Kirill and Kleinfeld show how official press photos are retouched to eliminate luxury items, in an effort to achieve ethical credibility in the public eye (Seele 2012). The organizations engaging in the censoring fear that the luxury watch can be perceived as something that breaks social norms. In both cases, the norm-breaking element stems from the contrast between the watch bearer's luxury display and the professional role. Consequently, luxury is literally concealed or censored from the public.

### Willingness to flaunt a luxury item

Chapter 4 builds on the insights gained from the previous chapter by studying an individual's willingness to flaunt a luxury item in different social interactions building on conspicuous consumption theory and functional theories of attitudes. Conspicuous consumption in public relates to the social benefits that people gain from displaying luxuries in social interactions (Amatulli and Guido 2012; Nelissen and Meijers 2011). Thus, conspicuous consumption can be defined as "attaining and exhibiting costly items to impress upon others that one possesses wealth or status" (Sundie et al. 2011, 664). In this regard, Chapter 4 reveals that an individual's willingness to flaunt luxury in a social setting can hinge on attitudinal predispositions (Bian and Forsythe 2012; Schade et al. 2016; Oakley 2015). For example, a person wearing a luxury timepiece while speaking in front of a class may want to express the self-identity (VEF). In contrast, the underlying motive to wear a watch at a dinner party can be linked to a willingness to fit in or meet the expectations of the social setting (SAF). However, Chapter 4 reveals that functional theories fall short explaining conspicuous consumption in interactions with transactional character.

When asking for a "pay raise," individuals would rather prefer not wearing a luxury watch. Individuals might perceive the luxury display in such a situation as undesirable due to the presence of asymmetric value expression. Whereas luxury display implies possessing a certain abundance of resources to afford the luxury good, a request for additional financial means sends a conflicting signal (Nelissen and Meijers 2011; Eastman and Eastman 2015). Thus, individuals prefer not wearing a luxury item in such a setting to uphold context value consistency (Wilcox, Kim, and Sen 2009). In other words, individuals prefer a form of self-censorship to conceal their luxury possession. Consequently, in this case, censored luxury appears as a personal choice to avoid breaking a perceived social norm.

### Luxury display within organizations

In an expansion of the previous chapters, Chapter 5 takes an observer's perspective by discussing luxury display within organizational settings. The focus is thereby directed at the social construction and reconstruction of an organizational image, whereby the employees physical appearance plays a crucial role in the process (M. Müller 2018; Mumby 2016; Vallas and Cummins 2015; Timming 2017; Salzer-Mörling and Strannegård 2004). Thus, Chapter 5 explores the dynamics of luxury watch display at work, with frontline employees projecting particular values to outside observers (Timming 2017, 2016). As shown in the chapter, a luxury item can be a decisive element of a frontline employee's appearance, conveying an overall harmonious organizational image. Clients may create a connection between the watch-bearing employee and the organization. In a client meeting, the luxury watch of a wealthy manager may send a positive signal, with the client making an association between the manager and the organization that may successfully handle the consumer's assets. Thus, as outlined in the chapter, an *organizational gestalt*

can be defined *as a dynamic projection of organizational values informed and conveyed by aesthetic, organizational representations (e.g., employees'wristwatches)*.

Whereas a luxury watch may contribute to a harmonious *organizational gestalt*, it may also trigger the opposite effect. An observer may perceive the employee's luxury watch to stand in conflict with the organizational values. Thus, a dentist flaunting a luxury watch while treating a patient can trigger the impression that financial success takes precedence over patient's well-being (Krüger 2012; Bemmer 2018). Consequently, the notion of *censored luxury* comes into play when an organization cannot risk disturbing the organizational image in the client's eye. In other words, employees "taking off their Rolex prior to a client meeting" want to conceal the luxury item to avoid a misleading signal that could backfire on the organization.

### Contemporary manifestations of censored luxury

The recent war in Ukraine immediately impacted the luxury watch market in Russia and revealed another form of censored luxury. With Switzerland following suit on the European Union's sanctions on luxury goods exports, the Swiss luxury watch corporations practically suspended their business in Russia (Startsev 2022). Alongside this suspension, the Swiss watch brands' sociocultural presence and support for Russian institutions, such as the Bolshoi Theatre and the Formula 1 Grand Prix in Sochi, is said to vanish in light of retaliations against Swiss watch companies carried out by Russian authorities (Kučera and Humble 2022; Startsev 2022). Thus, whereas the official market for Swiss luxury watches in Russia has come to a halt, concealed consumption has sparked. According to recent news outlets, the black market for Swiss luxury watches is flourishing in Russia since the war started (Bohórquez et al. 2022; Startsev 2022).

The war in Ukraine also impacted the appearance of the Russian leader and seemingly his understanding of desirable and undesirable luxury. As discussed in Chapter 3, Vladimir Putin owns a range of Swiss luxury watches. In the past, he repeatedly flashed these high-end models on various official occasions (Hodinkee 2014). However, with the war in Ukraine, his preference to wear Swiss luxury brands seems to have stopped. As noted by Startsev (2022), Vladimir Putin is now wearing a new timepiece on his wrist, the Russian-made "Raketa" watch. Raketa is known as an aspirational luxury watch brand that previously emphasized its aim to become a globally recognized brand (Colston 2020). Notwithstanding, the case of Russia underlines that censored luxury can be conceptualized in various ways. Abandoning Swiss watch brands in favor of the Russian counterpart reflects a particular expression of censored luxury. In this case, it might be best described as censored Swiss luxury, given the broader political dimension.

### Sensored luxury

Chapters 2 and 6 explore luxury as a concept in transition in light of recent transformations triggered by digital technologies. The combined contribution of the two

chapters can be best described as *sensored luxury* as a concept that refers to the increasing digitalization of luxury and the use of digital product identifiers that enhance physical luxury manifestations.

### Reshaping the Swiss luxury watch industry

Chapter 2 reports on the ongoing transformations that reshape the Swiss luxury watch industry. In particular, the chapter continues to discuss the experts' perspectives introduced in the first chapter, focusing on the assessment of trends and challenges that the luxury watch sector is facing. In the following, we will revisit the results from the expert survey in light of the most recent watch industry developments and the arising theme of *sensored luxury* – the increasing use of digital product identifiers to enhance luxury watches (McKinsey & Company 2021; Deloitte AG 2022; Jaberg 2022c; O. R. Müller 2022).

Decreasing demand and anti-corruption regulations in China were regarded as critical challenges for the luxury industry. Both trends have been evolving over the past years. As McKinsey's (2021) industry report shows, the demand for luxury watches in the mid-market segment ($180–$3,600) is shrinking. Smartwatches are gaining an increasing market share on the segment's lower end, while on the segment's higher end, the demand shifted to even more costly timepieces (McKinsey & Company 2021). Experts perceive this demand shift as a critical challenge for the industry, given that high-end watches represent 75 percent of the export value while only accounting for about 20 percent of the volume (Jaberg 2022c; Girod 2022). A shrinking mid-market segment is said to adversely impact the diverse industrial base and its innovation ability, as small independent watchmakers and their supplier network might struggle (Jaberg 2022c). In retrospect, the anti-corruption regulations of the Chinese government might have had a rather marginal impact on the export volumes to China (Adams 2012). Instead, recent industry reports show that the COVID-19 pandemic and the zero-COVID-19 policy of the Chinese government destabilized the demand in the past three years (Deloitte AG 2022). As a consequence, fueled by rising demand, the United States overtook China as the most important single market for Swiss luxury watchmaking in 2021 (Deloitte AG 2022). It will be interesting to see how export numbers unfold in the coming year. The end of the Chinese zero-COVID-19 policy could drive consumer demand akin to the United States, where consumers spent their accumulated lockdown savings on luxury goods (Ryan 2023).

As noted in the chapter, black-market sales and counterfeits are important challenges for the industry that can be countered by serial numbers, barcodes, legal countermeasures, and ownership registries that are built on DLT/blockchain technology. This expert assessment has become evident in the past years. With a growing market for pre-owned watches and the issue of black-market sales, luxury corporations are increasingly implementing and using next-generation technologies (Bohórquez et al. 2022; Startsev 2022; Shoaib 2022). DLT is an important tool that luxury watch corporations can use to guarantee the authenticity of a watch and to meet the rising consumer demand for traceability (Deloitte AG 2022; McKinsey & Company 2021).

The ongoing transformations of the luxury watch industry are also reflected by an evolving consumer base with shifting demands for more sustainable product attributes (Gomelsky 2022; Deloitte AG 2022; Bain & Company 2020b). As outlined in the chapter, DLT can serve as a basis to meet the increasing consumer demand for transparent information about CSR and the watch companies' environmental footprint (Deloitte AG 2022). Although luxury watches represent mechanical instruments that do not need any power source and are constructed with the highest quality materials to last for generations, consumers increasingly care about sustainability attributes. Bain & Company (2020a) highlight that millennials and generation Z consumers not only place high importance on the sustainability characteristics of a luxury watch but also expect even more sustainability efforts from luxury watch companies than from companies of other industries. Consequently, Swiss watch corporations pay close attention to meeting the increasing demand by implementing structures to track CSR along their supply chains, including DLT, to track the sustainable sourcing of their raw materials (Liu 2020; Gomelsky 2022; WWF Switzerland 2018). Thus, DLT can be seen as the evolving background infrastructure that enables *sensored luxury*, physical luxury products that are enhanced by digital product identifiers.

### Digital product identifiers for luxury products

The luxury watch industry is increasingly impacted by the digital transformation, with all major industry players striving to tap into the potential that new technologies hold (Edelman 2021; Ragnedda and Destefanis 2019; Deloitte AG 2022; Deloitte Global 2022). Given the rising importance of digital technologies and DLT in particular, Chapter 6 expands on the insights of Chapter 2 to further investigate the notion of *sensored luxury*. Thus, the chapter explores the role of digital product identifiers and how they may change luxury understandings.

The chapter explores the potential and drawbacks that DLT entails for luxury corporations and their stakeholders by drawing on the concept of networked surveillance (Whelan 2019; Lyon 2007; Schultz and Seele 2022). Surveillance typically creates opportunities for learning and control (Bernstein 2017; Gurzawska 2020). In the case of top–down surveillance, only a single actor benefits from learning and control prospects (Ball, Haggerty, and Lyon 2012). However, in the case of DLT-based networked surveillance, learning and control opportunities are distributed across multiple parties due to the decentralized information cast (Ganascia 2011; Whelan 2019). The image of the two-faced Roman god Janus is thereby used to stress this dual nature of surveillance that may come with a favorable side but also with drawbacks (Kling and Lyon 1995; Lyon 2007). Thus, networked surveillance also acknowledges potentially undesirable aspects of increasingly *sensored luxury* (Hong 2017; Gurzawska 2020; Vandekerckhove 2019).

Networked surveillance in the form of DLT can provide unprecedented transparency about luxury products throughout their life cycle, creating new possibilities of learning and control in three specific domains: When it comes to (1) *black markets and counterfeits*, luxury corporations and their stakeholders can benefit from a secure ownership registry that allows for authenticity checks and the tracking of

property rights. Luxury corporations can better control their products and the channels through which they are sold, while assisting consumers in making informed purchase decisions and safeguarding their luxury property after sales. At the same time, this transparency comes with drawbacks connected to customer privacy and raises questions about the voluntariness of data sharing (Dierksmeier and Seele 2020; Xu et al. 2017). (2) *Standardized sustainability reporting*. Younger consumers come with a different perspective on luxury than previous generations, preferring companies that provide verifiable insights on their social and environmental impacts (Bain & Company 2020a; Deloitte AG 2022). It is a critical challenge for luxury corporations to communicate more transparently about their sustainability performance without exaggerating claims (Gomelsky 2022; Serdari 2017). When efforts to implement social and environmentally friendly practices remain a ceremonial façade, companies risk losing consumer trust (Jaberg 2022b; Gomelsky 2022; Bowen 2014; Schultz and Seele 2020). Thus, a blockchain with verifiable sustainability information can increase stakeholder confidence and avoid greenwashing perceptions (Stein Smith 2020; Jaberg 2022b). Moreover, information stored on a blockchain does not need to be limited to sustainability and ownership information. It can allow for a (3) *personalization beyond physical products toward virtual luxury identities*. In other words, all aspects that make a luxury item unique can become accessible through DLT. This can include information about the provenance of raw materials and details on the production process and manufacturing.

Overall, the insights from Chapters 2 and 6 can be best synthesized as sensored luxury. Sensored luxury draws attention to the increasing digitalization of the luxury industry and the use of digital product identifiers that enable luxury corporations and consumers to keep track of their goods throughout the product life cycle. The digital product identity, the virtual portrayal of a luxury good in the digital sphere, holds profound potential and will become increasingly important, as shown in the final Chapter 8.

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# 8  Future outlook: How cutting-edge technologies and new consumer generations reshape the luxury environment

## Future drivers of competition: Metaverse, Web3, non-NFTs, the personalization of luxury products, and their (digital) footprint

> Welcome to the new world of luxury, where avatars wear Burberry "skins" and carry Gucci handbags that are not leather totes but non-fungible tokens. The biggest designer groups are grappling with how to approach the virtual and augmented reality of the Metaverse.
>
> (Felsted 2021)

In October 2021, the social networking giant Facebook announced that they were rebranding to Meta (Isaac 2021). This name change may have certainly helped to shift the public focus away from continuing criticism, scandals, and legal struggles of hate speech and privacy violations that Facebook was facing (Horwitz 2021). However, the rebranding also underlined the new corporate strategy and increasing emphasis on developing and creating value from what is known as the *Metaverse*. The term Metaverse was coined in 1992 by science fiction author Neal Stephenson and refers generally to "a shared online space that incorporates 3D graphics, either on a screen or in virtual reality" (Sparkes 2021, 18). Davis et al. (2009, 90) provide another definition drawing attention to overcoming geographical barriers while enabling a range of activities, including commerce: "[m]etaverses are immersive three-dimensional virtual worlds in which people interact as avatars with each other and with software agents, using the metaphor of the real world but without its physical limitations" (Davis et al. 2009, 90). Today's understandings of the Metaverse concept refer to a virtual world that is built on "Web 3.0 infrastructures, such as blockchain, decentralised autonomous organisations (DAO), cryptocurrencies, non-fungible tokens (NFTs), virtual reality (VR), and augmented reality (AR)" (Vidal-Tomás 2022, 2). Thus, central to the Metaverse concept is the emerging Web3 infrastructure, which will be discussed next in relation to the luxury industry.

***Web3 and decentralized autonomous organizations***

Web3 (or Web 3.0) is known as the third iteration of the Internet, as an infrastructure aimed at decentralization and open protocols (Edelman 2021; Ragnedda and Destefanis 2019). Web3 embodies a new stage of the Internet and potentially represents the backbone for societal and market organization in a digital age (Edelman 2021; Lyon 2018; Schmidt and Cohen 2013; Zuboff 2019). Crucial to Web3 is blockchain technology (more accurately, DLT) that provides the background architecture for Web3 and novel forms of collective governance, such as decentralized autonomous organizations (DuPont 2017; El Faqir, Arroyo, and Hassan 2020). Whereas Web 1.0 was about navigating static webpages, the current Web 2.0 represents a phase of centralization, whereby large technology corporations dominate as platforms for communication and commerce (Edelman 2021). Now, the decentralization idea of Web3 stands in sharp contrast to the previous iterations building on blockchain technologies that provide consumers with an independent guarantee that transactions are authentic, tracked, and stored on a publicly visible "ledger" (Edelman 2021). However, at the same time, the decentralized infrastructure of Web3 and related blockchain technology means that there is typically no centralized authority that controls or manages the system (Ragnedda and Destefanis 2019). This creates new challenges for regulators to oversee and control the system that can be misused for illegal and/or unethical transactions, including fraud, scams, and theft (Dierksmeier and Seele 2020; Seele 2018).

When looking at the luxury watch sector, Web3 promises to reshape markets and the interactions between corporations and their customers, online and offline (Joy et al. 2022). Given that decentralization removes intermediaries, luxury corporations have to find new ways of managing Web3 and dealing with this new form of transparency and related aspects of decentralized branding, marketing, distribution, and transfer of ownership (Albu and Flyverbom 2019; Bernstein 2017; Hofstetter et al. 2022). Thus, luxury corporations face the challenges of managing Web3 technologies in a way that fosters their business while avoiding pitfalls of the digital environment that also go beyond the challenges described in Chapter 2 (Dierksmeier and Seele 2020; Mackenzie and Bērziņa 2021).

***Web3 and the luxury watch industry***

The luxury watch industry and the luxury sector in general are increasingly drawing on the possibilities of Web3 and accompanying technologies (Deloitte Global 2021). Recent examples such as Arianee (Arianee 2019), ChronoBase (ChronoBase 2018), LVMH's investment in Aura (Kolesnikov-Jessop 2019), Woleet, and Ulysse Nardin (Deloitte AG 2020) underline the growing ambitions of the sector to build on public ledger infrastructure and the potentials that the new virtual setting holds for their businesses and clients:

> A watch's "life story" can make or break its resale value: Is the timepiece an authentic model or a forgery? Who were the previous owners? Is it intact or

have original parts been replaced? Has it been serviced regularly and, if so, by whom?

(Kolesnikov-Jessop 2019)

Here blockchain or, more accurately, DLT comes into play as a transparent way to track the provenance of all components and the authenticity and ownership throughout the product life cycle. As Joy et al. (2022) note, luxury companies perceive the technology as an essential means to "create a lasting bond with customers" by assuring them of the uniqueness of the product, preventing counterfeits and theft, while creating a seamless online and offline customer experience. Whereas a public ledger may precisely help to achieve these goals, its success and efficiency largely depend on human input and the quality of the provided information. It is not self-evident that companies along the supply chain or after-sales agents always provide accurate information and do not create false entries (Joy et al. 2022). Once recorded on the ledger, inaccurate information can hardly be removed (Ragnedda and Destefanis 2019). Consequently, the information on a blockchain is only as accurate as the human or sensory input that has led to the creation of an entry.

### Non-fungible tokens

The latest trend or potential "bubble" in the realm of Web3 technologies relates to NFTs (Chalmers et al. 2022; Felsted 2021). An NFT can be defined

as an ownable unique or limited quantity unit of data that is tradeable and stored on a decentralized, public blockchain along with its ownership history. NFTs represent ownership of any information, including URLs, images, videos, 3D objects, social media posts or certificates.

(Hofstetter et al. 2022, 4)

In the past five years, the NFT market capitalization has seen exponential growth from $30,975,025 in 2017 to $710,890,777 in 2021 (Fusible 2021). Before turning into a multimillion dollar market, NFTs were initially conceived with the idea of protecting artists by providing them with certain income and control over their work (Dash 2021). What makes NFTs particularly relevant for the luxury industry is their close relation to art pieces and collectibles (Nadini et al. 2021). As outlined in Chapter 6, not only digital objects but also physical products, such as paintings and luxury watches, can be represented by NFTs (Art Basel and UBS 2022; Dash 2021). Crucial to the representation or augmentation of a physical product is its digitalization or equipment with a unique identifier (Hofstetter et al. 2022). This may be done via video capture of the product, the implementation of serial numbers, barcodes, RFID, and nanotechnology (see Chapter 2). Once created, luxury corporations may benefit from NFTs in multiple ways. As outlined by Hofstetter et al. (2022), NFTs can help increase a brand's status and benefit the expansion to new markets. In light of the above descriptions of the Metaverse, the markets should be interpreted in their widest sense and certainly go beyond geographical

boundaries covering the emerging augmented and virtual realities of Web3 aka the Metaverse.

### *Managing virtual and augmented realities: the pandemic, new consumer generations, and the Metaverse*

As indicated by Felsted (2021), luxury may be consumed not only in the tangible world but also increasingly within virtual environments. "[T]he COVID-19 pandemic has accelerated the shift to digital shopping by roughly five years" (Papagiannis 2020). While COVID-19 restrictions have forced luxury corporations around the globe to close their physical stores, virtual and augmented reality shopping solutions have boomed, providing consumers the possibility to preview and try on luxury items (Papagiannis 2020). Particularly younger consumer groups, like generation Y and generation Z, have shifted their attention toward virtual interactions and increasingly draw on virtual and augmentation technologies during their purchase journey (Bain & Company 2020; Ball 2022). With the increasing demand from younger consumers, luxury corporations have begun to tailor their offerings toward a gamified shopping experience that merges both online and offline worlds. An example of this trend is Kohl's (2020) augmented reality closet, where consumers can enter via Snapchat and explore – and purchase – new product assortments.

From a wider perspective, these novel shopping environments are only a stepping stone toward the Metaverse, in which NFT-based virtual goods can be offered and consumed (Papagiannis 2017; Ball 2022). As Felsted (2021) describes, in the Metaverse, it is not the physical person but its avatar wearing a rented or bought luxury item to a party. The Metaverse represents an entirely new consumption space that corporations actively try to claim. Luxury corporations are already investing substantial physical and human capital to further expand their brands to this sphere (Joy et al. 2022). Not surprisingly, Gucci recently announced the appointment of a head of Metaverse, with other luxury companies following suit (Ryder 2022). The newly appointed Metaverse/Web3 managers will not only face the challenge of implementing a sustainable growth strategy but also need to address broader challenges that go along with Web3, as will be discussed next.

### Sustainability and management challenges in light of Web3, limits of non-fungibleness, lack of oversight, and power concentrations in Web3

In contrast to other digital products or digital currencies, where no difference between the items exist, NFTs are theoretically "non-fungible," representing distinct and unique objects (Atasoy and Morewedge 2018; Nadini et al. 2021). However, recent research and news reports about vague copyright regulations and "copied" or stolen NFTs shed critical light on the "non-fungibleness" of the tokens and the need for external oversight (Mackenzie and Bērziņa 2021). As the decentralized infrastructure prevents regulators from effectively policing the system, key agents have stepped in (Brandom 2022; Hofstetter et al. 2022). As Brandom (2022)

notes, the company OpenSea has become the "central broker and de facto enforcer of community rules," blocking NFT sales and stepping in when "an ape gets stolen." Needless to say, such monopoly tendencies at critical nodes in the Web3 environment raise new questions about the need for independent oversight.

### Environmental and social sustainability impact

Certainly, the Web3 environment, with its ledger-based technologies, is not free from social and environmental risks, notwithstanding the attraction of unethical and illegal business conduct (Dierksmeier and Seele 2020; Finlay et al. 2022). The creation of NFTs and blockchain records generates substantial costs, consumes energy, and leaves an obscure track of greenhouse gas emissions (Calma 2021; Dierksmeier and Seele 2020). Blockchain mining consumes tremendous amounts of power and, with its rising popularity, the environmental impacts continue to increase. Already four years ago, Foteinis (2018) estimated that the mining of the two major cryptocurrencies (bitcoin and Ethereum) crossed 47 terawatt-hours per year, which comes close to what Greece's population of 11 million consumes annually (57 terawatt-hours). It is important to note that Ethereum's recently launched proof-of-stake system now avoids heavy energy consumption (Hilary 2022). However, Ethereum's approach also has novel drawbacks if the number of blockchain validators becomes too small (Hilary 2022).

Second- and third-generation blockchains certainly strive to minimize their environmental impact or make a positive contribution by linking the blockchain to renewable energy projects (Dierksmeier and Seele 2018). As outlined by Calma (2021), some NFT artists are therefore considering carbon offsetting: "[m]oving forward, he says his artwork will be carbon 'neutral' or 'negative,' meaning he'll be able to completely offset emissions from his NFTs by investing in renewable energy, conservation projects, or technology that sucks $CO_2$ out of the atmosphere." Such attempts certainly evoke an old debate about greenwashing that started some years ago in the airline industry, where carbon offsetting became popular but also controversially discussed. Back then, Pearce (2008) critically asked, "[a]re carbon offsetters taking us for a ride?" Recently Hogson and Nauman (2021) critically remarked that carbon offsetting should not be mistaken as "a license to pollute." Consequently, with the potentially rising demand for carbon offsets in the field of luxury NFTs, any offsetting corporations genuinely concerned about contributing to the reduction of greenhouse gas emissions may want to follow quality criteria when selecting an offsetting scheme (see, e.g., Broeckhoff et al. 2019). Otherwise, the risk is high that consumers raise greenwashing allegations that can harm the digital strategy and the broader corporate reputation (Seele and Gatti 2017; Seele and Schultz 2022).

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