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Building and sustaining resilient luxury service ecosystems

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Building and sustaining resilient luxury service ecosystems

Abstract

Research on luxury service ecosystems (LSEs) is in its infancy. LSEs consist of a continuous multiplicity of formally independent yet interdependent actors who align unique and super-modular complementary resources to co-create value with other participants in the system.

The purpose of this research is to understand how complex LSEs can be established and made sufficiently resilient to successfully persist in changing or even disruptive contexts over time.

A longitudinal analysis of secondary sources and interviews with currently leading actors concerning the development of the LSE of Monaco over a period of nearly 160 years reveals the high importance of joint leadership of a private and a public actor, a strong enduring vision that engages stakeholders, and a stable macro-level institutional arrangements that provide a framework for collaborative adaptations and transformation of the ecosystem's servicescape and service encounters in reaction to ongoing and disruptive changes in the socio-historical context.

Keywords: Luxury; Service ecosystems; Institutions; Transformative change; Organizational resilience

Building and sustaining resilient luxury service ecosystems

1. Introduction

Traditional luxury research focuses on luxury products (Cristini et al., 2017). Wirtz et al. (2020, p. 665) recently pointed out that “luxury services remain conspicuously absent” from luxury research. Luxury services are extraordinary, mainly hedonic experiences (Holmqvist et al., 2020a; Kauppinen-Räsänen et al., 2020) in moments of pleasure that are monetarily, socially, or hedonically exclusive. Individual luxury service providers, such as hotels, resorts, and health care organizations, build and closely coordinate their rather complex systems of suppliers in pursuit of their individual goals. In comparison, luxury locations, such as Dubai, Portofino, and Monaco, represent much more complex meta-organizations (Gulati et al., 2012) consisting of a continuous multiplicity of interrelated but formally independent actors (Deleuze, 1988)—private and public service providers, governmental agencies, residents, media, cooperation partners, and visitors—who possess unique or super-modular non-generic resources and capabilities (Nenonen et al., 2018). None of the actors can fully reach their goals without the direct or indirect cooperation of all other members of the system, despite existing divergences in interests and perspectives (Deleuze, 1988). Vargo and Akaka (2012) suggest conceiving of such meta-organizations as service ecosystems—that is, “relatively self-contained, self-adjusting system[s] of resource-integrating actors connected by shared institutional logics and mutual value creation through service exchange” (Lusch & Vargo, 2014, p. 161). A specific structure of multilateral relationships aligns the actors who co-create “uniquely experienced and phenomenologically determined” value (Akaka & Vargo, 2015, p. 454) through a complex bundle of service experiences (Frow et al., 2016). The individual contribution of each actor to this bundle of experiences influences the level of luxuriousness customers attribute to the entire service ecosystem and the total experience.

Empirical studies (Baker et al., 2018) support suggestions in the literature (Holmqvist et al., 2020a) that once consumers attach a luxury status to a brand, a major challenge is to remain exclusive and highly prestigious over time (Dion & Borraz, 2017). Presumably, luxury services face the same challenge. Yet, for LSEs, the challenge is even greater because they contain actors with potentially diverging interests and goals. LSEs cannot be controlled as closely or governed in the same manner as luxury product brands or individual services. Additionally, service ecosystems need to evolve over time due to changes in economic, societal, or legal contexts (Lusch & Vargo, 2014; Nenonen et al., 2018). LSEs face changes in the wealthiest customer groups and changing customer expectations and perceptions concerning luxurious services. Such changes may appear in foreseeable small steps but can also happen in a disruptive manner that is difficult to foresee. Disruptive events, such as major financial crises, changes in political systems, or wars, can put an entire LSE in jeopardy. The resilience of LSEs, i.e. their ability to anticipate, respond to, and recover from a disturbance (Carlson et al., 2012) through a bundle of capabilities that allow the ecosystem to anticipate, cope with, and adapt to adverse events (Duchek, 2020), is of major strategic importance to remain successful in the long run.

So far, no published empirical research in the field of luxury has dealt with the establishment of complex LSEs and focused on what makes them resilient (Aliyev et al., 2019) to changes in context. Thus, the purpose of this research is to (1) provide an initial understanding of how complex LSEs can be successfully established and (2) to explore what contributes to their resilience in continuously changing socio-historical contexts and in the case of disruptive events in their environment.

A longitudinal study of the development of the Principality of Monaco's LSE over a period of nearly 160 years enriched by interviews with currently leading actors provides first insights into driving forces behind the establishment of a resilient LSE. The case of Monaco

shows that the establishment of LSEs needs the initiative of a company led by an entrepreneur in close partnership with high-level public authorities. Together, they must develop and spread a strong vision that becomes shared by other actors and encourages those actors to collaborate based on shared values, norms of behavior, and meanings instead of competing against each other. Steady adaptation of luxury servicescape and service encounters by creating new interrelated service components allows the LSE to prepare for and react to ongoing change in the socio-historical context. Disruptive events creating major changes in this context demand transformative change of the value proposition, of actors, servicescape, and encounters to assure luxury experiences along the entire customer journey. Service managers need to expand their traditional perspective of dyadic interactions with customers to the creation of a coordinated system of partners including customers.

2. Theoretical background

2.1 Luxury and luxury services

Definitions of luxury are manifold, reflecting the complex meaning of the concept (Gurзки & Woisetschläger, 2017). Traditionally, the literature defines luxury through features of products or brands (Ko et al., 2019), such as exclusivity (Kapferer & Bastien, 2009), prestige (Han et al., 2010), rarity (Tynan et al., 2010), quality and authenticity (Fionda & Moore, 2009), individuality, sensuality, durability, creativity, imagination, innovation, symbolism (Dubois et al., 2001), aestheticism, beauty, and high price (Godey et al., 2012; Parguel et al., 2016). Authors focusing on individual perceptions observe varying levels of luxuriousness (Miller & Mills, 2012) depending on consumers' accumulated direct or indirect experiences with products, services, and the behavior of company representatives (Hennigs et al., 2013). Again, other authors approach luxury as a social construct (Roper et al., 2013) with diverse social meanings that depend on the reflection of personal use (Mandler et al., 2020) or social consumption experiences (Dubois, 2020; Schweiger et al., 2020) stimulated by brand

characteristics (Keller, 2009) in specific social and temporal contexts. Recent research has conceived of luxury as an individual or social experience of escaping or caretaking (Banister et al., 2020) in scarce, exciting moments (Holmqvist et al., 2020a) in contrast to mundane life, making individuals feel free and happy (Von Wallpach, Hemetsberger, Thomsen, & Belk, 2020). Consumers' and researchers' perceptions and conceptualizations of luxury are heterogeneous (Cristini & Kauppinen-Räsänen, 2020), but researchers and managers agree that the business of luxury is different from other business contexts (Holmqvist et al., 2020b) and that luxury services differ significantly from luxury products.

Services are performances or experiences in multifaceted interactions of multiple actors (Alexander et al., 2018) characterized by perceptual ownership of the value created (Fritze et al., 2020), high levels of immateriality, and dependence on context conditions (Akaka & Vargo, 2015). Luxury services differ from non-luxury services by being extraordinary and exclusive (Banister et al., 2020) across the entire customer journey (Klaus, 2018) and predominantly focusing on the hedonic experiences of consumers. Customers experience luxury services through exclusiveness that can be monetary (high price), social (controlled limited access), or hedonic (sophistication) in nature (Wirtz et al., 2020). They experience services as extraordinary when they provide special moments of pleasure outside daily routines (Banister et al., 2020; Kauppinen-Räsänen et al., 2019a; 2019b; Von Wallpach et al., 2020). The level of service luxuriousness depends on objective service features and subjective customer perceptions (Wirtz et al., 2020) that vary with former experiences, levels of personal wealth, and cultural background (Dubois et al., 2005).

The literature on luxury services is relatively scarce compared to the published research on luxury goods (Cristini et al., 2017; Thomsen et al., 2020). So far, luxury service research has focused on hospitality (Giglio et al., 2020; Wu & Liang, 2009) and health care (Klaus, 2018; Kreuzer et al., 2019; Sudbury-Riley et al., 2020). The published research

focuses on how individual organizations struggle with or manage to successfully co-create luxury service experiences with their stakeholders.

2.2 Service ecosystems

Business ecosystems do not emerge and evolve spontaneously (Gulati et al., 2012). They develop because of the unique and/or super-modular complementarity of actor resources (Jacobides et al., 2018; Vargo & Lusch, 2008). Unique complementarities exist when actors require the resources of other actors to be able to fully accomplish their “function.” Resources are super-modular complementary if they become more valuable when other resources are in place at the same time (Milgrom & Roberts, 1990). Research on industrial business ecosystems (Järvi & Kortelainen, 2017) stresses sets of coordinated organizations (Jacobides et al., 2018) sharing adaptive challenges (Ketchen et al., 2014) or platforms (Wareham et al., 2014) for their individual purposes. The actors mostly operate around a focal firm (Järvi & Kortelainen, 2017), but different actors may take the initiative in the development of new value propositions (Pellinen et al., 2012) according to changing contexts. Based on their reputation, expertise, or bargaining power, the central actors shape the structure of the ecosystem (Dyer & Singh, 1998). Participating and often competing actors partly design the nature, modularity, and fungibility of their complementary resources in light of the system’s shared value proposition.

Service ecosystem research emphasizes the interdependencies between a multiplicity of formally independent actors with potentially differing interests and individual goals who pool their forces in an attempt to realize a shared value proposition. Resembling natural ecosystems (Sasaki et al., 2015), the actors are multilaterally related to each other by complementary resources, including specific capabilities (Nenonen et al., 2018) and specific ways of interaction that change over time depending on context. In contrast to natural systems, an intended joint effort associates the actors. They strive to co-create value with

customers (Adner, 2017; Holmqvist et al., 2020c) during direct encounters and to facilitate customers' individual and social value creation (Grönroos & Voima, 2013) related to the service ecosystem before and after direct encounters in the servicescape (Rosenbaum & Massiah, 2011).

An institutional logic (Lusch & Vargo, 2014; Nenonen et al., 2018) internalized through socialization (Granovetter, 1985) complements this shared effort. Institutions are sets of formal rules (North, 1990), ex ante agreements (Bonchek & Shepsle, 1996), shared ways of interaction (Jepperson, 1991), and assumptions taken for granted (Meyer & Rowan, 1991) that promote survival of meta-organizations (Bruton, Ahlstrom, & Li, 2010), such as service ecosystems, by exerting conformance pressures (DiMaggio & Powel, 1991) on actors participating in the system. Akaka and Vargo (2015) emphasize the importance of institutional structures that represent socio-historical contexts of value creation framing individual customer expectations, experiences, evaluations, and reevaluations in service ecosystems (Akaka, Vargo, & Schau, 2015). Macro-level institutions, i.e. values, norms of behavior, shared ways of interaction and assumptions, direct meso- and micro-level institutions, i.e. beliefs, meanings, shared practices, or symbols. Institutional structures change over time and differ among customers from various parts of the world (Fang, 2010). The level of sharing micro-, meso-, and macro-level institutions, social and cultural structures between customers, service providers, and other stakeholders influences service experiences (Helkkula, 2011). Depending on changes in the actual socio-historical context (Beirão et al., 2017; Ben Letaifa & Reynoso, 2015), customers and other stakeholders play dynamically shifting roles (Vargo & Lusch, 2016).

Empirical research on service ecosystems is still in its infancy (Frow et al., 2019). Bellini and Pasquinelli (2016) show how a service ecosystem logic can be beneficial, as, for instance, fashion brands can profit from their integration into an urban servicescape (Bitner,

1992), such as in the city of Florence. Tsiotso (2016) suggests conceiving of sporting events as service ecosystems that allow the co-creation of exciting experiences for participants.

As meta-organizations, LSEs differ from service ecosystems in their precise value propositions and from luxury services in the manner of their realization. The actors in LSEs provide resources to potential customers to facilitate value creation (Holmqvist et al., 2020c) before and after having diverse direct contacts with customers with whom they co-create a highly complex bundle of interrelated extraordinary and exclusive moments of pleasure (Von Wallpach et al., 2020) to fulfill their luxury value proposition. Most luxury services treated in the literature (Giglio et al., 2020; Klaus, 2018; Kreuzer et al., 2019; Sudbury-Riley et al., 2020) are provided by the staff of one single actor in cooperation with suppliers and other stakeholders. In contrast, consumers' experiences with LSEs arise from a bundle of resources and services provided by several actors in co-creation with consumers and various other stakeholders across some direct and indirect contact points (Dubois, 2005).

Former luxury experiences, levels of personal wealth, social relationships, and cultural backgrounds of customers influence their expectations. Thus, the service providers in LSEs need to recognize, acknowledge, and adapt to potentially diverse consumer expectations and perceptions of what constitutes luxurious services. Major challenges to the survival of LSEs may come from shifts in the key customer base due to changes in economic, societal, legal, or geopolitical contexts. In case of such changes, new institutional arrangements will include institutions that substantially alter the determination and evaluations of interaction value. The stability of the LSE may be at risk (Akaka, Vargo, & Lusch, 2013).

2.3 Resilience of luxury service ecosystems

Resilient business ecosystems effectively respond to adverse events before, during, and after their occurrence (Williams et al., 2017). Similar to the dynamics of capabilities that companies need to stay successful over time (De Massis et al., 2018; Dyer et al., 2018), LSEs

might need diverse capabilities to be prepared for and resist adverse situations (Bhamra et al., 2011), i.e. to recover from the shock or to manage transformation (Lengnick-Hall et al., 2011). Recovery, i.e., the return to the initial state, might be possible after relatively short times of crisis. However, when the socio-historical context of values, norms of behavior, and meanings that enable and constrain human behavior changes (Hannah, 2015; Scott, 2001), value proposition and value (co-)creation processes need to be adapted (Akaka & Vargo, 2015; Frow et al., 2014) or even transformed. As in natural ecosystems, the transformation of resources and capabilities becomes essential for the further survival of the LSE (Lengnick-Hall et al., 2011). Research on the resilience of business organizations shows how diverse capabilities allow adequate responses to disturbances (Mori et al., 2012) and disruptive changes in the relevant environment. Clearly, an understanding of what contributes to LSEs' resilience in times of ongoing changes and disruptive events in their environment is needed for managing such systems successfully over time. The essential drivers of LSE resilience in a changing environment have not yet been empirically researched.

3. Method

3.1. Study context

To fulfill the study's purpose, the authors designed and conducted a study focusing on the case of the Principality of Monaco. Monaco appeared particularly suitable for the study, as the luxury reputation of the city was successfully established almost 160 years ago and has been sustained until today despite major changes in relevant contexts and disruptive political and economic events. In 2019, Monaco had the highest density of billionaire residents per capita of any city on earth (Knight Frank, 2019). One in 56 residents was ultra-high net worth, that is, the resident possessed investable assets of more than \$35 million, giving the Principality the highest density out of 30 global cities. Geneva came in second, with one ultra-high net worth individual for every 221 residents (Block, 2017). The average resident was

worth \$1.7 million. Thirty-two percent of Monaco's population are millionaires, and the number of millionaires increased by 13% between 2013 and 2018 (Knight Frank, 2019).

For Monaco, the engaged and active presence of ultra-high net worth individuals (UHNWIs) and of billionaires—a global group of about 2000 individuals—is deemed essential to the Principality's prosperity. The glamorous reputation of the city as “The Billionaires' Playground” attracts about 350,000 visitors every year. Nine tourists per resident make Monaco seventh in the world in terms of tourism destinations and number one in Western Europe (WorldData.info).

3.2. Data collection

The exploratory nature of the research suggested a qualitative study approach (Yin, 2009), which is preferred when seeking answers to questions like “how,” “what,” and “why”. A qualitative approach to studying past events provides conceptualized explanations and interpretations of rather complex phenomena (Argyres et al., 2020; Golder, 2000; Yan & Hyman, 2018) through time (Smith & Lux, 1993). The researchers decided to focus the study on a particular case in depth within a real-life context (Yin, 2009). Following the advice of Porra et al. (2014) to “understand what happened and why in the context of historical environmental forces” (p. 538), the researchers opted for a longitudinal study design with a focus on past rather than contemporary events to explore the establishment and drivers of the resilience of Monaco's luxury service ecosystem over the last 160 years. Longitudinal studies approach a phenomenon by observing its development and change over time and analyzing the factors influencing development and change (Derrington, 2018; Fallace, 2010; Van de Ven & Huber, 1990). Longitudinal studies also allow for more variation than cross-sectional research (Saunders et al., 2016).

Evidence concerning the research subject was collected from a multiplicity of secondary sources, such as published historical documents, trade journals, media publications,

and Internet sites (Golder, 2000). Additional data about events and (inter)actions of individuals, groups, and organizations were gathered from documentations in unpublished company archives. The sources referred to in the Results section are listed in Table 1.

Table 1.
Secondary sources and main contributions

Secondary source		Main contribution for the study
Published historical articles, books, documents	Trade journals, media publications, Internet sites	
Blume (1994)	Silver (2001) Bhushan Dhiraj (2019)	Disruptive events and their consequences
Corti (1934) Huizenga (1955) Braude (2013)		The essence of vision
Braude (2013)	Heslin (2017, July 7) Loudermilk (2018) Security in Monaco, n.d. IndexMundi, n.d. Michel Bouquier : “ [...]” (2016, December 9)	The importance of shared values
de Seigneur (1890) Jacob (1973) Fielding (1977) Collaer (1988) Nicoulaou (1998) Laurent (2003) Mille (2005) Staggs (2012)	Morris (1990, March 4) Dancey (2014, June 23) Kent (2014, October 8) Kielbasiewicz (2014, April 27) Butler (2015, May 13) Monaco – Lionel Richie [...] (2019, September 9) Monaco: An eco-district [...] n.d. Rosemont International, n.d. Yacht Club de Monaco, n.d.	Adaptation and innovation
Hodges (1964) Braude (2016)	Monte-Carlo Country Club, n.d. Dams (2019, June 11) Parkes (2019, May 25) Tanti (2019, October 1)	Actor collaboration

Primary data was collected through personal interviews with high-level managers of organizations and institutions participating in Monaco’s service ecosystem. The data served for source triangulation. The organizations and the interviewees’ roles are listed in Table 2.

Table 2.
Personal interviews

Public/governmental institutions		Private/non-governmental institutions	
R1	Monaco Government Tourist & Convention Authority Former President	R9	Monte-Carlo Société des Bains de Mer (SBM) Executive Vice President, Sales & Marketing and member of the marketing team
R2	Current President		
R3	Current Deputy Director		
R4	Monaco Economic Board Executive Director General	R10	Monte-Carlo Bay Hotel Michelin starred chef
R5	Monaco Private Label (MPL) General Director	R11	Hotel Hermitage General Manager
R6	Monaco Strategic Council for Attractiveness Member	R12	Casino de Monte-Carlo Director of Gaming
R7	Cluster Yachting Monaco Vice President	R13	Monaco Yacht Club General Secretary
R8	Vice President		

The interviews followed guidelines based on the findings from historical analysis. The researchers posed informal and open-ended questions to encourage the interviewees to elaborate upon how they perceived the role of their organization within the Principality. How had the market been evolving, and what individual and/or collective role has each actor played in maintaining and promoting Monaco as a destination in light of this evolution? How did the top managers within these various organizations interact with others? What was the enduring competitive advantage of the Principality, especially in light of newer emerging luxury tourism destinations, such as Dubai? The researchers also asked the interviewees to describe the “customer,” both demographically and in terms of what these customers were actually looking for when it came to “vacations” and choice of domicile in general, as well as in Monaco in particular. Related to this, the interviewers asked about Monaco’s unique value proposition. The one-on-one interviews were conducted between 2017 and 2020. To ensure accessibility and comfort, the researchers invited the interviewees to select the interview locations. On average, the interviews lasted for 30 minutes.

3.3. Data analysis

The researchers analyzed the data in three steps. The first was descriptive, aiming at gaining an initial impression of the development of Monaco’s luxury service ecosystem and

analyzing the chronological development of Monaco and the changes occurring over the last 160 years. This step involved a critical evaluation of the information sources and the collected data. In the second step, the researchers organized the data chronologically and focused on detecting particular events that influenced the development, on resources and capabilities that contributed to the resilience of the luxury service ecosystem, and on the cooperation between actors at different times. Each researcher inductively analyzed and critically interpreted the data gathered by the structured historical documents to shed light on the contexts in which actions and events took place and how they shaped the luxury service ecosystem. The researchers discussed their individual findings and the relationship of these findings with available knowledge from service ecosystem and resilience research until agreement was reached about the interpretation of changes in contexts, historical facts, and the resulting consequences for the luxury service ecosystem. This step allowed for the detection of the impact of environmental changes on value proposition, macro- and micro-institutions, servicescape, and actor behavior. In the final step, the researchers triangulated the data (Denzin & Lincoln, 1994) by comparing information collected from the historical sources with data gathered through personal interviews to ensure credibility of the findings.

4. Results

4.1 A shared vision established and sustained by a firm in close cooperation with government

Since the 1860s, the reigning princes of Monaco and the Société des Bains de Mer (SBM), together with a host of other local actors, have built and banked upon the notion of the principality as uniquely positioned to continue providing and embellishing on the human need to dream. The development of the LSE of Monaco started with gambling at a point in time when it had been banned across most of Europe and the principality had an impoverished population, as well as a largely underdeveloped infrastructure. The original business idea in 1863, when Charles III, the prince and ruler of Monaco, gave François Blanc, a successful

casino owner in Bad Homburg, Germany, control of the SBM and the exclusive right to offer games of chance in Monaco for the next 50 years, was to have the world's wealthiest, most demanding, and most discerning individuals come and gamble in the most beautiful casino (Braude, 2013), as well as stay at one or more of the luxurious Palace hotels to be built and managed by the SBM. As Blanc stated in the local *Journal de Monaco*, his aim was to create a town that appealed not only to the rich but also to all those "with money to spend who are only waiting for accommodation to come and enjoy our climate" (Corti, 1934, p. 187). At a shareholders' meeting a few years later, Blanc stated:

The success of our enterprise depends not only upon the number of foreigners who visit our establishment, but also upon the rich and elegant class, which is chary of its presence at any places but those where it finds pleasures and amusements of a style fitted to its usual standard of living. (Corti, 1934, p. 251)

Blanc's insight was the realization that the industry's future depended on encouraging people to feel that they had gained access to an elite group by virtue of being in a resort where the casino was housed. Blanc's vision conceived of Monte-Carlo as a unified "playground" (Braude, 2013) in the sense that playgrounds were described by Huizenga (1955) as "forbidden spots, isolated, hedged round, hallowed, within which special rules obtain. All are temporary worlds within the ordinary world, dedicated to the performance of an act apart" (p. 10).

While the specific value proposition, strategy, structure, and behavior had to be adapted to the context of the time, the underlying vision of the LSE established by the SBM and the prince in the 1860s has remained the same. One of the SBM's executive vice presidents (R9) captured this during his interview, summing up the vision, from the outset until today, to attract:

[...] the world's wealthiest, most demanding, and most discerning individuals by consistently providing highest luxury services across an integrated variety of activities. Ever since becoming synonymous with the "Great Art of Living" in all its forms: gaming, hospitality, shopping, fine cuisine, and entertainment.

The two driving actors—SBM and the government of the principality—closely control the fit of stakeholder activities with the vision. For example, if a studio seeks to film in Monte-Carlo, it needs permission from the government's Department of Communications and from the SBM, and the script must be in line with the image that Monaco wishes to convey: chic, elegant, and glamorous.

4.2 Stable shared values

As a former president of the Monaco Government Tourist & Convention Authority (R1) put it during the interview,

Ever since the beginnings of Monte-Carlo, the leading actors have considered the combination of values of a high luxury lifestyle, cosmopolitanism, philanthropy, safety, which means health and security, and discretion to be essential to the Principality's attractiveness and sustainability.

These values are attractive to Monaco's citizens, residents, investors, employees, and high and ultra-high net worth visitors and tourists, even if the reasons might be different. The sharing of values has traditionally reinforced stakeholders' readiness to collaborate in the realization of Monaco's value proposition.

4.2.1 Luxury lifestyle

In 1869, legalized gambling proved so lucrative that the government was able to abolish personal income taxes entirely, a decision that has continued uninterrupted to the present day. This surely is an appealing reason for today's HNWIs and UHNWIs to move to Monaco. However, there is more than tax savings. "Tax-friendly jurisdictions" most often

significantly differ from Monaco's LSE. While Andorra, the Bahamas, Bermuda, Jersey, and the UAE are pleasant to visit and live in, none of them enjoy the luxury heritage long associated with Monaco, nor have they focused on creating an integrated servicescape.

In 1863, to gain collaboration from Monaco's inhabitants, Blanc pledged to supply gas and water to the Monegasques, ensure regular transportation by land and sea between Monaco and Nice, renovate, enlarge, and enhance the existing casino, and build a hotel equal in stature and elegance to his planned casino. Charles Garnier, the leading French architect of the late 19th century, designed the opera house known as the Salle Garnier. When it opened in 1879, visitors to Monaco considered it even more stunning than the original and much larger version in Paris on which it was based (de Seigneur, 1890). The then-leading actress in France, Sarah Bernhardt, inaugurated the Salle Garnier with a performance (Mille, 2005). Through such coordinated efforts, Monte-Carlo was not simply a pleasure dome and playground, but also became a legitimate cultural hub.

In 2014, the new Yacht Club de Monaco, designed by English architect Sir Norman Foster, opened to its members (Dancey, 2014). This 5,000-square-meter building (with 4,000 square meters of terrace) is not only a clubhouse, including restaurants, bars, fitness areas, a pool, and a library, but also a venue for exclusive, invitation-only events, such as concerts by Elton John, Sting, or Lionel Richie ("Monaco—Lionel Richie celebrates the Yacht Season Opening," 2019). These annual events, which occur shortly before the September Monaco Yacht Show (the world's most prestigious mega-yacht event), are celebrated on a floating pavilion that glides across an illuminated harbor, allowing both Yacht Club members and yacht owners to enjoy a one-of-a-kind experience.

HNWIs who choose to reside in Monaco enjoy the Michelin-starred restaurants and the more-than-strictly "financial services" of private banks—the majority of which require minimum balances of €1,000,000 in the form of cash deposits or portfolios of investments to

open an account. While Barclays was the first foreign bank to open its doors in 1922, 100 years later, 50 asset management firms are present, and 16 banks have been incorporated in Monaco, of which 12 are “private banks.” The banks provide a form of integrated concierge service, including assistance in finding apartments, schools, nannies, tutors, and medical services for their clients.

The luxury lifestyle experience offered by the Principality goes well beyond Palace hotels, the most expensive real estate in the world, a world-renowned yacht club, and the constant presence of innumerable mega-yachts in the harbor. Monaco citizens enjoy the more “understated” yet still key luxury experience elements of the Principality: its excellent healthcare and school systems, top cultural events, safety, the numerous well-tended and ever-flourishing parks and gardens, and the cleanliness of Monaco, so apparent on the streets, in the parks, and even in the train station.

Monaco attracts mass tourists, like other towns along the French Riviera. However, according to one interviewee (R9),

these tourists come to Monaco primarily to “dream,” as they lean against and take photos of the fleets of supercars almost always on display in front of the Hotel de Paris and the Casino and hope to get a glimpse of a movie star, a famous artist, or another person they know from the media coming out of one of the high-end retail establishments, sitting in a café, or debarking from a mega-yacht.

These mass tourists do not spend much money but enjoy the opportunity of taking part in a luxury universe far apart from their everyday experiences.

4.2.2 Cosmopolitanism

In contrast to other 19th-century so-called company towns, Monaco was a “cosmopolitan company town” (Braude, 2013). Its leaders built, operated, and advertised their town as an “open city, encouraging patrons to think that in the casino-resort they could

eschew their rigid, traditional, and locally-based identities in favor of more open, modern, and cosmopolitan ways of seeing and being in the world” (Braude, 2013, p. 25). Today, there are thousands of people from many nationalities and cultural backgrounds active in Monaco. The presence of excellent schools, including international schools where the language of instruction is English, continuously attracts entrepreneurs and their families to establish international businesses headquartered in the Principality. Interviewee R6 observes:

In fact, there’s a waiting list to get into the international school here in Monaco! The parents tell me they love the fact that their children get to mix with kids from all over the world, which is very diverse in that respect but the same in, you know, other things like status, breeding, culture, values.

4.2.3 Philanthropy

As one of the leading managers of SBM pointed out several times in his interview, “Great wealth implies great responsibility,” and so luxury living also means “spending substantially for philanthropic purposes.”

We have over ten charity organizations in the principality. Their activities cover local and international issues ranging from global child well-being, to fighting poverty, global warming, and refugee crises around the world, and supporting sustainable development initiatives. One can easily say that there are more philanthropists per capita in Monaco than anywhere else in the world. (R9)

4.2.4 Security

In the early years of his reign in the 1950s, Prince Rainier III declared, “Monaco must have total security”. Today,

the feeling of “being safe” from harm and aggression has become a very important aspect of the luxury experience for the super-rich, and has become part of Monaco’s DNA. (R6)

The physical and virtual police presence, with 24/7 video surveillance apparent everywhere in the Principality, is very frequently cited as one of the key advantages of living in and visiting Monaco. The focus on security results in one police officer for every 100 residents, giving Monaco the largest police force and police presence in the world on both a per-capita and per-area basis. This force ensures that “anything detrimental to the harmonious atmosphere in Monaco is forbidden, indecent clothing is prohibited, begging is non-existent, and traffic laws are rigorously enforced” (Security in Monaco, n.d.). The video surveillance system spans the entire surface area of the principality, including the majority of residence halls, as well as a transmitting system worthy of the best armies in the world, “with the possibility of blocking all access in and out of the Principality within only a few minutes” (Security in Monaco, n.d.).

Notions of “safety” and “security” have gone well beyond protecting physical well-being and tangible assets alone. Cyber-security has become even more imperative.

Interviewee R6 said in this respect:

As the first European nation to have created its own Sovereign Cloud in 2021, we can now also guarantee total security from hacking and other digital crimes for companies and residents alike. Security is the number one priority for us and by creating a sovereign cloud, we are adding an additional level of security, which is especially important for investors.

4.2.5 Health

Similarly, the knowledge that Monaco has more hospital beds per capita than almost anywhere else in the world is a comforting thought (IndexMundi, n.d.). In terms of doctors per capita, Monaco is either number one or number two in the world, according to different research reports (Loudermilk, 2018). In 2016, following an idea spearheaded by the Monaco

Council for Strategic Attractiveness, Monaco's public Princess Grace Hospital created a special private unit called the Monaco Princess Grace Check-up Unit (MPGCU) (Heslin, 2017). Comprising three luxury suites and state-of-the-art technical equipment, along with dedicated, high-quality, multilingual medical staff, the MPGCU aims to demonstrate that Monaco has a one-stop, complete healthcare facility (Heslin, 2017).

The Mayo Clinic in the US and the American Hospital in Paris have long been where people went for a "super" health check-up. But in Monaco, you can combine that with everything else on offer here and enjoy a luxurious setting as well! Many residents are now visiting the facility every year, as a kind of luxurious preventative experience. (R6)

4.2.6 Discretion

Historically, almost 40% of the SBM's revenue came from gambling, especially from the 100 or so high-rolling players at the tables of the Casino de Monte-Carlo. Since many of them come primarily from the Middle East, Asia, and Russia, discretion is highly valued for a variety of reasons. Accordingly, the SBM created a special club, by invitation only, called Privé Monte-Carlo. Interview partner R12 reports:

Of course, our high-rollers, who spend a lot in the casino—sometimes in the tens or even hundreds of thousands of euros on any given night—are provided special attention. So Privé Monte Carlo offers them private gaming tables, exclusive suites at the Hotel de Paris, and private dining at the Louis XV—the Alain Ducasse restaurant in the same hotel. And for those who really seek privacy and discretion, there is also the "Casino Suite" in the Hotel de Paris, which lets them go from their hotel suites directly to the Casino Suite, without once having to venture outside. So, they see no-one, and no-one sees them.

4.3 Roles of LSE stakeholders

4.3.1 Driving actors

The government and SBM are the masterminds, interpreters and guardians of the LSE's macro-level institutions. The two drivers have closely collaborated in the development and spread of a strong vision that defines the purpose of the LSE, and they have forcefully sustained the vision over 160 years. The government sets the regulatory environment, supporting the initiatives of the SBM, and investing in the infrastructure of the servicescape. As a recent example, the government initiated the construction of an entirely new urban eco-district on six hectares of land reclaimed from the sea, comprising luxury apartments and villas, as well as a small marina that is expected to be completed by 2025.

The government and the SBM together defined the basic values to be shared by all service providers in the LSE. The driving actors interpret the values in a contemporary manner and live them as role models. Together, they build and oversee the servicescape through investments and the selection of service providers who share the values of the LSE and collaborate in the provision of consistent luxury services instead of delivering fierce competition.

We all know that HSH Prince Albert II has long supported environmental causes. So when a few years back the Monaco Tourism Office coined the slogan "Green is the New Glam," explicitly associating luxury today with environmental awareness and responsibility, we all fell into step to support it. The government did it with its rigid carbon neutral objectives; the municipality, in making electric bikes and vehicles widely available; and of course, the SBM. Suppliers of any sort—food and beverages, cleaning materials, energy, etc.—now have to demonstrate sustainable supply chain operations, product lifecycle stages, and carbon impact, for instance. (R9)

The Ministry of Public Works, the Environment and Urban Development, and the CEO of SMEG (the Monaco Gas and Electricity Company) are working together with privately co-

owned residential buildings and their managing agents to replace fuel oil for heating purposes by installing ocean thermal energy loops. (R6)

4.3.2 Service providers

On an organizational level, the service providers join their resources in co-creating value with customers and other stakeholders during direct service encounters and in facilitating value (co-)creation by customers and other stakeholders before, during, and after direct participation in the LSE. The readiness of private and public service providers in and around Monaco to closely collaborate in building, sustaining, and profiting from the reputation of the LSE has been the nutrient soil for continuous luxury service innovation and an essential basis of its resilience against substantial changes in the environment. To illustrate, the Compagnie Internationale des Wagons-Lits created an expensive and exclusively first-class service, Le Train Bleu, to whisk primarily British nobles and business people who had just debarked from the Dover ferry at Calais, along the Cote d'Azur, to Monaco in the early 1883. Since at least 2013, the Monaco Tourist and Convention Authority, the Prince Albert II of Monaco Foundation, the Monaco Yacht Show, the Yacht Club de Monaco, the Monaco Economic Board, and the SBM have cooperated in fostering relations with the Peoples Republic of China. "China Night" at the Monaco Yacht Show, which reciprocates the annual "Monaco Week" in the Peoples' Republic of China (PRC), was launched that year and has continued annually since then (Tanti, 2019).

On a personal level, service providers of the LSE are adaptive learners. They need to understand new meso- and micro-level institutions brought by new customer groups and the resulting consequences for the social service scape and for service encounters. The staff providing services adapts beliefs, transforms actions, and changes used symbols to fulfill the expectations of customers and to facilitate their value (co-)creation. For example, many yacht designers and brokers have noticed a change in what yacht buyers and charterers are asking.

None of us in the Monaco Yachting Cluster ever really had customers question the environmental impact of yachting. But more and more of our customers actually want to know the environmental consequences of the particular yacht they might want to buy or charter, and what we can do about it. So we, all of us—the captains, the shipyards, the designers, the crew, the marina at the Yacht Club, and of course the yacht sales and charter companies—had to educate ourselves pretty quickly. We brought in experts and held symposia on the topic, and with other stakeholders we created the Sustainable Yachting Network, where we can share ideas, best practices, and steps going forward. That’s what the customers want these days, in addition to knowing about all the more traditional luxury elements and services of a given yacht. And of course, customers are also invited to these events. (R7)

One of the executives of an SBM hotel recalled an incident involving a Chinese tourist:

We have a rule for the Louis XV restaurant that gentlemen must always wear jacket and tie at dinner, and of course staff at the restaurant are expected to apply this rule. One evening, a few years ago before there were many Chinese visiting Monaco, a Chinese gentleman, a guest at the hotel, arrived at the restaurant wearing the most exquisite Chinese silk attire. And an employee told him he could not enter, since he was not wearing a jacket and tie! Of course, given the increasing number of guests coming to Monte-Carlo from all over the world, we as managers should have trained our staff to be able to recognize “informal attire” from “formal attire”, and formal attire does not necessarily mean “jacket and tie” in all cultures. We need to constantly adapt our own principles to the realities of new kinds of customers. (R11)

4.3.3 Residents

Monaco residents have not only profited from the successful activities of their government, the SBM, and other service providers, they have also contributed to the

establishment and maintenance of the LSE. For example, in 1928, Antony Noghes, a wealthy Monegasque tobacco wholesaler and automobile aficionado, wished for recognition of the Monaco Automobile Club (created in 1925) by the International Association of Recognized Automobile Clubs (Hodges, 1964). As the directors of this association believed that Monaco's size prevented it from ever staging an internationally relevant motor sports event, Noghes decided to create the Monaco Grand Prix, promising that the following year, an international race would be held in the principality's territory exciting worldwide interest. True to his word, in 1929, the first Monaco Grand Prix, which would continue annually thereafter, roared through the Principality (Parkes, 2019).

More recently, inspired by the environmental vision and objectives of Prince Albert II, several residents have created associations and foundations geared toward supporting this vision. Notable among these resident-created and led initiatives are Monaco Impact, a non-profit association that develops and promotes projects that have a positive social impact and contribute to the soft power of the Principality of Monaco. TAF—The Animal Fund is a non-profit marine conservation association whose primary focus is on the protection of the ocean, dolphins, and whales. Monacology is an association dedicated to sensibilizing school children to the environment and sustainability initiatives, supported by the Minister of National Education, Youth and Sports.

4.3.4 Customers

Customers co-create value-in-use during direct encounters with Monaco's service providers but can also (co-)create value by launching innovative projects in collaboration with other stakeholders in the LSE. A famous example is George Pierce Butler, a rich American frequent visitor to Monaco. In 1925, having seen some of the top players compete in Monaco in venues he considered unworthy of their talent, Butler persuaded the Monegasque sports

authorities and the SBM to create a more prestigious club. Through his largesse, Butler facilitated the purchase of land in nearby Roquebrune (France), as there had not been enough land in the principality to accommodate the new club. The Monte-Carlo Country Club was inaugurated in February 1928 by Prince Louis II of Monaco in the presence of Butler, King Gustaf V of Sweden, the Duke of Connaught, Prince Nicolas of Greece, the Grand Duchess Helene, and the Grand Duke André of Russia (Braude, 2016; Monte-Carlo Country Club, n.d.). Butler's daughter, Gloria, incessantly worked until the 1970s to promote the club and organize its Monte-Carlo Masters to an international level of competition. Jointly sponsored by Rolex and the SBM for many years, the tournament continues to attract the world's top male tennis players (Braude, 2016; Monte-Carlo Country Club, n.d.).

Customers also create value independent of LSE service providers, for example, by hosting parties on their yachts or by inviting friends or business partners to high-level sports or cultural events.

4.3.5 Celebrities

Celebrities either (co-)create value for themselves by profiting from the reputation of the LSE or (co-)create value for the brand of the LSE by being symbols of highest quality standards and representing parts of the LSE's meaning. Jean Cocteau, for example, declared, "Le Train Bleu is more than a frivolous work. It is a monument to frivolity!" (Collaer, 1988, p. 78)—a notion that so inspired him that he wrote a libretto for Serge Diaghlev's *Ballets Russes de Monte-Carlo*. Entitled *Le Train Bleu*, it portrayed the ever-more popular notion of the Cote d'Azur as a place to enjoy all of life's frivolities. Coco Chanel designed the costumes, Darius Milhaud composed the music, and Nijinsky choreographed the piece, which took shape while Diaghlev's ballet troupe was in residence in Monaco, handsomely sponsored by the SBM (Morris, 1990). Celebrities also attract visitors and tourists. Current

and former sports stars, such as Novak Djokovic or Niko Rosberg, represent the meaning of Monaco as a place of top-level sports events, sustainable development, and philanthropy.

4.3.6 Media

Media are important facilitators of value creation for all other actors in the LSE by playing the roles of informants, transmitters, visualizers, and attractors. Media support value creation of customers, for example, through lively reports of events that allow customers to anticipate the expected excitement before directly participating in the LSE or afterwards when reexperiencing the event. In the 1920s, e.g. Prince Louis invited the great American press agent and impresario, Elsa Maxwell, to come up with strategies to make Monte-Carlo appealing to affluent customers from the USA. The film industry has long understood the magic evoked by Monaco in the popular imagination and reinforced it through classic films, such as *To Catch a Thief* with Grace Kelly and several James Bond capers. As an SBM executive put it,

Monaco adds a natural and inimitable touch of glamour and luxury to all films. (R9)

The marriage of Prince Rainier to American actress Grace Kelly in 1956, broadcast to 30 million European viewers in nine countries, at the time the largest audience for a live event in the history of television, gave the principality an added dimension of glamour, elegance, and star power. An estimated 100,000 tourists came to Monaco in the week leading up to the ceremony (Laurent, 2003). Two years after the wedding, a record 650,000 visitors came to the principality. Casino receipts more than doubled the previous year's return (Fielding, 1977, p. 136).

4.3.7 Tourists

During their visit to the LSE, tourists co-create value-in-use in service encounters that make them feel like they are part of the LSE, for example, when they visit luxury brand shops, drink coffee at the Café de Paris, or watch top-level tennis players at the Monaco clay

court tournament. Tourists also create value before and after their visits to Monaco individually, for example when preparing their trip and overnight stay in one of the expensive hotels, when watching self-taken pictures of celebrities, expensive cars, or the beach of the hotel where they have stayed. In communicative interactions with peers during personal contacts or on social media, tourists socially create value in taking the role of multipliers of the LSE's global reputation.

4.4 Changes in socio-historical context and their consequences

The collected data reveal a sequence of four stages in the development of Monaco's LSE as a result of disruptive events that entailed substantial shifts in the profile of the HNWIs and UHNWIs participating in the ecosystem (see Appendix).

4.4.1 Disruptive changes in the socio-historical context

The First World War brought with it the almost complete decimation of the Principality's original key customer base: members of the titled houses of Austria, Germany, and Russia. Another casualty of the war was the death of the Belle Epoque and all it evoked in terms of European grandeur. Elsewhere, however, the wake of the war ushered in the Roaring Twenties, fueled by the surging economy of the USA, as well as that of the comparatively unscathed Great Britain. Customers from the USA preferred the quaint villages along the coast to the Belle Epoque pomposity of Monaco. The Cote d'Azur, in general, became the new playground for this age (Blume, 1994; Silver, 2001). Attracting the newly affluent Americans, with their different lifestyles and social activities, to Monte-Carlo proved to be a challenge. The government and SBM managers had to transform the servicescape of Monaco and the service encounters in a way that accorded with American customers' liking of being outdoors, outdoor sports, and the sun (Staggs, 2012).

The Second World War forced Monaco to cease many of its luxury service activities. The aftermath of the war saw the US economy booming yet again and the number of very

wealthy Americans increasing still more. At the same time, the economic reconstruction and consequent industrial boom in Europe drove surging demand for crude oil, greatly augmenting the wealth of some families in the Middle East in the process. The Monaco LSE had to quickly adapt to these new customers, who expected glamour, fun, and exceptional night activities, along with the ultimate in safety and discretion.

By the end of the 20th century, the breakdown of the Soviet Empire, together with the steadily growing population of UHNWIs and billionaires around the world, marked yet another dramatic change in Monaco's customer base. The prince's government—together with the SBM, the Yacht Club de Monaco, the Monaco Automobile Club, and diverse municipal authorities—had to ensure that Monaco remained the destination of choice for these individuals regardless of where they came from. The so-called Russian oligarchs were among the most remarkable new customers. By 2019, Russia featured fifth on the list of countries with the highest number of billionaires (Bhushan Dhiraj, 2019). These customers expected ostentation, cultural activities, and investment occasions, but at the same time, safety and discretion. They were also imbued with a sort of "Imperial nostalgia," seeking to recreate the ambiance and even extravagance of the Tsarist era, which featured so strongly in Monaco before 1917.

The next substantial change in Monaco's potential customer base came with the great success of the economic system reforms in the People's Republic of China (PRC). In 2019, the PRC ranked second to the USA in terms of the number of billionaires (Bhushan Dhiraj, 2019). For these very newly yet extremely wealthy individuals, the ability to participate in a European luxury lifestyle year-round, acquiring skills and cachet in gourmet wining and dining, as well as being treated in a privileged manner, was a key feature in attracting them to Monaco.

4.4.2 Innovation and transformation of servicescape and meso-level institutions

The new consumers had different values and related norms of behavior, resulting in different expectation profiles concerning the LSE's physical and social servicescape, service encounters, and appropriate actions and use of symbols before and after service encounters.

Throughout the four epochs, Monaco's LSE has been resilient to all challenges and threats. Guided by firmly established, shared, and maintained values, norms of behavior, and the strong uncontested vision, the service providers of Monaco's LSE have collectively managed to transform the value proposition for each new generation of customers and to adapt their meso- and micro-level institutions.

On the meso-level, the service providers had to understand and adapt to new and different meanings of luxury, related practices, and symbols. The turn of the 19th century, for example, marked the debut of the automotive and aviation age, as well as sports associated with speed and daring (e.g. Nicolaou, 1998). The SBM soon sponsored an array of sporting thrills and daredevil activities in Monaco (Kent, 2014). In 1910, the first Monte-Carlo Auto Rally was launched (Jacob, 1973). In 1911, SBM created the Monte-Carlo Golf Club, one of only four full courses in Europe, to offer the sport of choice of the leisure classes, especially the British.

Yacht and boat races have been featured in the principality since the 1920s. In 1953, Prince Rainier III was keen for the principality to have a yacht club like those he had visited when cruising on his boats. Convinced that "the future of Monaco lies with the sea" (Yacht Club de Monaco, n.d.), he sought to develop a structure capable of attracting and retaining the loyalty of the global yachting fraternity. As a result, the Yacht Club de Monaco was established in 1954 with the desire to fulfill its mission as a link among people who love the sea, as well as to serve the interests of tourism and the promotion of Monte-Carlo.

In 2009, the prince's government initiated, and the Department of Finance and Economics patronized, the establishment of the Monaco Private Label loyalty club. The

initiative aimed to further attract the world's wealthiest people to reside in or visit the principality. Monaco's 133 consuls around the world identified potential members of the club. The typical profiles were those of UHNWIs who had an outstanding reputation and recognition in their communities and were known for their philanthropic activities. Once they became cardholding members, they gained access to limitless, 24/7 luxury concierge services, the provision of which was guaranteed by their sole point of contact, the MPL Director.

As a consequence of Prince Albert's visit to Moscow, 2015 was declared the Year of Russia in Monaco (Rosemont International, n.d.). This showcase of more than 140 events celebrated and paid tribute to the 150-year-old historical and cultural heritage shared by the two states (Kielbasiewicz, 2014). That same year, Aeroflot (Russia's flagship carrier) and the SBM announced a unique culinary partnership (Butler, 2015). The year-long partnership allowed business-class passengers on Aeroflot's long-haul and medium-haul flights to be served dishes created by four decorated chefs from the SBM.

The launch in February 2019 of One Monte-Carlo, a spacious outdoor network of high-end fashion, jewelry, and watch boutiques, along with luxury residences, is another important contribution to sustaining the principality's vision that attracts the world's billionaires.

The One Monte-Carlo area was almost conceived as a mini-luxury ecosystem in and of itself, where everything a HNWI or UHNWI might desire is literally within an area of 60,000 square meters. It's a complete and delightful luxury experience, with residences, lots of different boutiques, cuisine, culture, and business—thanks to the state-of-the-art business center—all within a few short minutes walk of each other. (R9)

4.4.3 Continuous innovation and transformation of service experiences and micro-level institutions

The co-creation of luxury experiences with customers and the facilitation of such experiences before, during, and after direct participation of customers in the LSE have demanded ongoing innovation in actions and in the use of symbols during the various epochs.

For instance, continuous innovation of service encounters is apparent at the casino. With Macao and other gaming destinations becoming more competitive, keeping Monaco's high rollers entertained beyond the tables alone is paramount. As one of the directors of the casino elaborated during the interview,

Gambling has always been about anticipation, surprise, and the unexpected. [...] we created the 'Surrealist Dinners' to extend the sense of surprise, anticipation, enchantment, even positive shock [...]. Guests may be surprised by tennis players lobbing balls over their tables [...].(R12)

The Alain Ducasse Louis XV restaurant at the Hotel de Paris goes beyond providing exceptional, Michelin-starred meals. One of the executive vice presidents of the SBM explained:

Diners are changing. They want an experience beyond 'exceptional taste.' The waiters serving explain that [...] special Puiforcat silverware has been created especially for this unique shellfish. Clients [...] like to be entertained, to discover unique moments, as well as enjoy a great meal. (R9)

In the wake of disruptive historical events, service encounters needed transformational change. In 2019, for example, the general director of MPL considered the creation of a Millennial Monaco Private Label to address and attract the growing number of younger, "millennial" HNWIs and UHNWIs stemming from around the world.

There is a huge global transfer of wealth happening now, as Baby Boomers leave their substantial assets to the next generation. And this next generation is...very concerned about the environment and social impact investing, for instance. So, we now plan to hold

exclusive, by invitation-only seminars, workshops, and networking events for these younger global UHNWIs and HNWIs around themes of financial opportunities in the circular economy and in impact investing. These will of course be led by leading experts in the field. (R5)

5. Discussion

The purpose of this research was to (1) provide an initial understanding of how complex LSEs can be successfully established and (2) what contributes to their resilience in continuously changing socio-historical contexts and in the case of disruptive events in their environment. The findings of the study contribute to the existing academic and managerial knowledge on luxury by providing several theoretical and managerial insights.

5.1. Theoretical contributions

Pellinen et al. (2012) underline the role of a driving actor in the creation of a business ecosystem. The case of Monaco shows that it took the initiative of a closely aligned pair of driving actors—an entrepreneur and a high-level public authority—to start and lead the development process of the LSE. Developing an LSE successfully might be very difficult without a regulatory facilitating environment established by an institutional actor. The establishment of a resilient LSE most likely needs both, a highly active business nucleus and a benevolent institutional actor. In Monaco, Francois Blanc brought cognitive institutions (DiMaggio & Powell, 1991), i.e. rules of behavior, beliefs, and meanings, to the cooperation. The prince provided the regulatory institutions (Scott, 2007) that govern the LSE. The government of Monaco acted as an institutional entrepreneur (DiMaggio, 1988). Similar to the report of Järvi and Kortelainen (2017), who find industrial business ecosystems to consist of companies that operate around a focal firm, in Monaco, the Prince and the SBM have successfully played the role of driving actors in the ecosystem over nearly 160 years, even if some projects were initiated by other closely collaborating actors. In contrast to the findings

of Pellinen et al. (2012), Monaco's LSE had no need for different driving actors taking the initiative when the context changed. This finding may be due to the specific situation of a rather small LSE wherein the major players know each other personally, and power relations are determined by political and relational influences, in contrast to an industry with rather impersonal business relationships and variable power structures. However, the finding is an important hint for the establishment of other LSEs of similar size. The following propositions can be formulated:

P1: The establishment of a resilient LSE most likely requires the initiative of a private actor in close collaboration with a high-level public authority that acts as an institutional entrepreneur.

P2: Driving actors of LSEs do not need to change with changes in the socio-historical context.

The co-creation of attractive value by all actors, as suggested by the literature on shared value creation (Mühlbacher & Böbel, 2019; Porter & Kramer, 2011), is not sufficient for building and sustaining LSEs. Similar to branded luxury products, the driving actors of a resilient LSE must propose and continuously spread a strong vision that remains the same over time. The vision attracts other actors to actively participate in the ecosystem. The case of Monaco shows the great importance of an uncontested vision in times of geo-political events that threaten the existence of LSEs. The vision provides a shared sense of purpose that unites and guides legally independent but interdependent actors in a joint effort to fulfill an adapted value proposition to new customers with a substantially different institutional background or customers who have changed their expectations concerning luxury experiences. The shared vision facilitates shared sense-making of threats, of physical and social adaptations needed to prepare for, and of necessary transformations of the LSE. This leads to the following proposition:

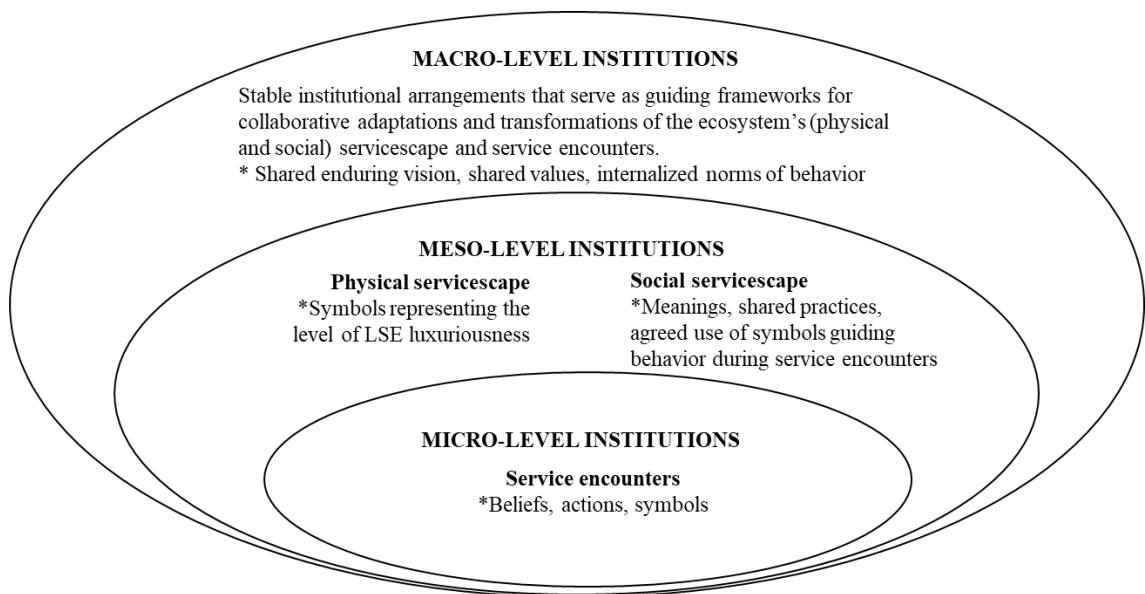
P3: Resilient LSEs need a strong enduring vision proposed and continuously spread by the driving actors and shared by the service providers.

A vision becomes more easily shared if actors participating in the LSE share similar values, internalize norms of behavior for interaction processes, and share basic assumptions (Hannah, 2015; Vargo & Lusch, 2016). The LSE of Monaco underlines the importance of a stable macro-level institutional arrangement that provides a framework allowing adaptations and transformation on the institutional meso-level of the servicescape and the micro-level of service encounters (Figure 1).

P4: Resilient LSEs possess stable macro-level institutional arrangements that serve as guiding frameworks for adaptations and transformation of institutions concerning the servicescape and service encounters.

Figure 1:

Elements composing the LSE



Luxury product ecosystems established by luxury brands tend to be dominated by competitive relationships between stakeholders with highly similar resources. Instead of inciting rivalry between actors, as suggested by the competition-oriented stream of industrial ecosystem literature (Jacobides et al., 2006), Monaco's LSE has been strengthened by the shared understanding of actors that interaction processes should be collaborative to realize the shared vision and live the shared values. LSEs need actors possessing super-modular complementary resources who are able and willing to offer a highly coherent bundle of different luxury services. In Monaco, government, public, and private service providers, their staff, residents, celebrities, and media have been ready to collaborate in assuring coherence of servicescape and service encounters. Hannah (2015) finds that driving actors of nascent service ecosystems gain from their investment in the creation and improvement of the non-generic capabilities of participating actors. The case of Monaco shows that by furthering collaboration, the driving actors of LSEs can strengthen their position to remain the uncontested leaders over time. The SBM and the government not only shaped the design of the ecosystem based on expertise, reputation, and bargaining power (Dyer & Singh, 1998), they established and incentivized the creation of new—not competing—service components by actors sharing the same norms of behavior to sustain or even steadily increase the attractiveness of the total luxury service co-creation process despite disruptive changes in the socio-historical context.

P5: Resilient LSEs assemble collaborative actors who join their super-modular complementary resources in a collective effort to reach a shared vision.

Like luxury brands (Baker et al., 2018; Dion & Borraz, 2017; Holmqvist et al., 2020b), LSEs never become fully stabilized. Changing socio-historical contexts impact the structure of the servicescape and the number, type, and importance of actors. To ensure the survival of the Monaco LSE, the drivers had to substantially adapt the specific value proposition (Frow et

al., 2014) to the meanings, shared practices, and symbols of high luxury of the time. Resources, capabilities, and skills for fulfilling the proposition (Hannah, 2015) had to be transformed far beyond what has been discussed in the literature on luxury brands and the management of their status (Baker et al., 2018; Dion & Borraz, 2017; Holmqvist et al., 2020b). However, Monaco's case strongly underlines the importance of managing the value proposition of an LSE in a "dynamically stable" manner. That is, the drivers need to maintain the intended level of perceived luxuriousness and the meaning of the LSE to its customers by adapting the value proposition and continuously innovating and sometimes even transforming the physical and social servicescape and the service encounters according to institutional arrangements familiar to the customers of the time while keeping the LSE's vision, values, and norms of behavior unchanged. Monaco has managed to be the "Billionaires' Playground" despite substantial changes in its customer base and major changes in the bundle of luxury services co-created by the actors in the system over the last 160 years. The stability of the LSE's macro-level institutions guiding closely collaborating private and public stakeholders in their innovation and transformation of the value proposition, the meso-level institutions guiding the social servicescape, the physical servicescape, and the micro-level institutions concerning service encounters safeguarded the high luxury level of the Monaco's LSE in times of disruptive events.

P6: Resilient LSEs dynamically adapt their value proposition, servicescape, and service encounters to the socio-historical context of the time while keeping their guiding macro-level institutions unchanged.

LSEs gain greater resilience against changes in context through collaboration between all actors. As the case of Monaco shows, in times of disruptive change, the availability of super-modular complementary resources and capabilities of closely collaborating individual service providers, including well-respected public authorities, is even more important for the

survival of the LSE. Similar to natural ecosystems (Sasaki et al., 2015), when faced with disruptive events, complementary resources and capabilities are essential for successful adaptation. In social systems, the most important decision-makers' shared collaborative sense-making of the bottleneck capabilities of a particular period (Jacobides & Tae, 2015) further enhances the resilience of LSEs. The case of Monaco shows that the driving actors and the dominant service providers managed to agree on the most important changes in the socio-historical context resulting from disruptive events and how the servicescape and the service encounters had to be transformed to sustain the high luxury status of the LSE. Thus:

P7: Resilient LSEs consist of service providers who are ready to make shared sense of transformational changes to be accomplished in servicescape and service encounters and of complementary resources and capabilities needed to realize the transformational processes.

5.2. Managerial contributions

The insights provided by the present study enrich managerial knowledge of luxury marketing management. The findings underline the importance of close collaboration between a focal firm and a local or regional regulatory authority in the establishment and maintenance of LSEs. The partners need to agree on the purpose of the LSE, express the purpose in a strong vision statement, and infuse the vision into the ecosystem through their acts and communication. The driving actors must agree on the LSE's macro-level institutions, the values and norms of behavior that will characterize the LSE. According to this guiding framework, they can invite and attract service providers with complementary resources to participate in the system.

Because situation-specific interests tend to govern the decisions of individual actors in business ecosystems, management of the driving actors must continuously reinforce the sharing of the LSEs' macro-level institutions through coordinated sense-giving actions.

Behaving as a role model or staging events that make service providers, their staff, residents, or the media vigorously experience, the macro-level institutions of the LSE should spread and deeply anchor the institutions among those actors (Mühlbacher & Böbel, 2019). Similar to cluster managers (Sölvell, 2009), managers of the LSE's driving actors will have to provide occasions and platforms where service providers can meet, exchange ideas and experiences, make sense of ongoing changes in context, and jointly learn from each other. In line with the six keys to successful ecosystem management suggested by Williamson and De Meyer (2012), on such occasions, representatives of the driving actors can stimulate complementary actor investments through the propagation of partnerships.

Mutual learning of actors in LSEs demands the replacement of an attitude of head-on competition between actors offering similar services, such as hotels, restaurants, or retail shops, with a more collaborative spirit of cooptition (Bengtsson & Kock, 2014). Cooptition in LSEs means striving to steadily raise the level of luxuriousness of co-created services, with the goal of making them even better than the same kind of service co-created by other actors in the LSE in order to raise the luxuriousness of the total bundle of services provided by all actors. The regulatory authority can limit potential competition, for example, by carefully managing licenses and inbound investments. Top public authorities can facilitate the collaboration of local firms by reducing the monetary or psycho-social costs of fulfilling the value proposition of the LSE. They can also reinforce the readiness of residents and prominent visitors to collaborate in the co-creation of a highly luxurious environment by their presence at high-profile events.

To make the LSE resilient against disruptive events, the driving actors must sustain the macro-level institutions of the LSE. Collaborating service providers who are united by stable shared macro-level institutions and complementary resources can more easily adapt or transform the meso-and micro-level institutions governing the LSE's social service scape and

service encounters. By closely monitoring changes in the composition of customers and related changes in their expectations, service company managers can deduct required adaptations of processes and staff behavior before, during, and after direct encounters. As a dynamically adapting LSE provides more value for all participants than independently managed service companies, marketing managers of service providers acting in LSEs should rather see the “entire picture” instead of focusing on the short-term success of their company with customers.

The focal actors need to continuously monitor at which points in the LSE most value is created, which resources and capabilities the system needs to function best, and which roles various actors should play in the fulfillment of a shared value proposition. Managers of driving actors in LSEs need to develop a strategy for the entire ecosystem in light of the development of the internal and external contexts that can make or break the system.

5.3. Limitations and future research

Like any empirical research, this study has several limitations. The historical analysis concerns only a single case. The study applied a qualitative interpretive approach to historical analysis. A quantitative approach should compare the impact of the detected driving factors of LSE resilience on success indicators.

Even if Monaco’s case is a prominent example of LSEs, a comparison with other special cases, such as Dubai, Bora-Bora, or St. Moritz, could provide interesting information concerning the potential of generalization of factors driving the more or less successful development of luxury service ecosystems over time. Monaco is a rather small city-state where top managers and leaders of governmental bodies tend to know each other. The government of the principality exerts a strong influence on business and controls inbound investments and the afflux of residents. Independent of whether they are winter sports or summer relaxation hubs, gambler paradises, or luxury safari reserves, LSEs of similar size

might have comparable structures. In larger agglomerations, the power structure of actors may be quite different. Future research will need to consider these differences.

The influence of cultural specifics has not been analyzed in this study. The values and norms of behavior of potential members of a local LSE might influence their readiness to collaborate and the actors' willingness to accept a strong shared vision. Future research will need to take such influences into account.

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Appendix 1

The evolution of Monaco's LSE - Luxury Service Ecosystem

General time frame	Representative HNWI and UHNWI customer segments targeted*	Needs and benefits sought	Value proposition	Ecosystem actors involved and their major contributions to servicescape	Reason for LSE creation
Epoch 1: +/- 1860-1914	European/Russian/Ottoman nobility	<ul style="list-style-type: none"> • Gambling, entertainment, social status and distinction, unique community. 	<ul style="list-style-type: none"> • Exclusive gaming, hospitality, culture, ease of access to, and remaining in, Monaco. 	<p>Princes of Monaco and Francois Blanc</p> <ul style="list-style-type: none"> • Vision, values, norms of behavior <p>SBM</p> <ul style="list-style-type: none"> • Casino de Monte Carlo • Hotel de Paris • Hotel Hermitage • Monte-Carlo Auto Rally • Monte-Carlo Golf Club <p>Municipal & Public authorities</p> <ul style="list-style-type: none"> • Monaco municipality (regulations) • French railway system (infrastructure) • French ferry system (infrastructure) <p>Cultural icons/ celebrities</p> <ul style="list-style-type: none"> • Charles Garnier (Monte Carlo opera house) • Sara Bernhardt (Top-level entertainment) 	<ul style="list-style-type: none"> • The noble families of the Austrian, German, Ottoman, and Russian empires had great wealth, the ability to travel, sought and were able to afford unique experiences.
Disruptive event: World War I		Existing customer segments severely affected economically, politically, and demographically in wake of WWI and the Russian Revolution.			

* Either as residents or visitors

General time frame	Representative HNWI and UHNWI customer segments targeted*	Needs and benefits sought	Value proposition	Ecosystem actors involved and their major contributions	Reason for LSE transformation
Epoch 2: 1918-1940	Primarily British and US American millionaires and billionaires.	<ul style="list-style-type: none"> • Golf, tennis, sun and sea, automotive and aeronautic excitement. • Cultural activities. 	<ul style="list-style-type: none"> • Night time elegance and gaming. • Daytime sports, sunning, and excitement. 	Princes of Monaco Municipal & Public authorities SBM <ul style="list-style-type: none"> • Monte Carlo Country Club • Monte Carlo Beach Hotel Media <ul style="list-style-type: none"> • Posters • PR thanks to Elsa Maxwell International Organizations <ul style="list-style-type: none"> • Grand Prix Formula 1 MC Organizations <ul style="list-style-type: none"> • Automobile Club of Monaco MC Residents <ul style="list-style-type: none"> • Antony Noghes (MC Grand Prix) MC Visitors <ul style="list-style-type: none"> • George Butler Pierce, founder and patron of MC Country Club Cultural icons/celebrities <ul style="list-style-type: none"> • Diaghelev and les Ballets Russes • Cocteau • Coco Chanel Private Banks/Wealth Management firms	<ul style="list-style-type: none"> • The UK and the US weathered WW1 relatively well, and thanks to industrialization and strong financial systems, were the new wealth creating regions. • The new customers had different values, norms of behavior, beliefs, and expectations concerning appropriate service practices, actions and symbols.
Disruptive event: World War II		Many activities ceased or were curtailed, although SBM activities such as gaming, cafes, etc. continued with reduced clientele			

* Either as residents or visitors

General time frame	Representative HNWI and UHNWI customer segments targeted*	Needs and benefits sought	Value proposition	Ecosystem actors involved and their major contributions	Reason for LSE transformation
Epoch 3: +/- 1950-2000	Mainly US and Middle Eastern HNWIs and UHNWIs	<ul style="list-style-type: none"> • Glamour, fun, nocturnal activities, safety, discretion. 	<ul style="list-style-type: none"> • “Art de vivre” and “Joie de vivre” in Monaco. 	The Princely Family <ul style="list-style-type: none"> • Prince Rainier • Grace Kelly Media <ul style="list-style-type: none"> • Television coverage of wedding; • Hollywood films with Monte Carlo as glamorous, racy, and luxurious setting for all things Cultural icons/celebrities <ul style="list-style-type: none"> • The wealthy and artistic “jet set” such as Onassis, Callas, and numerous Hollywood stars. Monaco Yacht Club Monaco Tourism authority Municipal police Monaco Association for Financial Affairs (AMAF) Construction & real estate firms (boom in residential construction)	<ul style="list-style-type: none"> • Post WWII, the US gained even more economic strength. • Petrodollars strongly increased the wealth of Middle East families, with many millionaires and billionaires henceforth coming from that region with different values, norms of behavior, beliefs, and expectations concerning appropriate service practices, actions, and symbols
Disruptive event: Break down of Soviet Union and economic reforms in China		Fast development of a new breed of UHNWI and HNWI seeking opportunities to demonstrate their wealth and enjoy a high luxury lifestyle in a safe environment			

* Either as residents or visitors

General time frame	Representative HNWI and UHNWI customer segments targeted*	Needs and benefits sought	Value proposition	Ecosystem actors involved and their major contributions	Reason for LSE transformation
Epoch 4: 2000-2010	+ Russians + Younger generations of UHNWI and HNWI	<ul style="list-style-type: none"> • Ostentation, safety, discretion, cultural activities. • Fun, modern, pop and jazz stars. • Russian cultural events. 	<ul style="list-style-type: none"> • “Imperial Nostalgia” 	<p>The Prince SBM and Aeroflot Cultural and musical event organizers</p> <ul style="list-style-type: none"> • Ballets de Monte Carlo • Monte Carlo Jazz Festival • MC Summer Sporting Festival <p>Municipal Authorities</p> <ul style="list-style-type: none"> • Year of Russia in Monaco <p>Media</p> <ul style="list-style-type: none"> • Russian language magazines about Monaco and Côte d’Azur <p>The Prince SBM Real Estate Unit and luxury brands</p> <ul style="list-style-type: none"> • One Monte-Carlo <p>Monaco Ports Authority Yacht Club de Monaco, Monaco Tourist and Convention Authority, Prince Albert II of Monaco Foundation</p> <ul style="list-style-type: none"> • China Nights <p>Monaco Yachting Cluster Department of Finance and Economics</p> <ul style="list-style-type: none"> • Monaco Private Label (MPL) • MPL for millennials <p>Princess Grace Hospital</p> <ul style="list-style-type: none"> • Private unit 	<ul style="list-style-type: none"> • Collapse of Soviet Union and its centrally planned economy led to the creation of a new breed of oligarchs with different values, norms of behavior, beliefs, and expectations concerning appropriate service practices, actions, and symbols. • Chinese premier Deng Xiaoping’s mantra at the end of the 20th century, “to get rich is glorious” made having great wealth, and displaying it, culturally acceptable and desirable amongst Chinese.
2010-2020	+ Chinese UHNWI and HNWI	<ul style="list-style-type: none"> • European luxury lifestyle, acquiring skills and cachet in gourmet dining, wining, and yachting. • Luxury lifestyle year round. • Health and safety. 	<ul style="list-style-type: none"> • Safety and privilege 		

* Either as residents or visitors