Willingness to pay for wines: A study of Hong Kong wine consumers

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Abstract
Consumer’s willingness to pay (WTP) is of interest by all stakeholders in the wine industry. WTP is the foundation to estimate consumer surplus (CS) for consumers; whilst for wine makers and retailers, it is the key reference for pricing in order to maximize revenue. Recent studies about consumer’s WTP on wine can be classified into two general purposes: to identify the key determinants of WTP in wine purchasing (Schamel, 2009; Yang, McCluskey, & Ross, 2009), and to maximize consumers’ WTP by controlling its influencing factors (Gibbs, Tapia, & Warzynski, 2009). For both purposes, the core questions include what are the key factors that influence consumer’s WTP for wine and how to identify the relationships between WTP and its influencing factors. Based on the traditional Hedonic Price Function (HPF), this study proposed a revised HPF with three new factors involved: the importance of wine attributes to consumers, wine competition, and the availability of objective information. The revised HPF was tested based on a survey of more than 600 wine consumers with a view to helping the wine producers and retailers
better understand consumer’s WTP and its relationship with its influencing factors in the Hong Kong wine market.

In the survey the participants are invited to first taste three red wines and three white wines; then they are asked to fill in a questionnaire with such questions as WTP, quality rating, preference for each wine, as well as demographic characteristics of the participants. After the data were collected, a revised Hedonic Price Function (HPF) for the Hong Kong wine market was estimated.

The results of this study reveal that:

- Compared with white wines, consumers are willing to pay more on red wines.
- Four out of six wine attributes significantly influence the perceived values (including flavor, finish, body & mouth feel and overall-liking).
- Consumers’ WTPs vary according to consumers’ demographic characteristics. For example, female consumers are willing to pay more than their male counterparts; young consumers also have a tendency to pay more for the same wines. Consumers including Chinese are willing to pay more than consumers of other ethnic groups.
- When the origin of the wine is acknowledged, consumers are willing to pay more for the Old World wines than the ones from the New World
- When the grape variety was revealed, consumers are less willing to pay for the wines that are produced using unknown grapes.

The contributions of the study are two folds. First, the study revised HPF by including new variables, which have important influence on consumers’ perception on the value of the wines. Secondly, the empirical results of the study provide useful information for the wine producers and retailer to better understand the factors that may affect consumers’ willingness to pay for their wines so that appropriate marketing strategies can be developed.

References
