

Bordeaux 2016 Abstract Submission

Title

Sustainability Certifications in the Wine Industry: What are the drivers for adoption?

I want to submit an abstract for:

Conference Presentation

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Keywords

Sustainability, Certifications, Wine Price, California, Bordeaux.

Research Question

Are sustainable certifications similarly effective in New World and Old World wine regions, and what factors determine whether a winery or vineyard is likely to obtain a certification?

Methods

A multinomial logistic regression will be performed using the certifications as dependent variables. In addition, a qualitative analysis will be done in the form of an online survey.

Results

Analysis still in progress.

Abstract

Sustainability Certifications in the Wine Industry: What are the drivers for adoption?

Work in Progress: Do not quote or circulate

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Summary

There has been a growing interest in recent years on the nexus between sustainable development related certifications and prices in the wine industry. Research has been performed on drivers for sustainability as well as the outcomes of sustainability in the wine industry. Delmas and Grant (2014) study California wineries and found that having a certification increases the price of the wine, but advertising the certification will lower the price of the wine. Alternatively, some studies such as Gabzdylova et al (2009) for New Zealand find no correlation between sustainably sourced wine and price.

These contradictory results are to be contrasted with studies focusing on consumer demand and regional socio-economic factors as drivers for the certification decision. External drivers, such as agro-ecological relationships and competition within a wine producing region, can promote the chances that a winery or vineyard will certify (Swezey and Broome 2000; Diott 2004; Murphy 2000). As for consumer demand, an interesting study was done by Bazoche et al (2008) where a sample of consumers taste tested wines and stated their willingness to pay. The findings suggested that traditional Bordeaux wines were valued about the same as environmentally conscious wines when the consumers were aware of the environmental benefits (Bazoche et al 2008).

It seems therefore that the rationale for applying for a sustainable certification is to be sourced in the personal beliefs of the property owners and winemakers and/or in process efficiency gains. Sustainable certification does not seem to translate into a higher price paid by the end consumer. Still, sustainability certifications are increasingly prevalent in the marketing strategy of winemakers, both as a product marketing tool (justifying the price of the bottle) and a process marketing tool (justifying the sustainability of the way the bottle came to be). These dual and often undistinguished objectives are further blurred by the abundance of certification bodies and the huge diversity of characteristics and indicators they consider.

The aim of this article is to assess the actual characteristics that a) lead to the decision to certify and b) orientate winemakers towards a given certification depending on their marketing objectives. We establish whether certifications truly reflect the aims of winemakers and reveal the information needed or the consumers to make sustainability-related wine buying decisions.

Current literature researches the pros and cons of obtaining a sustainable certification and/or labelling the product as sustainable, implicitly assuming that a sustainable certification is a goal in itself. As a result, price is commonly analyzed as an outcome of the certification process. We take a different view and assess whether price levels are contributing factors to certification, i.e. whether certification is perceived as complementary to the price signal or aiming at a completely different objective.

To this end, we adopt a testing strategy based on the joint comparison of observable and non-observable characteristics of winemakers and wines in two different geographical context: the US State of California and the Bordeaux Region. In the *Annals of Agrarian Science* (2007) illustrates the difference in opinion the two Worlds have on certifications stating that “the old world is able to show that sustainability is clearly not a new concept that has to be paid with high qualification and technical efforts” (Gemrich et al 2007).

According to Atkin et al (2011), the wine industry in the United States is comprised mainly of small to medium sized wineries where it may be less financially feasible to acquire a sustainability certification. Although, there

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are a growing number of sustainability certifications in California. California Sustainable Winegrowing Alliance (CSWA), Napa Green, Lodi Rules for Sustainable Winegrowing, and SIP Certified are some of the top certification programs. Some certification schemes are based on your management and future planning, while some measure the current level of sustainability. Therefore, wineries may be able to qualify for certification even if they haven't completed their processes towards more sustainable practices.

In Bordeaux, commitments to sustainability mostly come in the form of organic or biodynamic wine. Due to the historic nature of the Bordeaux region, many producers already have organic methods in place and do not see the need to certify. Motivations in this region seem to be centered on the sustainability of the vines, because more sustainable practices will most likely lead to a longer life span for the vines. By comparing California and Bordeaux we will be able to understand the differences between approaches to sustainability in New World and Old World wine regions.

We analyze the internal factors that predict whether a winery or vineyard is likely to obtain a certification based on the value of several factors: size of production, location, average price per bottle, and rating/score. The location will vary between two major wine producing regions, California as a New World context and Bordeaux as an illustration of Old World production.

No contribution so far has compared the effectiveness of sustainable certifications based on the "generation" (New or Old World) of the winery. The analysis will be performed (after data collection completes) by running a multinomial logistic regression using the certifications as the dependent variables. A qualitative analysis will also be done in the form of an online survey.

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