Ithaca 2018 Abstract Submission

Title
CONSUMER PREFERENCES FOR CSR WINES: AN EXPLORATORY ANALYSIS IN ITALY AND GERMANY

I want to submit an abstract for:
Conference Presentation

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Keywords
Willingness to pay, Multiple Price List, CSR certifications

Research Question
The present study adds to the literature in that we assess consumers’ preferences for wine from five Italian wineries that differ regarding the CSR initiative implemented.

Methods
The lab experiment consisted of 3 rounds: blind tasting and evaluation, evaluation based on expectations, and informed tasting and evaluation. Consumers’ WTP was assessed based on a multiple price list.

Results
The premiums consumers are willing to pay for the different CSR wines unveil consumers’ preferences for specific CSR initiatives. Italians and Germans prefer the Vignaioli Indipendenti, followed by organic wine.

Abstract
Introduction
Over the last years corporate social responsibility (CSR) in the wine sector has been a core topic on both the academic and governmental agenda due to the environmental, societal and economic impact of wine production (Mueller Loose and Remaud, 2013; Gabzdylova, 2009). So far, however, neither a consensus on what implies CSR in this sector, nor a common standard for its implementation and assessment has been agreed on (Mueller Loose and Remaud, 2013). This holds despite the fact that environmental associations are asking for more transparency, traceability and sustainability in the sector. Moreover, interest of consumers with respect to environmentally friendly and socially fair products is growing (Marshall et al., 2005). In response to these pressures and incentives, CSR activities have been implemented in vineyards and wineries by public and private initiatives, aiming at preserving soil biodiversity and landscape, protecting workers’ health and safety and promoting economic sustainability (Corbo et al., 2014; Pomarici et al., 2014). The potential benefits of these programmes are manifold including a higher level of consumer satisfaction, an increase in companies’ performance and competitiveness on the market (Bocquet et al., 2014; European Commission, 2011), and societal benefits due to the reduction of negative externalities (e.g. environmental damages).

Research Objective
Over the last two decades, a research stream has evolved investigating the impact of CSR on firms’ performance. In addition, a large number of studies investigate the impact of CSR on key stakeholders of firms such as investors, employees and consumers (Hartmann, 2011). Most of previous research focused on durable goods (e.g. Auger et al., 2003), or suffered from small sample size (e.g. Maignan, 2001; Ramasamy and Yeung, 2009), whilst only few studies addressed the effects of CSR in the food sector (Hartmann et al., 2013; Lombardi et al., 2015). So far, there is only one paper investigating the impact of CSR in the wine industry (Mueller Loose and Remaud, 2013). The present study adds to the literature in that we assess consumers’ preferences for wine from five Italian wineries that differ regarding the CSR initiative implemented. Five red wines were evaluated in the study: one conventional and four with different social responsibility certifications. We aim to uncover the effects of CSR related information on consumers’ hedonic liking (HL) and willingness to pay (WTP) for the wines. The analysis was based on a tasting experiment linked to a structured questionnaire and was carried out in Italy and Germany. 100 regular wine consumers (drinking wine at least once a month) in each country participated in the study. The two countries have been selected due to their relevance in the global wine market. Italy is the world’s largest wine producing country and characterized by a high per capita wine consumption, whilst Germany is the fourth largest wine consuming country in the world and the main destination for Italian wine in Europe (Winemonitor, 2016).

Experimental design and survey
The experiment was carried out in a lab setting and consisted of 3 rounds: blind tasting and evaluation, evaluation based on expectations, and informed tasting and evaluation. Thus, in the first round participants tasted the wines without obtaining any information about the winery or the CSR activities of the winery producing the wine (blind). After the tasting respondents were asked to rate how much they liked each of the five wines and their WTP for each wine. The liking was measured based on a 9-point hedonic scale with 1 corresponding to “I do not like the wine at all” and 9 “I like the wine a lot”. Consumers’ willingness to pay was assessed based on a multiple price list (MPL) ranging from 4.5 Euro to 14.5 Euro per 0.75l bottle. In round 2 participants received information on the CSR activities of the wineries producing the respective wines. However, they had to indicate their perceived liking and their WTP without tasting the wine. Round 3 was similar to Round 1 only that in this case participants obtained information on the CSR activities of the wineries producing the different wines before tasting them. Again they had to provide a rating of their liking and their WTP. The MPL was selected as elicitation means as it has two attractive characteristics. First, it is simple to implement and mimics rather well an actual market decision (Anderson et al., 2007) and, second, it is easy to explain to participant (Andersen et al., 2006). The experiment had an incentive compatible character as WTP statements were non-hypothetical. Thus, at the end of the session one wine and one price was randomly selected and all participants who had indicated a WTP for this wine being equal or higher to the randomly selected price for that wine had to buy the wine.
All wines investigated in the experiment were red wines of the grape Aglianico from the region Campania, with a Protected Geographical Indication (PGI), the vintage 2016, as well as the same features in terms of alcohol content, bottle shape and cork type. The five wines were selected based on the evaluation of a panel of wine experts who judged the products as being similar with respect to their sensory profile.
Four different certifications were assessed in the study: Carbon footprint, Vignaioli Indipendenti (an independent
sustainable certification), VIVA sustainable wine (an official certification provided by the Italian Environmental Department) and Organic. The four certifications were chosen to embrace all dimensions of corporate social responsibility either separately or in combination. More specifically, Carbon footprint covers a set of initiatives in terms of environmental protection and greenhouse gas emission reduction, whilst Vignaioli Indipendenti refers mainly to the social responsibility of companies. VIVA sustainable wine, instead, encompasses all three dimensions of CSR (i.e. environmental, social and economic). Lastly, though organic certification also refers to the environmental dimension as Carbon footprint certification it is broader in terms of initiatives embraced and more recognized by consumers.

The study also analysed consumers’ wine consumption frequency, their socio-demographics characteristics and general attitudes toward wine such as subjective knowledge, involvement and sustainability concerns. Indeed, previous studies have highlighted the relevance of consumption frequency and socio-demographics on consumers’ WTP for sustainable wines (Pomarici and Vecchio, 2014; Vecchio, 2013; Woods et al., 2013), while, subjective knowledge, involvement and sustainability concerns have often been shown to impact product acceptability and purchase intention (Mittal and Lee, 1989; Flynn and Goldsmith, 1999; Grunert et al., 2014).

Results

Figure 1 summarizes the WTP detected for the certified wines compared with the conventional one of round 2 (expected, without tasting) revealing a clear preference of consumers for socially responsible wines. Indeed, the difference between consumers’ WTP for all four CSR wines compared to the conventional one was highly significant in Italy and Germany. The premiums consumers are willing to pay for the different CSR wines unveil consumers’ preferences for specific CSR initiatives. As figure 1a shows, Italians prefer the Vignaioli Indipendenti wine (+ 30.8% WTP compared to the conventional wine), Organic (+ 28.6%), VIVA sustainable wine (+ 27.1%) and Carbon footprint (+ 11.9%). A similar preference structure can be detected for German consumers (Figure 1b): Vignaioli Indipendenti (+33%), Organic (+ 26.4%), VIVA sustainable wine (+ 25.5%) and Carbon footprint (+ 14.2%).

A second objective of the study was to assess the effect of information on consumers’ WTP and hedonic liking. By comparing the WTP in the first round (blind tasting) and the third round (informed tasting), the study is able to uncover the effect of information on consumers’ WTP. This effect is in both countries positive and statistically significant for all the wines investigated (Table 1). However, information increases WTP for the analyzed wines differently in Germany and in Italy. In particular, the highest upsurge in Italy is observed for the organic wine; while in Germany for Vignaioli Indipendenti. Along the same lines, the difference between the hedonic liking in the first (blind) and third (informed) round provides a measure of how information affects consumers’ taste perception (Table 2). The results reveal that knowledge about CSR initiatives influence the evaluation of consumers both in Italy and Germany. Specifically, the effect of information is positive and statistically significant for all the certified wines. However, quite surprisingly, the results for Germany reveal that the highest increase in hedonic liking is observed for the conventional wine (20%).

Conclusions

The study presents first results of a wine experiment carried out in Italy and Germany. The findings indicate that without tasting (WTP in round 2) Italian and German consumers are willing to reward wine companies implementing corporate social responsibility strategies. These results can be considered as powerful drivers for the promotion of CSR initiatives in the wine industry. Moreover, the study highlighted specific consumers' preferences towards the considered certifications in the two countries. Regarding the impact of information on liking and WTP the study provides ambiguous results. With respect to Italy the study reveals that information regarding the different CSR certification schemes increase consumers’ willingness to pay and hedonic liking. However, those latter results do not hold for Germany. Further analysis deems necessary to explain these differences in results.

References


File Upload (PDF only)
- CSR-wines-Italy-Germany.pdf
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Figure 1- Premium prices for the certified wines in Italy (a) and Germany (b) in 2nd round

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1 A Wilcoxon signed-ranked test on the two distributions was performed.
A second objective of the study was to assess the effect of information on consumers’ WTP and hedonic liking. By comparing the WTP in the first round (blind tasting) and the third round (informed tasting), the study is able to uncover the effect of information on consumers’ WTP. This effect is in both countries positive and statistically significant for all the wines investigated (Table 1). However, information increases WTP for the analyzed wines differently in Germany and in Italy. In particular, the highest upsurge in Italy is observed for the organic wine; while in Germany for Vignaioli Indipendenti.

Table 1 - Consumers’ willingness to pay in 1st and 3rd round.

<table>
<thead>
<tr>
<th>Wine</th>
<th>WTP (€) 1st Round</th>
<th>WTP (€) 3rd Round</th>
<th>Δ</th>
<th>WTP (€) 1st Round</th>
<th>WTP (€) 3rd Round</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>4.35</td>
<td>4.87</td>
<td>12% **</td>
<td>3.04</td>
<td>3.73</td>
<td>23% **</td>
</tr>
<tr>
<td>Organic</td>
<td>4.50</td>
<td>5.83</td>
<td>30% ***</td>
<td>3.84</td>
<td>4.50</td>
<td>17% ***</td>
</tr>
<tr>
<td>Vignaioli Indipendenti</td>
<td>4.43</td>
<td>5.69</td>
<td>28% ***</td>
<td>3.56</td>
<td>4.74</td>
<td>33% ***</td>
</tr>
<tr>
<td>VIVA sustainable wine</td>
<td>4.52</td>
<td>5.42</td>
<td>20% ***</td>
<td>4.01</td>
<td>5.06</td>
<td>26% ***</td>
</tr>
<tr>
<td>Carbon footprint</td>
<td>4.22</td>
<td>5.31</td>
<td>26% ***</td>
<td>3.58</td>
<td>4.38</td>
<td>22% ***</td>
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</table>

Significance at the level of 10% (*), 5% (**) or 1%(***), according to a Wilcoxon signed ranked test.

Along the same lines, the difference between the hedonic liking in the first (blind) and third (informed) round provides a measure of how information affects consumers’ taste perception (Table 2). The results reveal that knowledge about CSR initiatives influence the evaluation of consumers both in Italy and Germany. Specifically, the effect of information is positive and statistically significant for all the certified wines. However, quite surprisingly, the results for Germany reveal that the highest increase in hedonic liking is observed for the conventional wine (20%).
Table 2 - Consumers’ hedonic liking in 1st and 3rd round.

<table>
<thead>
<tr>
<th>Wine</th>
<th>Italy 1st Round</th>
<th>Italy 3rd Round</th>
<th>Δ</th>
<th>Germany 1st Round</th>
<th>Germany 3rd Round</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional</td>
<td>4.87</td>
<td>5.08</td>
<td>4%</td>
<td>3.91</td>
<td>4.69</td>
<td>20% ***</td>
</tr>
<tr>
<td>Organic</td>
<td>4.93</td>
<td>5.64</td>
<td>14% ***</td>
<td>4.56</td>
<td>4.89</td>
<td>7%</td>
</tr>
<tr>
<td>Vignaioli Indipendenti</td>
<td>4.82</td>
<td>5.62</td>
<td>17% ***</td>
<td>4.51</td>
<td>5.27</td>
<td>17% ***</td>
</tr>
<tr>
<td>VIVA sustainable wine</td>
<td>4.74</td>
<td>5.48</td>
<td>16% ***</td>
<td>4.94</td>
<td>5.36</td>
<td>9% ***</td>
</tr>
<tr>
<td>Carbon footprint</td>
<td>4.70</td>
<td>5.31</td>
<td>13% ***</td>
<td>4.49</td>
<td>4.99</td>
<td>11% **</td>
</tr>
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Significance at the level of 10% (*), 5% (**) or 1% (***), according to a Wilcoxon signed rank test.

Conclusions

The study presents first results of a wine experiment carried out in Italy and Germany. The findings indicate that without tasting (WTP in round 2) Italian and German consumers are willing to reward wine companies implementing corporate social responsibility strategies. These results can be considered as powerful drivers for the promotion of CSR initiatives in the wine industry. Moreover, the study highlighted specific consumers’ preferences towards the considered certifications in the two countries. Regarding the impact of information on liking and WTP the study provides ambiguous results. With respect to Italy the study reveals that information regarding the different CSR certification schemes increase consumers’ willingness to pay and hedonic liking. However, those latter results do not hold for Germany. Further analysis deems necessary to explain these differences in results.

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References


