

## Padua 2017 Abstract Submission

### I want to submit an abstract for:

Conference Presentation

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### Keywords

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### Research Question

What is the willingness to pay for South African wines that are produced using eco-friendly methods?

### Methods

The method uses an estimation of a willingness to pay(WTP) function for selected South African organic wines. In total a 215 respondents who visited organic vineyards were interviewed.

### Results

The results show that the respondent's willingness to pay is positively influenced by the taste, awards, recommendation by other consumers and eco-friendly certification.

### Abstract

Wine tourism has recently been earmarked as an important driver of tourism development and it can represent a major contributor of rural economic development.

The wine estates form an important component of the South African tourism industry with wine estates providing wine tasting as well as supporting restaurants, guest houses and shops.

The competition in the wine tourism has increased rapidly, with many countries trying to capture a share of the tourism market. As a result in order to obtain competitive advantage among destination eco-friendly attributes and claims are starting to play a key role in attracting wine tourists as shown by a number of researchers (Getz and Brown, 2006, Orsolini and Boksberger, 2009, Holohan & Remaud, 2014 ).

The objective of the research is to reveal the whether the respondents will be willing to pay a premium for organic wines compared to ones produced by more conventional methods. The Willingness to Pay method can represent a signal for the wine producers in their quest for attracting more visitors and also in selling more wine products. The model also reveals how to the respondents perceive the quality of organic wines when compared to the conventional ones.

A hypothetical market situation for a good or service is created by means of the ContingentValuation Method (CVM). CVM creates a hypothetical market situation for a given good or service. It tends to quantify the value consumers confer to products by associating that value with the sum of money they are willing to pay. (Kawagoe & Fukunaga, 2001)A total of 215 tourists were interviewed in different locations of selected vineyards that produce organic wines. Subjects were randomly intercepted to participate in the model The vineyards selected were Avondale, Lazanou Organic vineyards and Reyneke Wines. These vineyards produce both organic as well as non-organic wines.

Each respondent was asked at the sampling point if he/she was willing to pay the difference between conventional and organic prices.

In order to obtain the parameters estimates for each selected product, a Binomial Multiple Logistic Regression was

applied: Avondale Cyclus, Lazanou Organic Chenin Blanc, Lazanou Organic Syrah Mourvèdre, Reyneke Chenin Blanc Organic Grapes and Reyneke Syrah Organic Grapes

The method is based on the following formula:

$$WTP_{ij} = \alpha + \beta_1 (P_j) + \beta_2 Y_j + \beta_3 \pi_j + F(Z_j)$$

Where:

$WTP_{ij}$  i consumer's willingness to pay for j type of wine;

$\alpha$ ,  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  Coefficients to be estimated, where P is the organic price premium; Y Income level;  $\pi$  quality attributes perceptions;

Z Socio-demographic characteristics. The model was run separately for both white and red wines.

The demographics of the respondents were explored based on the age and country of origin.

The average age of participants was 42 years old and the average income was 30 00 (EUR). 60 % of the respondents are South African, followed by 14 % from UK, 10% from Germany, 6 % Dutch and rest of the world 9%

The study found that the respondents' willingness to pay is positively influenced by the perceived quality of wine resulting from tasting. A second significant factor that adds to the Willingness to pay of the respondents is the award won by certain wines from the sample. This result is supported by previous research for example: Lecocq, et al., (2004).

Eco-friendly certification is also of great importance in revealing the willingness to pay, especially with respect to foreign tourists. Another strong willingness to pay influence is the recommendations either from other consumers or from professionals in the field of wine tasting, such as sommelier's, restaurant manager etc.

A drawback in the willingness to pay is the perceived quality inferiority when compared with similar wines produced by more conventional means. This is due to the perception that organic wine tends to be inferior in quality and taste to the more conventional wine.

If the median values obtained from the sample are inserted into the WTP equation then the average premium that consumers are willing to pay for white organic wines is 4 euros. For the red wine the value is 3 euros. By looking at the demographic of the sample, the research revealed that foreign tourists are willing to pay a higher premium than local tourists.

The implication of the results for the organic wine producers is that in order to encourage the increase in production and the sales of organic wines a strong emphasis must be put on developing the quality of such wines, especially when compared with similar wines obtained from conventional methods. Certification regarding the recognition with regard to the employment of eco-friendly methods of producing wine will give assurances to the consumer and positively influence the willingness to pay.

Further research will need to add to the number of attributes analysed by the contingency valuation methodology such as age and previous experience in tasting organic wines.