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Keywords

wine, local origin, sustainable wine, willingness to pay, Millennials, carbon footprint.

Research Question

Do Millennials prefer domestic origin or sustainable wines?

What is Millennial wine consumers' willingness to pay for wines with different origin and sustainable features?

Methods

This study uses a choice experiment (CE) to investigate the preferences of Italian Millennials in particular toward two attributes of wine: domestic origin and carbon footprint claim.

Results

Our findings reveal that there is considerable heterogeneity among respondents, the majority of whom seem to be interested both in domestic origin and carbon footprint claim.

Abstract

Although the importance of local origin in the choice of wine has been consistently demonstrated (e.g. Bernabéu et al., 2009; McCutcheon et al., 2009; Panzone and Simões, 2009), and the awareness of sustainable produced wine is increasing on the global market and in particular on Millennials (Pomarici and Vecchio, 2014), both characteristics in relation to Millennials' purchasing decisions have not been yet truly analyzed.

Some environmental attributes can be taken into account by consumers in relation to purchasing decisions as components of their ethical demand; in this matter consumer's behavior can drive the production of wine to more sustainable models. This depends on a number of factors, such as the consumers' willingness to pay (WTP) for sustainable and ethical attributes, and on the effective communication mode of such attributes as well. Among consumers, young people belonging to the so-called Millennial Generation are the new wine consumers and, in the future, an increasingly important segment of the global wine market.

Nowadays changes in consumer demands in many primary sector markets are constantly driving changes in the value chains that primary industries participate in. There is an increasing expectation that products have

environmental sustainability credentials in production (Guenther et al., 2012) such as information about climate change impacts (Rousseau and Vranken, 2013).

Several environmental attributes are particularly relevant for wine production, such as: organic production, Greenhouse Gas (GHG) emissions, water use, waste production, soil protection, landscape creation or conservation, local climate conditions and terroir .

Most of these elements – mainly local climate conditions, terroir, organic process, water use - affect the intrinsic characteristics of wine and its quality. At the same time, the whole wine supply chain, in a global context, has significant influences on the environment - in particular on GHG emission, water use, and landscape - that are the main environmental externalities of the wine production system.

Consumers' demand takes into account the different characteristics of wine such as price, origin, production process, and others, and among these there may be also environmental ones. This consumers' behavior can be analyzed as an ethical consumption phenomenon, that is defined as the purchasing decisions made by people concerned with not only the price of products and services but also with the political, social and environmental consequences of their purchases (Coff et al., 2008).

Currently among the different characteristics of an ethical demand of wine, it's particularly interesting to analyze the Italian consumers' attitudes toward two specific attributes: domestic origin and carbon footprint claim. Specific groups of consumers in different countries may have a very similar attitude towards some particular wine attributes; this behavior is driven by age, culture, social habits or other common characteristics that mainly determine consumers' preferences, despite the existence of other relevant differences among people. This is the case of the Millennials, the demographic cohort with born from the early 1980s to around 2000, who are expressing their own cohort dynamics, with common behaviors in different countries, in relation to environmental commitment and consumption preferences (Bakewell and Mitchell, 2003; Noble et al., 2009). This behavior is also expected towards the wine consumption (Teagle et al., 2010; Wolf and Thomas, 2007).

This study investigates whether young consumers, namely the 18-34 year-old Millennials, select wines on the basis of origin or sustainable certifications.

In our research a face-to-face questionnaire survey was conducted in 2015 and 2016 among Italian Millennials. University students were administered a questionnaire, and more than 600 respondents completed it, which included questions about respondents' socio-economic characteristics, their wine-related consumption habits and their specific knowledge and perception of the wine product.

We applied a basic latent class (LC) model to investigate the sources of heterogeneity in preferences across classes of Italian Millennials and to estimate class-specific WTP values for the identified attributes of wine. CE approximates the real-world purchase behavior and, for this reason, it is widely used in economic research to study the valuation of public and private goods, including the environmental characteristics of a products (Carlsson et al., 2010; Hanley et al., 1998). Consumers are widely recognized as heterogeneous in their taste and preferences (Wedel and Kamakura, 2000). The LC model assumes hidden latent classes for consumers and products. By introducing a LC model, the latent consumer and product clusters can be modeled.

Researchers who are interested in individuals' preferences for consumer products (or any behavioral alternatives) have to study their preferences for a product's attributes. Wine product can be characterized by different attributes such as price, origin, certification, CF claim and "winescape".

Therefore this approach combines insights from the characteristics theory of value (Lancaster, 1966) - that assumes that individuals do not derive utility from a product per se, but from a product's characteristics - and the random utility theory (McFadden, 1974).

Consumer interest towards wine knowledge is basically and an important role is played by information. Therefore label information and certification logo became important to ensure the existence of the characteristics desired by consumers.

The theoretical background at the basis of this aspect is indeed the economics of information (Akerlof, 1970; Stigler, 1961). In particular Akerlof was the first to show that asymmetric information, as quality uncertainty about a good, can cause the market's degeneration into an exclusively low-quality products market.

A focus group was formed and a pilot study was conducted in the process of designing the questionnaire format that consists of two components. The CE was one part of the questionnaire. A white wine called "Friulano" produced from the Sauvignon Vert (also known as Sauvignonasse) grape from Friuli Venezia Giulia, a region of North-Eastern Italy, was selected. The CE considered five attributes. Four wine bottle alternative, the attributes and attribute levels were considered carefully to ensure both that the scenarios closely describe the reality of the market and that respondents were familiar with them. We included price level, origin, production method (Winescape), carbon footprint labelling, and quality certification/Denomination of Origin (DOCG, DOC,...). Each

respondent was asked to compare three wine bottle options plus “none of these” alternative and to choose the option they preferred. Each interviewee was asked to answer six choice sets.

The average age of the respondents was about 21. They mainly believe carbon dioxide emission are a problem, while the great majority do not know what the product CF measures.

Respondents preferred local origin and CF certification when choosing wine. LC model highlights a differentiated set of preferences among respondents. In a preliminary step we included both socio-demographic and behavioral variables in the LC model to improve class probability explanation.

Our findings lend themselves to a variety of interpretations. The potential of the carbon labelling in food products to change consumer behavior has been recognized (Cohen and Vandenberg, 2012; Vanclay et al., 2011) and the practice of carbon labelling is likely to become more and more important (Roos and Tjarnemo, 2011). According to other researches, consumers in developed countries are increasingly interested in the consumption of products incorporating ethical aspects, but from our study it seems consumers need more information about CF products. The majority of Millennials consider themselves as global citizens who have a responsibility to make the world better, and at the same time Millennials might not label themselves environmentalists, but they feel strongly about environmental policies.

While other studies concerning other products with environmental attributes stated that respondents were willing to pay a significant premium price for the certified goods, our results suggest that a consistent group of Millennials shows a lacking attitude towards these characteristics at the purchasing. We noticed moreover that respondents tend to prefer wine that is produced in a specific local area or that has a quality certification.

The results are particularly useful for marketers and entrepreneurs since studies that compare different sustainability aspects of wine are particularly scant and no research has yet focused on Italian Millennials.