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Title

Exploring preference heterogeneity for wine across international consumers: Does consumer attitudes and perceptions matter?

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Conference Presentation

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Keywords

Discrete choice, preference heterogeneity, hybrid choice models, wine choice

Research Question

To understand the role of attitudes and perceptions in consumers preferences for wine in the international market.

Methods

Discrete choice models, hybrid choice models

Results

To identify distinct segments of consumers and to identify the effect of consumers' specific characteristics on their choice behavior. To find the significant latent variables affecting respondents' utility towards wine.

Abstract

When choosing a product or service, different individuals will make different choices. Besides the understanding of the drivers of people's choice, understanding the heterogeneous nature of consumers becomes crucial to attend the distinct demands, especially for complex experience goods. In the case of food and beverages, most of the times the choice is done without tasting the product, and driven by consumers' expectations of quality based on observable product characteristics.

In the specific case of wine, the label of a bottle can present a lot of information for consumers, including the details on both intrinsic, such as grape variety, region, and wine style, and extrinsic quality cues, such as brand, price, and others. These cues may influence consumers' quality perception and consequently their choice, whereby

this product has a degree of complexity that not many other categories can claim (Lockshin & Corsi, 2012). Hence, the purchase of a bottle of wine can be a big challenge, making the study of consumers' preferences for wine object of a lively debate (Mueller, Lockshin, Saltman, & Blanford, 2010; Perrouy, D'Hauteville, & Lockshin, 2006; Williamson, Lockshin, Francis, & Loose, 2016).

Beyond the attributes and the context of the purchase, latent factors as attitudes or perceptions may also induce consumers to choose wine differently, leading to a distinctive choice process and different choice structures among them. One of these factors relies upon the individual perception of risk, as a result of uncertainty. When buying a bottle of wine, e.g. for a dinner with guests, concerns about not knowing how the wine will taste and what guests will think, may arise (Campbell & Goodstein, 2001). Buying wine is then a relatively risky decision, with perceived risk widely known as a factor which drives wine purchase behavior (Lockshin, Jarvis, D'Hauteville, & Perrouy, 2006). For products in general, three risk types are typically associated with choice: financial, functional, and social (Dowling & Staelin, 1994). For wine, Mitchell and Greatedorex (1989) state that its purchase typically involves functional risks such as social, financial and physical risks. Financial risk is associated to the price paid by consumer; performance risk, or functional risk, becomes a quality risk, and appears to be related, for example, to the taste of wine; social risk relates to negative outcomes which result in embarrassment with family or friends. Thus, consumers tend to use heuristics to reduce some risks specially when purchasing a product with visibility to others, as the case of this study.

A related issue is the level of knowledge that may also become a significant piece influencing choice decision (Flynn & Goldsmith, 1999). Another factor is the level of involvement (Lockshin & Spawton, 2001), with more involved consumers considering more information when making a purchase. Empirical cross-national results on wine choice behavior show that involvement outperforms demographics or nationality (Aurifeille, Quester, Lockshin, & Spawton, 2002). Furthermore, evidence suggests that health plays a relevant role in consumer's decisions, with preferences shifting to healthier foods and beverages (Todd, 2014), being its effects on wine choice an open debate.

Thereby, choice structures are not homogeneous, and knowing the sources of differences in consumers preferences becomes a crucial issue. To this end, most studies of consumer choices and preferences employ discrete choice experiments (DCE). This framework consists of simulating a purchase situation by presenting a sequence of choice sets with different alternatives, among which the preferred one is chosen. Much research employing this approach seeks to explain differences in individuals' utilities, modelling heterogeneity focusing on its deterministic component, through socio-demographic characteristics of respondents, or allowing for random tastes. More recently, a growing number of studies across different fields is incorporating the role of psychological factors as latent variables in decision making to understand consumers preferences, using a new class of choice models, known as hybrid choice models (HCM). These models expand the standard models by accounting for the role of other factors of choice, such as perceptions, attitudes, knowledge, and social influence, that may cause bias if not accounted for (Ben-Akiva et al., 2002; Hess & Beharry-Borg, 2012). The increasing number of studies using this hybrid structure show a higher efficiency in dealing with endogeneity bias, and also provide more information with the ability to capture the choice process in a more detailed way through attitudinal data (e.g. Palma, Ortúzar, Rizzi, & Casaubon, 2018; Rungie, Coote, & Louviere, 2012).

The aim of this study is to contribute to the understanding of wine valuation, with focus on modelling consumers heterogeneity, and give new insights through the application of the most recent models in discrete choice, such as hybrid choice models.

Having in mind the importance of the key determinants of wine choice for companies and marketing practitioners, we aim to contribute to the definition of specific strategies for wine producers, given the knowledge on the preferences by country and market, contributing to a better alignment between wine consumers' preferences and the market supply.

Specifically, being wine a complex good, we cannot discard that the perception and valuation of attributes are not homogeneous amongst consumers, such that modelling preference heterogeneity is an important issue. To this end, we employ advanced choice models, to allow multiple sources of preference heterogeneity to be assessed simultaneously. To extend such models, we also account for consumers perceptions and attitudes towards wine estimating an HCM. Until now, the majority of existing literature shows very diversified configurations of DCE to assess the preferences for wine, due to the use of different DCE designs (attributes and levels included). This makes it impossible to make comparisons between different consumers. Cross-national research may play an important role in this globalized product, with firms interested in understanding the similarities and differences between market segments to develop better selling strategies. The proposed paper applies the same conceptual framework to different countries and allows the comparison between attributes rankings and value measures.

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