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Title

Reputation and organic production in Italian wines: some evidences using a hedonic analysis approach

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Conference Presentation

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Keywords

Reputation
Organic wine
Hedonic model

Research Question

What is the role of present and historical reputation in the wines' appreciation?
What is the role of the organic certification in the wines' appreciation?

Methods

Hedonic price method

Results

The acquirement of wine awards has repercussions on the average price at which a particular winery places itself on the market: the higher the quality score, the higher the wine price.

For the organically produced wine, this characteristic is more influential for bottles belonging to the price range between € 10 and € 30.

Abstract

Introduction

In the purchasing process, consumers generally evaluate the multiple attributes of wine and product quality by considering intrinsic and extrinsic attributes. However, consumers have no opportunity to evaluate the intrinsic features (e.g. flavour, alcohol content, and color) of wine (Barber, Almanza, & Donovan, 2007) before buying and tasting it. Thus, they choose using any available information, mainly extrinsic such as brand, price, packaging, and geographical indication, that they can gather when inspecting the bottle or referring to one of the many wine guides (Boncinelli et al., 2019).

Furthermore, an inexperienced consumer who wants to approach the world of Italian wines is likely to be overwhelmed by the vast offer and diversity of products that Italian wineries offer (Chiffolleau and Laporte, 2006; Gabbrieli A., 2015). To help consumers find their way among the excellences of Italian oenological products, as it happens for almost all the wine producing countries, there are guides that provide information about the best wineries and wines on the market every year (Dressler 2016).

From the point of view of consumers, these guides represent a tool to better direct their purchases, but for producers to be part of them represents a certification of excellence that – presumably - brings benefits to the winery itself (Orth and Krška, 2002). Guides provides information and scores for the best eligible wines, but also for the individual wineries, providing an index of the reputation of the most famous wineries. This last aspect is not trivial for the fragmented Italian market, as it can strongly contribute to establish a positive brand image and gain credibility (Neuninger, Mather and Duncan 2017), which are crucial aspects for the success of any winery (Dressler 2016). Moreover, once wineries reach a reputation level by having their wines included in the guides and positively scored, they must keep their position to maintain customers' loyalty.

In recent years consumers' concern for environmental impact of food production has significantly increased.

Environmental concerns are steering consumers to better understand the impact of production processes, and to increase consumers' demand for products that carefully consider environment protection (Ricci et al., 2018).

Organic label, the most well-known environmental certification, can demand a price premium in the marketplace compared to conventional products, although percent premiums differ by product typologies (Ellison et al., 2015).

In particular, willingness to pay a price premium for organic wines has been studied by several authors (Lockshin and Corsi, 2012) and organically certified products have a strong effect on consumer attitudes and product perception (Wiedmann et al., 2014).

In this research we analyze the extrinsic characteristics affecting the price of Italian wines with specific regard to reputation and organic certification by applying the hedonic price methodology (Rosen, 1974). We focus on analyzing how corporate reputation indicators referred to different moments in time, and organic, biodynamic and sustainability labels can affect the average price of wine bottles of a specific winery as reported on the "Gambero Rosso Vini d'Italia" guide. The effects on price of other extrinsic characteristics as the type of wine, the vintage of wine and the region of origin are investigated.

Data and methodology

Data were retrieved by means of an OCR software from the PDF format of the "Gambero Rosso Vini d'Italia" guide and transferred to excel software to be sorted. Data were then analyzed by implementing a hedonic model using Stata software.

The hedonic price method is based on the use of multivariate regression techniques, with which it is possible to verify the contribution that the attribute of interest provides to the observed price, isolating it with respect to all the other parameters concurring in the price formation, keeping them constant (Rosen S., 1974).

Using the average price as dependent variable, we assessed the effect of reputation as indicated by the guide using three different indicators of reputation. The first one refers to the number of wines that the winery has in the current guide (2017), the second one to the number of wines in the previous edition of the guide (2016) and the last one is a special award that Gambero Rosso assigns to a winery when it manages to get the quality score of "3 glasses" (max score for a wine) for 10 different bottles of wine. Other variables used are the prevalence of a type of wine (Red, rosè, white, sparkling), the average vintage of the wines mentioned in the current guide per winery, the average quality score and the use of sustainable agricultural practices (organic, biodynamic).

Results and conclusions

The acquirement of wine awards has repercussions on the average price at which a particular winery places itself on the market: the higher the quality score, the higher the wine price. When producers receive higher evaluation scores, they seem to appreciate the importance of being positively mentioned in a guide, and turn it in an opportunity to increase the prices of their bottles (Oczkowski and Doucolagos, 2014). Therefore, the price of a bottle of wine is strongly influenced by a good reputation, especially when the reputation is iterated for more than one year.

As for the organically produced wine, this characteristic is more influential for bottles belonging to the price range between € 10 and € 30. This could be due to the fact that the marginal costs of organic production are greater (Vastola A. and Tanyeri-Abur A., 2009), therefore awarded organic wines are rarely priced under 10 €. Furthermore, it should be noted that for bottles that cost over € 30, producers and consumers might not be interested inorganic wines (Brugarolas Mollà-Bauza M. et al., 2005) rather they take into consideration other wine characteristics, such as the vintage feature. Furthermore, the "organic" certification could be of interest to emerging wineries, which

would aim for a specific niche market with a well-established premium price, allowing them to sell their products at a medium price, but avoiding very high price that would require too high investments. The next step of the research could be to propose the analysis considering a time frame, that is proposing an analysis of historical series.

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Reputation and organic production in Italian wines: some evidences using a hedonic analysis approach

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Introduction

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