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Title

How much more are Consumers willing to pay for organic wine? Survey evidence from Italy

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Conference Presentation

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Keywords

Organic wine, Choice Experiment; Consumers' WTP (willingness to pay)

Research Question

This paper analyses the preferences of consumers regarding the introduction on the Italian market of organic wine certified according to EC Reg. 203/2012.

Methods

A Choice Experiment (CE) in order to define the ordinal ranking of preferences and the willingness to pay (WTP) for the organic product was applied

Results

The premium price for local or national wine is extremely high and that for organic method is equal to € 3.00 per bottle, with respect to a conventional wine.

Abstract

Organic wine was officially born in 2012 with EC Reg. 203/2012 and up that time research focussed only on wine from organic grapes. By now a large number of studies about consumers' behaviour for organic products (Aertsens et al., 2009; Aarset et al., 2004) and about wine consumption determinants (Omura et al., 2013; Gil et al., 1997) has been developed but surveys about organic wine consumers are less common (Castellini et al., 2014; Castellini et al., 2016, Pomarici et al., 2016). For this the paper aims at surveying the consumers' interest and willingness to pay (WTP) for the organic wine. By comparing the organic technique with other fundamental characteristic of a wine it could be possible to assess the importance level given it by the consumers. In the paper the organic wine is certified according the EU Reg. 203/2012.

The most important factors determining consumer's choice on the wine market are the production origin, the Designation of origin, the production method - organic or conventional - and the price; thus, these are the four characteristics investigated in our study. Product origin represents one of the most highly considered factors taken into account by consumers both for consumption at home and away from home. In fact, the link between wine

product and its terroir is greatly felt by consumers. Another important characteristic is the Designation of origin that gives a product its geographical identity and also underscores the quality of the product. Method of production has also been included as one of the objectives of this study. In fact, it is important to understand organic wine buying intention of the consumers and how much they are willing to pay for it. Finally, one of the most important factors is price.

Authors applied a Choice Experiment (CE) in order to define not only the ordinal ranking of preferences but also the willingness to pay (WTP) for the key characteristics of this product. By dividing the product into various attributes in fact it is possible to identify the tradeoff consumers make when faced with a choice.

The result is an estimate of the utility function characterized by the attributes that represent the product and its corresponding levels.

The experiment used an unlabeled discrete item model where interviewees were offered a choice between the same bottles of wine that had different characteristics deriving from a different mix of attributes levels.

Three choice sets of three profiles were used. The choice experiment was included in a survey administered online via Google Drive®. It contained 28 questions divided into four sections of close-ended or multiple choice question type. 300 questionnaires were collected from residents of the Veneto Region (North of Italy) between January and March 2014. Data collection continued in 2016 and it will be a comparison between the two samples.

Quota sampling of the Veneto Region population (last census was in 2011) was the process used to select the sample which was sectioned according to age; twenty years old is the minimum age considered.

The analysis of the first sample indicates that the most important levels that influences consumers choice were the local (Veneto) origin of the product followed by the Italian origin (both with respect to foreign wine) and, finally, the presence of organic certification.

The importance of the Region of Origin concurs with the findings of previous studies. According to Lockshin et al. (2012), the Region of Origin attribute is able to evoke the territory in which the wine is produced, its typical nature and the social aspects linked to it. Many do not consider it an extrinsic attribute (Hertzberg and Malorgio, 2008) but, rather, regard it as a link between intrinsic or sensorial attributes and those that are extrinsic or objective. In fact, on the one hand, the Region of Origin has the capacity to simplify purchase choice for those who are less expert as it transmits the reputation associated with the region. On the other hand, it enables experts to buy a sophisticated product. Notably, the choice experiment has highlighted the degree of significance that the origin ascribed to the product has in terms of preference. In fact, respondents preferred the local product first ($\beta=0.98$), followed by the national product ($\beta=0.53$). This preference finds confirmation in that 45% of the sample consuming wine bought directly from the producer.

The "organic wine" level seems to acquire a significance not be underrated ($\beta=0.24$) and health reasons and making an eco-friendly choice motivate consumers to buy it. Those who declare that they are not willing to buy this wine cite its elevated price and doubts on the validity of the certification. Regarding this aspect, wine producers should try to promote and consolidate the necessary confidence in consumers so that they may be willing to pay a premium price as a recognition of a series of advantage that the product can offer.

Conversely, a lack of PDO/PGI labelling and product price reduce the utility of the product on the whole ($\beta=-0.75$ and $\beta=-0.15$ respectively). The absence of a designation constitutes a lack of utility for the consumer correlates to the importance ascribed to the place of origin and to the willingness to find quality products. The designation, in fact, puts together both these aspects, certifying the quality of the product linked to a particular production area.

The importance of the attributes and their levels also reflects on consumer's willingness to pay for the sample. The premium price for the product of Veneto origin (with respect to the foreign product) is € 12.65 per bottle, which is extremely high and this fact confirms the consumers' preference for a wine strictly connected to their territory; furthermore most of the consumers' sample declare that they buy wine directly from the producer.

When interviewed, the respondents stated that, for a bottle of Italian wine, they were willing to pay € 6.48 over the price of a foreign wine; consumers prefer national or local products prizing them as a higher quality of wine.

Further, the willingness to pay for an absent designation of origin is negative. The sample is only willing to buy a wine with no designation of origin at € 9.70 less than that for a designated wine.

A striking aspect of the study is the premium price for a bottle of organic wine, equal to € 3.00, with respect to a conventional one. This data is interesting as the purchase of organic wine is not common in the Veneto territory. In fact, from an analysis of the sample, 39% of respondents declare that they consume organic wines. This, however, cannot be interpreted as an analysis of the premium price per single attribute. Consideration must be taken on the relationship between the different attributes as happens in real life at the time of purchase (Hertzberg, 2006).

In conclusion it appears that attention to and preoccupation with health issues motivate consumers to look for and

assign greater importance to the absence of chemical additives rather than a certification of organic origin. This highlights a certain degree of confusion in what is understood to be an organic product, in that the use of chemical substances is not part of common agricultural practice except in those cases foreseen by the law. A possible efficient solution to attracting new consumers could be an opportune awareness campaign aimed at underscoring the positive influence on health of organic products.

From an analysis of the sample of consumers it emerged that advertising should be directed at emphasizing the wholesomeness and the assurances these products offer, along with the attention to and respect for the environment. In fact, these characteristics are recognized and ascribed to organic wines even by the most skeptical consumers and, that is, those who declared they were not interested in the product.

In any case, the typical nature of the wines and their variety (vine species) should be promoted at the same time in order to highlight the link these wines have to the territory, or terroir. In doing so, the description of a product that is able to protect and support these areas and that could be further endorsed by the presence of PDO/PGI certifications of origin that are important to consumers.