

Tbilisi 2022 Abstract Submission

Title

In Vivino Veritas: An investigation on consumers' quality perception and wine choice determinants in the digital age

I want to submit an abstract for:

Conference Presentation

Corresponding Author

Enrico Mazzoli

E-Mail Corresponding Author

enrico.mazzoli@unitus.it

Affiliation

Department of Economics, Engineering, Society and Business Organizations, Tuscia University, 01100 Viterbo, Italy

Co-Author/s

Name	Affiliation
Luigi Palumbo	Department of Economics, Engineering, Society and Business Organizations, Tuscia University, 01100 Viterbo, Italy

E-Mail/s Co-Author/s

E-Mail
luigi.palumbo@unitus.it

Keywords

Information asymmetry, quality, wine selection, digital application

Research Question

1. Is perceived-quality in wine reviews from Vivino determined by the wine price?
2. What are the other wine elements (intrinsic or extrinsic) affecting wine reviews and ratings?

Methods

Ordered logit regression models to predict wine ratings, based on intrinsic and extrinsic variables. We employ a dataset comprised of about 16,000 observations over 19 countries and 865 production areas/designations

Results

The perception of wine quality is strongly correlated to wine prices. Wine popularity is instead positively correlated to good reviews. Depending on regions, wine origin may influence final scores differently.

Abstract

To wine amateurs, the choice of which wine to buy can be a daunting and stressful experience, especially when that is prompted by a last-minute invitation to a dinner party. In everyone's mind, the ideal result would be to select a wine that pairs well with the food to be served, that all attendees appreciate and, possibly, something we bought without spending a fortune. A less ideal outcome would be to discover that the party host is a wine guru, that s/he has immediately realized how little you have spent on your purchase and that you, and all attendees,

experience how bad your Albariño pairs with gigot d'agneau fumé. Luckily, these days much of the drama above can be averted with technology supporting undecided and unaware wine consumers.

Vivino is one of the most known smartphone app fit for that purpose. It provides customers and community members with information and reviews on practically any wine on the market. Customers can photo-scan a wine labels and quickly learn wine characteristics, origin, average price, grape varieties and, more importantly, how much peers have liked it - thus reducing information asymmetry.

Information asymmetry has been long debated in economics since the early contribution of Akerlof (1970) on adverse selection. Asymmetry of information happens when traders do not have access to the same complete and homogeneous information in a transaction. The concept is often found in market transactions and first time buying of experience goods. Wine - as most or other agri-food products - are experience goods, meaning products whose quality, intrinsic property and taste can be learned by consumers only after purchasing and tasting them. Therefore, consumers acquiring such goods for the first time face an information asymmetry with respect to producers - who instead followed each step of the production process (Castriota, Curzi and Delmastro, 2013). To reduce such asymmetry, consumers adopt a variety of coping strategies, including among others collection of information prior to the purchase through word-of-mouth (i.e. peers judgments), consultation of experts' guides and use of apps similar to Vivino. This indicates that buyers gather several cues before making their final decision.

Several studies have tried to identify the most relevant factors behind consumers' choice and untangle the effect each cue plays on the decision to buy (Hall and Lockshin, 2000; Kim, Park and Park, 2013; Reinstein and Snyder, 2005; Robertson, Ferreira and Botha, 2018). The perceived quality of a product is one of those - alongside with prices, expert reviews and peers' evaluations. In their research, Horowitz and Lockshin (2002) tried to investigate the indicators of wine quality from the consumers' point of view and concluded that a reasonable amount of the variance in wine-quality evaluations can be explained by extrinsic factors - those that can be known to the consumer before buying the bottle of wine (e.g. price). Nevertheless, the discussion on perceived wine quality cannot be based exclusively on extrinsic variables like price, as other intrinsic (i.e. grapes, acidity, colour, taste) and institutional variables (origin, reputation of winery, denomination, certification) do influence customers' valuations. Moreover, wine products may see variables such as price and quality be connected by a two-way correlation, where quality levels determine prices or where prices influence quality perception (ibid.).

In our study, we are interested in analysing the latter proposition and we investigate the cues contributing to wine quality perception by consumers. Thus, our research questions are the following:

1. Is perceived-quality in wine reviews from Vivino determined by the wine price?
2. What are the other wine elements (intrinsic or extrinsic) affecting wine reviews and ratings?

To address the questions above, we compare multiple regression models to predict wine ratings, based on intrinsic and extrinsic variables. We employ a dataset comprised of about 16,000 observations acquired via web scraping in March 2021, comprised of six variables (wine ratings, prices, number of ratings, wine type, country and designation) and covering 19 countries and 865 production areas/designations. We set out a series of ordered logit regressions where the dependent variable - the average quality rating of wines - is regressed on several independent explanatory variables, and we select the most efficient model in terms of information criteria. Our contribution to the literature is that we use quality rating as the dependent variable instead of the more-often-used price. We do so with the intention to identify those cues that correlate more strongly with the definition of quality - as perceived by customers.

Our analysis found that the perception of wine quality - measured through users' ratings- appears to be strongly correlated to wine prices. In other words, a more costly wine, *ceteris paribus*, tends to be rated more favourably by consumers. We also tried to identify how other extrinsic and intrinsic wine variables affect quality perception on Vivino. We found that popularity - measured by the number of wine reviews received by a single wine - is positively correlated to wine quality reviews. A more popular wine tends to be graded higher on the five-star marking system of Vivino. At the same time, we analysed the effect that places of origin and wine designations (i.e. protected designation of origin and protected geographical designation) have on quality score. We found out that wine origin may influence the final score but its effect differs widely depending on the wine region.

References:

- Akerlof, G.A. (1970) 'The Market for "Lemons": Quality Uncertainty and the Market Mechanism', *The Quarterly Journal of Economics*, 84(3), p. 488. doi: 10.2307/1879431
- Castriota, S., Curzi, D. and Delmastro, M. (2013) 'Tasters' bias in wine guides' quality evaluations', *Applied Economics Letters*, 20(12), pp. 1174-1177. doi: 10.1080/13504851.2013.797552
- Hall, J. and Lockshin, L. (2000) 'Using Means-End Chains for Analysing Occasions - Not Buyers', *Australian Marketing Journal*, 8(1), pp. 45-54. doi: 10.1016/S1441-3582(00)70184-4
- Horowitz, I. and Lockshin, L. (2002) 'What Price Quality? An Investigation into the Prediction of Wine-quality Ratings', *Journal of Wine Research*, 13(1), pp. 7-22. doi: 10.1080/0957126022000004020
- Kim, S.H., Park, N. and Park, S.H. (2013) 'Exploring the Effects of Online Word of Mouth and Expert Reviews on Theatrical Movies' Box Office Success', *Journal of Media Economics*, 26(2), pp. 98-114. doi: 10.1080/08997764.2013.785551
- Reinstein, D.A. and Snyder, C.M. (2005) 'The influence of expert reviews on consumers demand for experience goods: a case study of movie critics', *Journal of Industrial Economics*, 53(1), pp. 27-51. doi: 10.1111/j.0022-1821.2005.00244.x
- Robertson, J., Ferreira, C. and Botha, E. (2018) 'The influence of product knowledge on the relative importance of extrinsic product attributes of wine', *Journal of Wine Research*, 29(3), pp. 159-176. doi: 10.1080/09571264.2018.1505605

Consent

I agree to the privacy policy.

You find the link to our privacy policy at the bottom of the page. In the privacy policy you find a link for exporting and/or erasing your personal data stored in our database.