

Tbilisi 2022 Abstract Submission

Title

How specific should CSR certifications on wine labels be? Insights from an online experiment

I want to submit an abstract for:

Conference Presentation

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Keywords

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Research Question

How specific should CSR certifications on wine labels be, industry-wise and regarding socially responsible behavior, to attract higher willingness to pay from French consumers?

Methods

We developed an online experiment and collected data from 518 French respondents to examine the effects of 6 different CSR labels on their WTP (contingent valuation) for a Bordeaux wine.

Results

There seems to be a higher willingness to pay of about 1.7euros for two certifications that are not industry-specific, and both concern all CSR aspects, not just the environment.

Abstract

In recent years we have witnessed a substantial increase in the volume of Corporate Social Responsibility (CSR) third-party certification labels in the wine industry. They can be focused on the environment, or on sustainability in general, including a social and economic component. They can also be specific to the wine industry, to agri-food, or be for general goods and services. According to signaling theory, two chief characteristics of efficacious signals are: signal observability and signal cost. The signal has to be visible to have strength. The higher the cost, the more credible, or valid, the signal is, and the more likely receivers are to attend to it. All in all, good signals are observable and costly to imitate (Connelly et al., 2011). Drawing on signaling theory, depending on the Third-Party Certification Label (TPCL) chosen, the observability and cost are metrics that can change. Today, the high cost of the organic certification gives it credibility. However, as more and more brands convert and adopt it, the signal might be losing in strength, and consumers will potentially look for other clues. Labels perceived as going further than the organic certification could be of interest for producers.

We developed an online experiment and collected data from a sample of French respondents to examine the effects of 6 different CSR labels on their willingness to pay (contingent valuation) for a Bordeaux red wine. Each respondent was assigned randomly to one of the 7 conditions. The final sample is formed by 518 French respondents with a distribution among experimental conditions that ranges from 13.51% to 15.64% (Table 1). The sample closely resembles the population of drinking-age in France. To analyze the effect of the CSR certification on the consumer's willingness to pay, we estimate a series of regressions where the declared willingness to pay is a function of the characteristics of the wine presented as well as of socio-demographic and wine-related characteristics and opinions of respondents. Given that Willingness to pay (WTP) is here a left-censored variable (respondents declare 0 euro if they are not willing to pay for the bottle of wine), we estimate a Tobit model. Our main results indicate the presence of a higher WTP of about 1.7 euros for B-Corp and Fair for life, two certification labels that are not industry-specific, and both concern all CSR aspects, not just the environment. The certifications Fair for life and B-Corp are not focused on the environment alone but shed light on the firm's practices regarding their social and societal ethics as well. Seeing that they get significantly higher willingness to pay, when the widely known and studied organic certification does not is intriguing. Therefore, our results first suggest that there could be a positive relationship between signals of socially responsible behavior, and consumers' willingness to pay. This would be in line with the current observations that transparency about ethical practices have a positive effect on consumers' trust and attitudes.

Another aspect to consider is that both Fair for life and B-Corp are not specific to the wine industry. These last few years, there has been a proliferation of wine-specific certifications, with some wine regions even launching their own initiatives. None of the industry-specific certifications got any significant results, even though neither are environmentally focused. This suggests that industry-specific initiatives could be in some cases less efficient at motivating higher willingness to pay from consumers. Several potential explanations can be envisioned for these results, among them we can consider consumers' trust in these appellations, their credibility, the perception of their small size, the independence of their certification. This could be the object of further research.

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