Lausanne 2024 Abstract Submission

Title
A Comparative Analysis of Consumer Wine Ratings for Veneto and Trentino-Alto Adige. Popularity or Geographical Indications: What makes the difference?

I want to submit an abstract for:
Conference Presentation

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Keywords
Wine; Consumer Ratings; Vivino; Geographical Indications; Italy

Research Question
Does the impact of GI labels and community effects on consumers wine ratings (i.e., perceived quality) depend on the region?

Methods
We apply quantile regression model over four price ranges for Veneto and Trentino-Alto Adige wines explaining the Vivino rating with the number of ratings, GI, vintage, and wine type.

Results
Community effects for Veneto wines seem consistent with the results for Trentino-Alto Adige while GI effects vary, possibly due to structural characteristics of the regional GI sector.

Abstract
The wine market often displays information asymmetries due to the vast differentiation and the nature of the product as an experiential good. However, consumers can use expert ratings, awards, or tasting notes to obtain additional information. (Ribeiro et al. 2020). Geographical Indications (GIs) are another tool to communicate the quality and unique characteristics of traditional agrifood specialties. GIs are now a globally recognizable quality signal which can contribute to sustainability and the circular economy, aligning with the objectives of the European
Green Deal.

There is agreement in the literature on the positive impact of expert ratings on the perceived quality, sales, and prices of wines (Oczkowski and Doucouliaios 2015, Schamel 2014, Schamel and Ros 2021). However, it has been argued that expert evaluations may not be reliable quality signals as they solely reflect the subjective opinion of one individual (Oczkowski and Pawsey 2019). In contrast, consumer ratings provide an alternative quality evaluation validated by a crowd, including price information, and tasting notes. Online apps like Vivino attract millions of users who can easily obtain information in any circumstance while consuming or purchasing wine. Thus, the higher the number of users who rated the wine, the greater its potential popularity among wine drinkers. Consumers can rate wines in 0.1 increments on a scale from 1 to 5 points. Recently, Bazen et al. (2023) claim that Vivino ratings have a greater impact than expert ratings on prices of premium French wines analyzing a restricted sample of wine having both a consumer and an expert rating.

In contrast to wine ratings, GIs act as umbrella brands signaling the distinct quality of a wine growing region, its local heritage and expertise. Italy has a long tradition with 529 registered GIs, 410 of them are under the stricter framework of Protected Designation of Origin (PDO) while Protected Geographical Indications (PGIs) represent a GI certification having a weaker link with the traditional area of origin, with less restrictive production requirements. Moreover, wine PDOs branch into Denominazione di Origine Controllata (DOC) and Denominazione di Origine Contrallata e Garantita (DOCG). DOCG has more restrictive rules than DOC. Many wine GIs concentrate in wine-dominated regions like Veneto (53), Piedmont (60) and Tuscany (58), while younger actors like Trentino-Alto Adige have only 13 different GIs (Ismea-Qualivita, 2024). Based on the literature, PDOs generally receive a greater price premium than PGIs (Deselnicu et al., 2013) as they ideally represent a greater quality level. Nevertheless, a GI-saturated market may reduce the perceived quality increase even for PDOs as they may become a minimum quality standard (Shapiro, 1983; Menapace and Moschini, 2012). Still, GIs might be an efficient quality signal for lower price segments where the cost of differentiation (e.g., at winery brand level) is too high. Moreover, stricter, and more uncommon PDO labels ad DOCGs may still be able to reflect a greater product quality compared to DOCs. Still, brands may be more important than GIs for expensive bottles (Costanigro et al., 2010).

A recent analysis of Vivino 2022 data for Trentino-Alto Adige shows that the perceived quality of a bottle (i.e., its average rating) is positively related to its popularity on the community, up to 26€ bottles. However, the PDO label (in this case, represented only by the large DOC Alto-Adige) does not reflect greater perceived quality compared to the PGI despite obtaining a price premium at lower price points (12.5€/bottle or lower) (Gastaldello et al., 2024). To date, the literature on wine consumer ratings is still scarce and focuses on either a single region (Gastaldello et al., 2024) or on a country (Bazen et al., 2023), while no study has yet undertaken a deeper comparative analysis of regions having different structural characteristics in terms of wine production.

This study aims to fill this gap deepening the understanding of community effects and their interaction with other quality signals as GIs on wine perceived quality. Specifically, we use 2023 data to run an analysis of Vivino ratings as in Gastaldello et al. (2024) comparing Trentino-Alto Adige (n=2428) and Veneto (n=2085). We will further use structural information of the wine and GI sector of the two regions retrieved from ISTAT and ISMEA (e.g., number of GI operators by type, % of GI vineyard, % of vine ha/land area used for arable agriculture) to offer additional insights on the results. Methodologically, we divide each regional sample into four subgroups reflecting different price ranges and run separate linear regressions using average bottle rating as the dependent variable. Preliminary, we specify the model including the following independent variables: logarithm of the number of ratings received by the wine (i.e., its popularity on Vivino), dummy variables for DOC and DOCG labels, vintage controls, and wine type (red, white, and sparkling). Robust estimates are used to handle heteroscedasticity.

Consistent with Gastaldello et al. (2024), preliminary results for Veneto reveal that a wine’s popularity positively affects average ratings up to 18€/bottle becoming insignificant for more expensive bottles. Instead, results for GI labels differ remarkably: DOCs record significantly lower average ratings than IGTs at all price points, while DOCGs show a positive effect between 11.5€ and 37.9€ per bottle (i.e., in the two middle price ranges). Additionally, regional sparkling wine seems to record lower average ratings compared to whites, while reds record a greater perceived quality in the two middle price ranges. Findings will provide useful insights on the dynamics of wine perceived quality when expressed by consumer ratings, as well as the effectiveness of GI labels in concretely delivering greater quality considering the regional structure of the sector. They will contribute to guiding practitioners and policymakers in optimizing the use of regional and individual brands in the wine industry.

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A Comparative Analysis of Consumer Wine Ratings for Veneto and Trentino-Alto Adige. Popularity or Geographical Indications: What makes the difference?

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**Keywords:** wine; consumer ratings; Vivino; Geographical Indications; Italy

**Research questions:** Does the impact of GI labels and community effects on consumers’ wine ratings (i.e., perceived quality) depend on the region?

**Methods:** We apply quantile regression model over four price ranges for Veneto and Trentino-Alto Adige wines explaining the Vivino rating with the number of ratings, GI, vintage, and wine type.

**Results:** Community effects for Veneto wines seem consistent with past results for Trentino-Alto Adige while GI effects vary, possibly due to structural characteristics of the regional GI sector.

**Abstract**

The wine market often displays information asymmetries due to the vast differentiation and the nature of the product as an experiential good. However, consumers can use expert ratings, awards, or tasting notes to obtain additional information. (Ribeiro et al. 2020). Geographical Indications (GIs) are another tool to communicate the quality and unique characteristics of traditional agrifood specialties. GIs are now a globally recognizable quality signal which can contribute to sustainability and the circular economy, aligning with the objectives of the European Green Deal.¹

There is agreement in the literature on the positive impact of expert ratings on the perceived quality, sales, and prices of wines (Oczkowski and Doucouliagos 2015, Schamel 2014, Schamel and Ros 2021). However, it has been argued that expert evaluations may not be reliable quality signals as they solely reflect the subjective opinion of one individual (Oczkowski and Pawsey 2019). In contrast, consumer ratings provide an alternative quality evaluation validated by a crowd, including price information, and tasting notes. Online apps like Vivino attract millions of users who can easily obtain information in any circumstance while consuming or purchasing wine. Thus, the higher the number of users who rated the wine, the greater its potential popularity among wine drinkers. Consumers can rate wines in 0.1 increments on a scale from 1 to 5 points. Recently, Bazen et al. (2023) claim that Vivino ratings have a greater impact than expert ratings on prices of premium French wines analyzing a restricted sample of wine having both a consumer and an expert rating.

In contrast to wine ratings, GIs act as umbrella brands signaling the distinct quality of a wine growing region, its local heritage and expertise. Italy has a long tradition with 529 registered GIs, 410 of them are under the stricter framework of Protected Designation of Origin (PDO)\textsuperscript{2} while Protected Geographical Indications (PGIs) represent a GI certification having a weaker link with the traditional area of origin, with less restrictive production requirements. Moreover, wine PDOs branch into Denominazione diOrigine Controllata (DOC) and Denominazione diOrigine Controllata e Garantita (DOCG). DOCG has more restrictive rules than DOC. Many wine GIs concentrate in wine-dominated regions like Veneto (53), Piedmont (60) and Tuscany (58), while younger actors like Trentino-Alto Adige have only 13 different GIs (Ismea-Qualivita, 2024). Based on the literature, PDOs generally receive a greater price premium than PGIs (Deselnicu et al., 2013) as they ideally represent a greater quality level. Nevertheless, a GI-saturated market may reduce the perceived quality increase even for PDOs as they may become a minimum quality standard (Shapiro, 1983; Menapace and Moschini, 2012). Still, GIs might be an efficient quality signal for lower price segments where the cost of differentiation (e.g., at winery brand level) is too high. Moreover, stricter, and more uncommon PDO labels ad DOCGs may still be able to reflect a greater product quality compared to DOCs. Still, brands may be more important than GIs for expensive bottles (Costanigro et al., 2010).

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\textsuperscript{2} Fondazione Qualivita, 2024. https://www.qualivita.it/osservatorio/osservatorio-ita/
\textsuperscript{3} ISTAT is the Italian National Institute of Statistics
\textsuperscript{4} ISMEA is the Italian Institute of Agricultural Food Market Services
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**References**


