



Factors of collective reputation of the Italian PDO wines: An analysis on central Italy

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Abstract

As many research studies confirm, the importance of collective reputation is increasing, especially in the agro-food chain. Currently, the reputation of firms and brands is the main key driver for companies' competitiveness and success in modern markets.

This paper empirically investigates the determinants of reputation of PDO wines in Central Italy. In particular, it uses the qualitative assessment expressed by the National Association of Sommeliers and proposes a synthetic indicator of reputation. By using different statistical sources, we also evaluate the impact of some variables on the reputation levels of individual PDO areas. We looked at the structural characteristics of the designation (number of producers, age of the designation, etc.), the minimum quality standards, and the characteristics of the economic vitality of the territories. The study aims to contribute to the debate on the role of the quality proposed by firms and reputation built over time.

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1. Introduction

Value proposition is essential to the firm's competitiveness and success (Lindgreen and Wynstra, 2005; Porter and Kramer, 2011). Within the food market, value is traditionally interpreted in terms of nutritional value or value for money. However, some marketing research has repeatedly questioned the consistency of the product attribute to the consumers' perception of “value” (Gallarza et al., 2011; Sanchez-Fernandez and Iniesta-Bonillo, 2007).

Studying value is of great interest because it has a direct bearing on the management of companies and on agro-food

policies. In fact, research projects have sought to identify and manage the drivers of food value over time. All drivers are interrelated and contribute to the value proposition of the company – or companies – involved in the system of the product (supply chains, forms of association, etc.).

Moreover, value is central to food marketing because it analyse the value perceived by consumers and it finds systems to generate and offers value to customers (Albrecht, 1992; Anderson, 1982; Lindgreen and Wynstra, 2005; Anderson and Narus, 1999; Woodruff, 1997; Doyle, 2000).

According to Lindgreen et al. (2012), the literature on value is huge and, despite recent attempts to better understand and unambiguously define this concept, academics and practitioners still disagree on the real meaning of “value” (Anderson and Narus, 1998).

The literature on value shows that there are currently two, more or less distinct, research streams, one focusing on the value of the object of exchange (goods and services), and one focusing on the value of the process of exchange (the relationships, networks, and interactions the company is embedded in).

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In particular, FCV (Food Consumption Value) is consumer-centred (Dagevos and Ophem, 2013) and it incorporates physical product characteristics, emotional associations evoked by the food brand, the site or moment of food consumption, and consumer ethical concerns about certain production practices in the food system.

This study aims to give value to the food consumption research by empirically analysing the “collective reputation” of quality wines. This reputation helped change the intangible value of wines and is influenced by many factors: the structure and behaviour of firms in the PDO area, their strategy to enhance quality, the social and economic characteristics of the territories, etc.

This paper proceeds as follows. In Sections 2 and 3, we introduce the concept of reputation and we elaborate on the theoretical elements used to develop our hypotheses. Section 4 describes the dataset and gives some descriptive statistics. Empirical results are discussed in Section 5, and conclusions are drawn in Section 6.

2. Drivers of collective wine reputation

The theoretical debate on reputation is wide ranging, but the mechanisms used to build reputation have not been fully explored from an empirical viewpoint (Castriota and Delmastro, 2010). According to international literature, collective reputation can be considered a multivariable phenomenon, resulting from the interaction of complex dynamics defined by managing some variables in space and in time (Castriota and Delmastro, 2010).

The literature on collective reputation is still in its infancy. So far, theoretical research has focused on modelling the collective reputation building process, while the empirical model has measured the consequences of positive group reputation on customers' willingness to pay by using the hedonic price models (e.g. Landon and Smith, 1998). Despite a number of valuable theoretical works that study the collective reputation building process, there is still no study testing group reputation determinants, due to data limitation (Castriota and Delmastro, 2009).

In their study, Gergaud and Livat (2004) propose an empirical strategy to assess both umbrella-brand¹ impacts (the impact of collective reputation on a given individual reputation) and contributions to the umbrella (its contrary). Empirically, the notion of collective reputation has received less attention. Erdem (1998) finds that “consumers of oral-hygiene products expect the quality levels of umbrella branded products to be highly correlated”. Sullivan (1990) provides empirical evidence for the existence of positive and negative image spillovers between the demand for products sold under the same brand name in the case of automobiles.

Jarrell and Peltzman (1985) assess the effect of a product recall on the demand for this product and on the demand for its substitutes in the case of drugs and cars. The responsible

producer bears losses greater than the strict recall costs because of a loss of goodwill, and those losses spill over to competitors. Due to a negative externality, any favourable effect of a recall on the demand for substitutes is swamped by a more general negative effect on the industry. Borenstein and Zimmerman (1988) examine a similar effect in the case of airlines. They find that a decrease in demand resulting from a specific crash affects the airline involved as well as competing airlines.

Reputation is a basic resource of typical production and an essential element in value creation process, since a good reputation allows producers to predict, and expect, future (positive) incomes (Belletti, 2002). When a firm has a good reputation, it attracts customers, which often leads to higher prices and larger profit margins, while the good reputation of an individual may result in better careers (see Levin, 2001; Tadelis, 2002, 2003).

The literature also presents reputation as a mechanism to provide incentives to agents in order to exert greater efforts (Mailath and Samuelson, 2002; Tadelis, 2002), if they can reap the benefits in the future.

Studies have shown that there is “brand confusion” in the wine sector. Several mistakes are made during the consumer inference process which unconsciously lead him/her to an inaccurate assessment of the attributes or benefits of lesser-known products, since assessments are based on attributes or performances of the most popular products (Faraoni, 2005). This can occur even if the consumer links the corporate brand to the product brand, or vice versa (Foxman et al., 1992). Therefore, this confusion can give rise to a distortion of the results of studies performed on various types of wine, one of the causes being the informational asymmetry (Akerlof, 1970) affecting the wine sector. On the other hand, the consumer daily objective is to save time, so he/she takes into account the brand and territory reputation to verify the quality of the products to purchase (Andersson, 2002). If properly exploited, the relationship between the brand and the territory may provide companies an opportunity to obtain a solid competitive advantage and it may turn into a distinguishing factor for the brand as well. Companies may take this into consideration at different levels and use it in the brand identity building process (Agrawal and Kamakura, 1999). In a recent study on Italian consumers' preferences regarding dealcoholised wine information and price, Stasi et al. (2014) underline that common results confirm that origin, vintner, vintage, and brand reputation significantly affect consumers' preferences and their perception of the product.

A single producer of a PDO² wine can enjoy reputation benefits thanks to the consumer past purchases, even if other firms of the same PDO produce that wine. Hence, reputation

¹Umbrella branding is one of the terms used to describe the common practice of selling several products under the same brand name (Miklós-Thal, 2012).

²Wines with a Protected Designation of Origin (PDO wines) in the EU are wines produced in a delimited area following specified production rules reported in an official document called product specification (Reg. 1308/2013) and presented with the name of the producing area (Designation of Origin) which is protected by law. According to the Italian regulation PDO wines are presented on the market as wines with Denominazione di Origine Controllata (DOC wines) or Denominazione di Origine Controllata e Garantita (DOCG

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