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Would you pay a price premium for a sustainable wine? The voice of the Spanish consumer

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Abstract

Sustainability has become one of the most important challenges for wineries over the last decade. From a marketing point of view sustainability can be considered as a way to differentiate wines to meet some market segment demands. Furthermore, this strategy can be also considered necessary to guarantee the future development of the wine sector. Given that some wineries have stated that production costs are higher for sustainable wines than for conventional wines, the goal of this paper is to analyze the premium price that consumers are willing to pay for a sustainable wine with respect to the price of a conventional wine with similar characteristics. Contingent valuation has been used to test the differences in the willingness to pay for sustainable wines among the main Spanish wine market segments. Results reveal that most Spanish consumers are willing to pay a higher price for sustainable wines, and that there are differences among the main market segments.

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1. Introduction

In the last few decades wine producers all over the world have implemented environmental, social and economic aspects of sustainability at various stages in their business behavior (Forbes and De Silva, 2012). One of the main reasons for this growing interest in sustainability in the wine industry is that consumers are changing their behavior to integrate sustainable and environmental considerations into their lifestyle choices (Smith and Marsen, 2004). In this sense, some consumers' purchasing decisions are based not only upon how well products satisfy their needs but

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also how these products affect society at large. Thus, more and more wineries have claimed socially or environmentally friendly orientations when producing and marketing wines, integrating sustainability into their communication strategy in an effort to reinforce their brand and market positioning. According to Nowak and Washburn (2002), product differentiation, competitive advantage and increased sales could be achieved by wineries through the adoption of these practices.

Several authors have analyzed the impact of these production practices on wine consumers. Most of these studies are focused on the environmental aspects of the production process (e.g. Barber et al., 2009; Barber, 2010; Bazoche et al., 2008) or deal with organic wines (e.g. Brugarolas et al., 2005; Delmas and Grant, 2014; Mann et al., 2012). Only a limited number of studies consider the three essential pillars of sustainability (environmental, social and economic aspects) as a whole (e.g. Zucca et al., 2009; Forbes et al., 2009).

Regarding the production of sustainable wines, two important considerations arise: firstly, the willingness of consumers to pay for these wines and, secondly, the way wineries signal their sustainable commitment. One of the main problems of sustainable wines is their higher production costs, which can lead to their prices being between 25 and 30% above the costs of similar “conventional” wines. This price premium could be justified by the higher utility that these products have for consumers who perceive them as having a higher quality, being healthier and environmentally friendly (Brugarolas et al., 2005). Wineries also have to take into account that sustainable products are credence goods, in the sense that consumers cannot ascertain their sustainable qualities during purchase or consumption (Crespi and Maret, 2005). As consumers are not present during the production process of the wine they cannot assess the sustainable friendliness of production. Therefore, extrinsic cues (such as labeling) are used to reduce the information asymmetry that exists between wineries that produce these wines and consumers, providing credible information related to the sustainable credentials of the product (Leire and Thidell, 2005).

Thus, the goal of this paper is to analyze the willingness to pay (WTP) a price premium for a sustainable wine in the Spanish market. Furthermore, this paper analyzes the WTP of the different market segments.

2. Theoretical background

Over the last decade, the concept of sustainability has created great interest in the wine industry (Remaud et al., 2008). As wineries are increasingly competing in the area of product differentiation, several wineries have integrated sustainability into their production in an attempt to respond to consumer demand. However, in spite of its popularity, Szolnoki (2013) demonstrates that it is still very difficult to define the term sustainability. One of the main reasons that could explain this lack of consensus is that in the wine industry each country and even each winery has a different understanding of sustainability. Even today, the term is mainly (or only) associated with the environmental aspects of wine production, neglecting other important issues.

The most accepted concept of sustainability defines it through the three overlapping principles of environmentally sound, economically feasible and socially equitable production. Generally speaking, sustainable winegrowing comprises growing and winemaking practices that are sensitive to the environment (environmentally sound), responsive to the needs and interests of society at large (socially equitable) and economically feasible to implement and maintain (economically feasible).

One of the conditions for effective sustainable management practices is that customers are willing to pay a price premium to defray the higher cost of these practices, especially those related with the environment. This is particularly important for organic products, as many wineries claim that the costs of producing these wines are higher than those of producing a “conventional” similar wine.

From an academic point of view, some authors have tried to forecast the number of wine consumers willing to buy sustainable wines, and especially to forecast the willingness to pay for a sustainable wine. However, only a few studies consider the three essential pillars of sustainability as a whole (e.g. Zucca et al., 2009; Forbes et al., 2009), while most of them deal with environmental friendly wines (e.g. Brugarolas et al., 2005; Delmas and Grant, 2014; Mann et al., 2012; Barber et al., 2009; Barber, 2010; Bazoche et al., 2008). Furthermore, consumers appear to have mixed opinions about sustainability as the circumstances under which these strategies can command price premiums are not fully understood. On the one hand, several authors state that consumers will not be willing to trade off the

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