

# Is it ... country of origin? Closure type? Label style?

Just what does it take to convey quality to wine buyers? An international 'wine store' experiment looks at how consumers select their preferred wine styles at point of sale.

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## Introduction

Research has established the power of extrinsic wine 'cues' on consumers' evaluation of quality and their willingness to pay a price premium. This international study investigated the influence of a realistic combination of five extrinsic cues and one intrinsic cue on consumer expectations of wine price and quality via an experimental design. Alternative wines were presented in a simulated wine store display in five countries. Results show that extrinsic cues tested consistently influenced consumer opinions more so than the intrinsic cue tested. Specifically, awards, traditional style labels and Old World origins are all likely to induce higher quality ratings and price premiums, both locally and internationally.

Consumers form opinions of product quality (pre-purchase and post-purchase), through their evaluation of both intrinsic and extrinsic cues (Bredahl 2003). An intrinsic cue is any product attribute inherent to the product itself, such as the alcohol level in wine or the engine capacity of a car. In contrast, extrinsic cues can be altered without changing the objective quality. While intrinsic cues should be more powerful than extrinsic in swaying consumer opinions, because they actually change it in a measurable and objective way, consumers often misjudge these attributes prior to purchase. They may even misjudge them in terms of their effects on quality post-purchase (Alba 2000; Kardes, Kim and Lim, 2001).

The role of extrinsic cues in shaping wine buyers' perceptions of quality is particularly important for Australian winemakers who rely on international sales across a wide and diverse range of geographical markets. Competition from other New World wine producers such as Chile, Argentina and South Africa makes achieving sales and profit targets ever more challenging, even in more established markets. In order to avoid wasting considerable resources championing wine attributes that are poorly understood or considered unimportant by potential buyers (Alba and

Hutchinson 2000; Park, Mothersbaugh and Feick 1994), wine marketers need to understand those cues that really impact quality and price expectations.

Extensive research conducted in Australia and internationally suggests that consumers are able to, basically, discriminate 'good' from 'bad' wines. Indeed, they often cite 'taste' and 'variety' as the important attributes influencing their assessment of wine quality and subsequent purchase decisions. However, research has also established that many extrinsic factors can actually be more influential (Veale 2008; Veale and Quester 2009a, 2009b; Verdu-Jover *et al.* 2004). Specifically, Australian research has demonstrated that taste rated a poor third (behind country or origin and price) in determining consumers' quality ratings (Veale and Quester 2009b) in a comprehensive sensory experiment. This is perhaps not so surprising, given many empirical studies demonstrate the overwhelming impact of extrinsic cues on consumers' taste evaluations, across a wide variety of other food products, such as beef, orange juice, and breakfast bars (Aaron, Mela and Evans 1994; Becker 2000; Bredahl 2003; Grunert 1997; Pechmann and Ratneshwar 1992).

Specific to wine, research reveals that the following extrinsic attributes can be expected to significantly influence consumer evaluations of wine quality: country of origin, where Old World producers such as France and Italy are generally believed to produce better quality wines as compared to New World sources (Veale and Quester 2009b); shelf position (horizontality and verticality), where (generally) positions that are

'central', 'higher rather than lower' and 'right rather than left' have been found to generate higher sales (Valenzuela and Raghubir 2009); awards, where wines receiving prizes are likely to be more highly regarded by consumers (Orth and Krska 2002); label style, where design and personality have been found to be influential (Boudreaux and Palmer 2007) and bottle closure, where the traditional cork closure is associated with better quality in many markets (Orth and Krska 2002). Hence, these extrinsic attributes, at levels replicating those found in wine products commercially, were deemed



Respondent in Beijing pricing wine bottles.

Table 1. Summary of attributes and levels tested.

Attribute	Levels
Country of origin	France, New Zealand (Aust), Chile
Closure type	Cork, screw cap
Award	Gold medal winner, no medal
Label style	Traditional (European heritage style), modern classic, cartoon/fun
Shelf position	Top (left, middle, right), middle (left, middle, right), bottom (left, middle, right)
Variety	Cabernet Sauvignon, Merlot, Shiraz
Held constant	Year (2007), alcohol level, etc.

appropriate for testing. Grape variety was chosen as the one intrinsic cue included in the study as it has been found in previous research to be a significant factor in wine evaluation and choice (Orth and Krska 2002; Verdu-Jover *et al.* 2004).

Much of the past research in this area has used a limited number of product cues (and levels within each) and relied on virtual presentations, pictures or descriptions of various product offers. This study differs significantly because the conjoint analysis fractional factorial experimental design enabled respondents to see actual physical representations of 'real' wine bottles. The selected cues were therefore displayed at commercially realistic levels with subsequent analysis enabling the quantification of the most desired (and least desired) level for each attribute (Hair, Anderson, Tatham and Black 1995) and the relative importance overall of the attribute to the assessment.

Through this analysis, the combined influence of a taste-oriented intrinsic cue (grape variety) with that of the extrinsic cues was explored. As is typical in a retail wine store environment or supermarket, the respondents were not given the chance to actually taste any of the wines presented; forcing consumers to use the cues provided to form a quality and price determination in relation to the wines they assessed. Country of origin and label style, for example, are expected to exert substantial influence on wine perceptions. However, their influences may be tempered by the presence or absence of an award or shelf position, or differences in varietal preference. To the authors' knowledge, such a comprehensive range of realistic cues has never been tested simultaneously, across numerous international locations. In this research, duplicate experiments were conducted in Australia (Adelaide), Singapore, Germany (Kiel), the US (New York) and China (Beijing). The overall sample size was 653 respondents, with each country comparably represented.

When using full profile conjoint

analysis, 'quality' or expectation of 'price' is derived from respondent judgment of intrinsic and extrinsic cues as measured by the rating or price given to each bottle of wine assessed. The outcome is a set of additive part-worth 'utilities' derived from the quality scores that are basically index numbers, corresponding to regression coefficients, measuring how valuable or desirable a particular product feature is to the respondent (Dean 2004). The ordinary least squares regression (OLS) approach to ratings-based conjoint analysis is commonly used for this analysis as it offers a straightforward, yet robust, method of deriving the different utility values for each respondent (Hair, Anderson and Tatham 1987). The most meaningful way to interpret the resulting utilities is to analyse the 'gaps' between utility levels within each attribute (Hair, *et al.* 1995). A high range value (gap) indicates that the participants believe that change within that particular feature has significant impact on their overall assessment of that offer. In other words, attributes with greater ranges are those used most by respondents to differentiate between profiles and have higher levels of relative overall importance in their determination of the given quality rating (Hair, *et al.* 1995). In summary, attribute 'average importance' values reveal the comparative importance (in percentage terms) of each attribute to respondents' rating of quality and utility values show which attribute levels are preferred and which respondents seek to avoid (Hair, *et al.* 1995; Kupiec and Revell 2001).

## Results

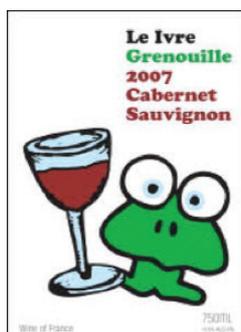
Although as expected, results showed variations across the markets explored, results were surprisingly consistent. In all the countries explored, extrinsic cues consistently exerted approximately equal or substantially more influence on consumers' quality and price perceptions than variety. Importantly the link between price and quality was once again confirmed, but with some



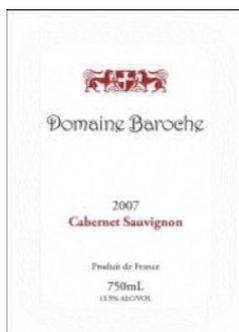
Example of Quality Ratings (1 = lowest, 9 = Highest) and choices for 'P'arty, 'H'ome and 'G'ift

interesting twists. For example, country of origin was found to be a critical aspect to quality and price perceptions for all; however, while the Chinese, Americans and Singaporeans perceived the quality and the price to both be driven by a source location, the Germans, being Old World citizens saw price to be a little inflated as compared to quality expectations. However, all perceived the French wine to be substantially better and worth more than the New World alternatives. As expected, awarded wines and those with cork closures also enjoyed a slight halo for quality and price; although there were more significant differences in impressions across countries. For example, as expected, this made less difference to Australians than to other buyers such as the Chinese and the Americans. Preferences for variety were a little mixed also, but overall Cabernet Sauvignon was more desirable compared with Shiraz or Merlot. However, by far the most powerful influences to both price and quality, in every location, were label style and shelf position.

Generally any type of colourful/fun/cartoonish label was associated with wines that are low quality and cheap; even a cork closure and French origin could not overcome this. Whereas, a traditional Old World type label seemed to signal higher quality and an associated price premium irrespective of location award or closure type, for example. In the case of shelf position, it was found the higher shelf and right hand positions were not the most positive with utility levels suggesting that the highest indexes were seen on the left and top shelf positions weren't necessarily better than



Example of 'Cartoon/Fun' Label Style.



Example of strongly favoured 'Classic Label Style'.



Example of prices given (RMB) by Chinese respondent.

the lowest. While it may be premature to conjecture without due replication, these results show the importance of understanding local consumer biases.

While labels are controllable, the shelf position is unlikely to be, particularly in international markets. Hence, the importance of a synergistic combination of controllable extrinsic cues respective to packaging decisions cannot be underestimated. This short summary represents a few insights into what was an extremely comprehensive study incorporating assessment of respondent knowledge and wine involvement and a number of other potentially important moderating variables. But, even these few insights demonstrate that while each market has its own distinct consumer profiles, some beliefs are apparently generalisable in nature and strongly held, irrespective of geographical location and cultural variations. While packaging has always been understood to be important, this research has allowed the

quantification of the importance of such things as label style, when consumers are considering a relatively wide range of other credible wine product extrinsic attributes. Additionally, it shows the considerable opportunities that potentially exist for making sure the combination of attributes presented to wine buyers is as complementary as possible.

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