



## **Willingness to Pay for Appellation of Origin: Results of an Experiment in France and Germany**

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### **Abstract :**

International competition in the wine sector is a widely discussed subject among economists who are in charge of analysing the agricultural sector and regional development. The increasing number of competitors from the "New World" countries leads to the development of new marketing strategies in the wine sector. In this context, the study of consumers' expectations is a priority to ensure adequacy between supply and demand.

The classic opposition between Appellations of Origin and pure brand-named wines, is often perceived as a confrontation between, on the one hand, a worthy collective system based on a common investment on quality and on the other hand, a commercial system characteristic of industrial economy.

This paper is an attempt to estimate the differences in willingness to pay between these two kinds of wines (appellation of origin with collective reputation and private brand). A related issue is to investigate the influence on this difference of the country where the wines are evaluated.

We have set up an experimental study in France and Germany, focusing on consumers' valuation of four wines: (1) Pinot Pays d'Oc, (2) Burgundy Appellation of Origin, (3) Gallo's Pinot Noir and (4) Burgundy Appellation Passe-tout-Grains. Following Combris, Lange, Issanchou (2004), we used a Becker, De Groot, Marshak procedure in which participants evaluated these four wines in three different conditions. The four wines were first evaluated after blind tasting, then after examination of the bottle with no tasting, and finally after examination of the bottle and tasting. After the evaluation of each wine, participants were asked to submit a written bid. To avoid endowment effects and strategic behaviors, participants were informed that only one situation (that is one wine in one information condition) would be randomly selected and become an effective sale.

A total of 119 participants (60 in Paris and 59 in Munich) completed the whole valuation task. The analysis of the prices brings significant results on the respective influences of sensory characteristics and label information on the willingness to pay for each wine, according to country of origin and other consumers' characteristics. Intra-individual differences in reservation prices show that consumers have strong preferences. They also reveal a lot of heterogeneity between participants and explain why horizontal differentiation prevails for the wines that have been tested in this experiment.

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