



Willingness to pay for Appellation of Origin in the world chardonnay's war : an experimental study.

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Abstract : International competition in the wine sector is one of the most widely discussed subjects among economists who are in charge of analysing the agricultural sector and regional development. The growth of exports from the so called "New World" countries (Australia, South Africa, Chile, Argentina, United States) questions rural concepts of wine-growing economy and makes it necessary to review consumers' expectations, the whole economic organisation and marketing strategies that are essential in the economic activity.

However, if things are more closely examined, wine economy is symptomatic of a vision of market economy where the benefits of the economic activity, in terms of employment, regional planning, environment externalities, etc. are at the heart of the concerns of sustainable development. Therefore the classic opposition between Appellations of Origin and pure brand-named wines, is often perceived by the general public as a confrontation between, on the one hand, a worthy system which guarantees positive externalities and on the other hand, a commercial system characteristic of industrial economy and which would have as a sole objective the advancement of the private interests of the firm.

It could be stated that the Appellations of Origin system has enriched wine growing and has worldwide economic results almost unequalled in agriculture. Nevertheless, the European market shares on strategic markets as that of the United Kingdom or North America are relatively large. It is therefore necessary to measure the reaction of consumers to the appellations of origin and to evaluate the real willingness to pay for this kind of wines.

This paper investigates this topic, taking the example of the world chardonnay's war. Indeed, this variety is one of the most important of white wine in the world (more than 150 000ha). This variety is both used in the most famous Appellations of Origin (like Burgundy and Champagne) and in the most known international private brands (like Gallo, Jakob's Creek). In aim to estimate the differences of willingness to pay for these two kinds of wines, we have set-up the following experimental study.

We focus on consumers' valuation of chardonnay wines with three signals of quality: 1) Chardonnay "Pays d'OC", 2) Burgundy Appellation of Origin, 3) Gallo's brand of chardonnay. Following Combris, Lange, Issanchou (2004), we use a BDM procedure in which participants evaluate these three wines in three different conditions. The three 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 chardonnay, participants were asked to submit a written bid. To avoid endowment effects and strategic behaviors, participants were informed that only two situations (that is two wines in two information conditions) would be randomly selected and become effective.

We then show : 1) Willingness to pay for Burgundy is greater in all the experimental situations, but much less in the blind tasting.

2) Appellation of Origin is greatly valorised in the visual situation by a French panel, and the Gallo's wine is significantly underestimated. Willingness to pay for burgundy is quite different between the three experimental situations. The trade-off between label and taste goes in favour of the label.

3) There does not exist an explicit hierarchy between wines (heterogeneity of tastes and no vertical differentiation)

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