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What Makes a Good Label? The Effect of Wine Label Design on Product Evaluation and Purchasing Behaviour

A thesis presented in partial fulfilment of
the requirements for the degree of

Doctor of Philosophy
in
Marketing

at Massey University, Albany
New Zealand

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2018

ABSTRACT

Companies spend billions annually on packaging and labelling, yet little is known about how and why specific features of package design influence consumer responses. This thesis identifies, across two projects, what wine label elements or themes should be used, where and when.

First, while the use of fantasy themes is increasing across product categories, it is unclear how consumers react to fantasy labels. Across five studies, the results unite seemingly contradicting theories predicting the effects of fantasy labels on product evaluation and purchasing behaviour by uncovering an important boundary condition: product quality signal, in line with the principle of hedonic dominance. The results suggest that for low quality products, fantasy labels backfire (consistent with research on metacognition). For products average in quality, fantasy and non-fantasy labels do not differ in their performance. Yet, in the presence of a high quality signal, fantasy labels impact product evaluation and purchasing behaviour positively. This positive effect is sequentially driven by the evocation of the imaginary and affect, in line with research on mental simulation.

Second, it is unclear to what extent elements of wine label design affect sales relative to other marketing mix effects. Specifically, we use wine transactional data for 127 SKUs across two liquor stores in New Zealand, covering 105 weeks. The findings suggest that some specific label elements have strong effects on sales. Specifically, extra text, as a quality cue, has the strongest positive effect. Overall, after price, the combination of image(s) and extra text has the strongest (negative) effect on sales. In line with research on processing fluency, this research also shows whether and when to use simple versus complex elements (typeface, label structure, mode of information). This thesis has important implications for wine companies and retailers.

ACKNOWLEDGEMENTS

This Ph.D. thesis is dedicated to my uncle and godfather Denys Massoubas who sadly left our world when I started this journey. Still, from where you are now, you have provided me strength to pursue and write this Ph.D. thesis.

I am very grateful to my primary supervisor Professor Valentyna Melnyk, who has guided me and provided great support throughout my Ph.D. journey. Valentyna, I have been very lucky to have you as my supervisor and I learnt from you not only a great deal of knowledge, but also an academic way of thinking. I also learnt during this journey there is always a solution and it is just a matter of finding it! This state of mind will definitively be helpful in my future career. I would also like to thank my secondary supervisor Dr Andrew Murphy, who assisted and guided me when I needed during the Ph.D. process, and has been specifically involved in the second research project. Andrew, I have appreciated our discussions about the interesting world of retailing. A Ph.D. is not a smooth process and I really thank you both for your patience and encouragements along this four-year journey.

I would like to thank Professor Jan Landwehr (Goethe-University Frankfurt, Germany) who helped me a lot during my four years of Ph.D. and went beyond his ‘co-author’ role in contributing to enlarge my knowledge about consumer behaviour and statistics. Specifically, Jan has been involved in the first research project on fantasy. Jan, I am also indebted to you for the kindness and the patience you had to show me how to use the SPSS syntax commands – it has changed my life! I feel very privileged to have you as a co-author. Special thanks also go to Research Professor Harald Van Heerde who kindly offered me to attend his classes and took time to explain about the intriguing world of

econometrics and modelling. Harald also provided very interesting comments on my research at the very early stage of the Ph.D.

Special thanks go to my colleague and friend Dr Sarah Dodds, who has been such a great support to help me managing my frustrations and stress during the whole Ph.D. journey. Sarah, your positivity and endless sympathy have greatly contributed to build confidence in myself. Many thanks go to all the current (and former) Ph.D. students at Massey University, particularly Alan, Noke, Vincent and Yasmine, for their friendship and support. The Ph.D. process is a challenging and demanding journey but these friendships emphasise the fact we are not alone and do support each other.

A big thank you goes to the academic and professional staff at the School of Communication, Journalism and Marketing and at the Massey Business school for the warm welcome I received when I arrived at Massey University four years ago. Since then you all have been very encouraging, particularly Dr Nitha Palakshappa and Professor Jonathan Elms, and also very comprehensive about my strong French accent – which I have NOT lost! Also, I would like to acknowledge Liz Eckhoff for her amazing support and precious help in this journey. Liz always cares about the Ph.D. students and makes sure we are in the best conditions to succeed in our studies. I am also grateful for the tutoring and lecturing opportunities that the Associate Heads of School, Dr Andrew Chrystall and previously Dr Sandy Bulmer gave me. These experiences have confirmed my passion for teaching and sharing my humble knowledge with students.

I am very grateful to the two store managers who made their data available and were very helpful by taking time to answer my (numerous!) questions and by giving additional information. I also thank them for their involvement in one of the field studies. In addition, I would like to thank all people who participated in my research studies.

I finally would like to thank the very important people in my life, my family and my friends back home as well as the very good friends I made in New Zealand. Many thanks go to my childhood friend Rémi and his lovely wife Ingrid for their support until the very end of the journey. I am also very grateful to my parents and brothers, Marie-Ange, Jean-Claude, Ludovic and Grégory Jaud for their precious support, even if we are nearly 19,000 kilometres apart! The four of you have always believed in my abilities to succeed in my professional life. I am proud to be respectively your son and your brother. Now, it comes to a very special person, my partner Céline Lapeyronie. Your role in this journey can be summarised in one sentence: ‘without you, doing (and surviving) a Ph.D. would have not been possible’. The journey of a Ph.D. is emotionally comparable to a rollercoaster with ups and downs (a lot of downs!), yet you have been very supportive and stood by my side all the way through. You have always listened attentively and found the words to encourage me when I needed it. Thank you for being in my life.

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State of Current Outputs from the Thesis

Jaud, D. A., Melnyk, V., & Landwehr, J.R. (2017). Fantastic beasts and when to present them? The effect of fantasy labels on product evaluation and purchase behavior. *Journal of Consumer Psychology*: revise and resubmit.

Jaud, D. A., Melnyk, V., & Landwehr, J.R. (2016). Dragon wine: Effects of fantasy themes on food label processing and marketing outcomes, in: *Proceedings of the 45th Annual Conference of the European Marketing Academy (EMAC)*, Oslo, Norway.

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