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The Impact of Different Informational Messages on Wine Tourists' Willingness to Pay: A Non-hypothetical Experiment

Introduction

Tourism scholars, practitioners, and policy-makers have long touted tourism's potential role in rural development. In many rural areas, communities that once relied on industries such as extraction, manufacturing and agriculture, are turning to tourism to spark economic activity and help address social challenges. Many of these rural communities go through a learning curve as local governments, businesses, and other supporting organizations struggle to develop tourism expertise. Many small tourism businesses never make it through this learning curve, failing before becoming viable and sustainable.

Wine tourism is a rapidly growing and promising tourism activity for rural areas. Recent viticultural advancements and growing consumer interest in wine, and have teamed to create opportunities for wine tourism. In the year 2000, there were less than 3,000 wineries in the U.S. Today, there are over 8,000 (Vines & Wines, 2014). These new wineries are mostly small in scope and sell the majority of the limited amount of wine they produce in tasting rooms, making them dependent on tourism to attract visitors. The Great Lakes region of the U.S. upper Midwest, is now home to over 800 wineries (Vines & Wines). Although this represents about 10% of the country's wineries, this region accounts for less than one percent of U.S. wine production (Wine America, 2014). The rapid growth in the number of wineries means there are a high number of inexperienced winery business owners, many rural regions that are attracting tourists (or different types of tourists) for the first time, and many new opportunities for people to visit wineries. In other words, many wineries in emerging areas are in the early stages of learning about their customers, and those customers are in turn learning about about the extent to which they value wine tourism experiences. The ability for wine tourism to contribute to the challenges faced by rural areas depends on the ability for winery businesses to quickly learn how to provide valuable tourism experiences to their visitors.

In any tourism context, understanding the value tourists place on tourism products, tangible and intangible, can help tourism businesses to match what tourists are willing to pay with an effective pricing strategy. Consumers' values, however, are dynamic. Different contexts, for instance, can change someone's value for a product. As an example, the amount a consumer is willing to pay for a bottle of wine will likely be different if she is buying that bottle at a retailer, if she is buying it at a restaurant, and if she is buying it at a winery. Other factors can also influence a consumer's willingness to pay for a product, such as the person/people the consumer is with at the time of purchase. A person might be willing to pay more for a bottle of wine if he is on a first date than if he is dining with his wife on a typical weekly visit to their favorite restaurant.

Finding the true value for a new product or service can be especially difficult when consumers have less experience with the product. In these cases, it is very important for the business to explain the attributes and benefits of the product to the consumer so the consumer can best

identify the extent to which she values it. Businesses do this by communicating specific messages about the product via staff, promotional materials, labels, etc.

In the tourism field, conjoint analysis or contingent valuation (e.g., Saayman, et al., 2015) methods, such as stated preference choice experiments are commonly used to establish willingness-to-pay. Tourism and recreation journals have featured many studies in which these types of methods have been used to identify the value visitors place on various tourism products and experiences (e.g., Kelley et al., 2015; Piriyaapada, et al., 2015; Youngjoon, et al., 2015). While these studies have significant merits and make important contributions, one drawback to these types of experiments is that they are “hypothetical,” that is, there are no consequences to the respondent for their stated value.

Experimental auction (EA) methodology is a growing approach to solving the shortcomings of stated choice experiments. EA’s are non-hypothetical as they seek to reveal a respondent’s true value for a product or service by creating situations where subjects may be obligated to actually purchase a product or service based on the amount they bid for it. Although growing in popularity in the behavioral economics and marketing fields, especially with food products, this approach to determining willingness to pay has rarely been applied to the tourism field.

This study used Becker, DeGroot, and Marschak (BDM) experimental auction procedure to value a new varietal of wine that is being produced in regions in the northern U.S., where it was previously not feasible to produce wine. The wines that are sold in these regions are referred to as “cold hardy” wines because they are made from wine grapes that ripen in a shorter growing season and can survive harsh winter conditions. These grapes are new hybrids between *vitis vinifera* grapes (the type of grapes used in the world’s most recognized wine varieties) and native grapes that are cold hardy, but are not typically used for winemaking. These hybrid grapes have been well-received by winemakers and consumers, but with names such as Brianna, Frontenac, Marquette, Frontenac Gris, and La Crescent, are unknown to most wine consumers. Most of the wineries that sell wines made from cold-hardy grapes are small producers and sell almost all of their wine out of winery tasting rooms, which provides them with an opportunity to disseminate information about these wines directly to consumers via tasting room staff, tasting notes and wine labels. However, no studies have examined how different types of information about these grapes impact consumer valuation. Wine labels, for example, offer limited space to communicate messages to potential consumers. Wineries that understand how different types of information impact on the consumer’s value of the wines, are more likely to experience success than those that don’t.

Literature Review

As the number of wineries has grown, so too have wine tourism studies, especially as wine tourism crosses over with such important and relevant niches as culinary tourism and rural tourism. A literature search for the keywords “wine tourism” produces at least 36 peer-reviewed articles published in 2015 and thus far in 2016 (e.g., Byrd, et al., 2016; Gomez, et al., 2016; Saayman, et al., 2015). Many of these discuss the importance of wine tourism to rural areas (e.g., Asero, et al., 2015; Gomez, et al., 2016; Murray et al, 2015), and many, like the present study

aim to better understand the consumer behavior of wine tourists (e.g., Kim, 2015). More specifically, several studies have examined wine tourists' willingness-to-pay (WTP) in various contexts. Saayman, et al. (2015), studied wine tourists' WTP for greener events. Tanford et al. (2012), examined WTP as an indicator of loyalty, and Barber et al. (2012) examined tourists' WTP for environmentally friendly wines. The present study differs from these studies, not only by focusing on how different types of information can impact WTP, but also by using experimental auctions, a non-hypothetical experimental design not previously used in a tourism context.

Experimental auctions are a form of non-hypothetical valuation that are well-established in the food industry literature (e.g., Lusk et al, 2001; Shogren et al, 1994; Tagbata & Sirieix, 2008). The BDM auction procedure asks subjects, after some exposure to a product, to bid what they would be willing to pay for the product. That bid is then compared to a randomly drawn price. If the subject's bid is higher than the randomly drawn price, the subject is obligated to purchase the product (though as an incentive they purchase it for the lower randomly drawn price). On the other hand, if the randomly drawn price is higher than the subject's bid, the subject may not purchase the product. This procedure is meant to elicit the subject's true value for the product. It is not in the subjects' interest to bid higher than they are willing to pay for the product, since they might then be obligated to purchase the product for more than it is worth to them. Conversely, if subjects underbid, they risk losing the opportunity to acquire a product they desire at a price they are willing to pay.

Methodology

We use BDM experimental auction procedure to elicit consumer WTP for a bottle of Marquette wine. Introduced less than ten years ago, Marquette is a newer cold-hardy varietal of dry red wine that is receiving high praise and attention from winemakers in the northern U.S. While most experimental auctions are conducted in a laboratory setting with subjects recruited and incentivized to participate, the BDM is typically conducted at the point of purchase. This study was conducted at a winery in a rapidly growing wine region in northern Michigan. Because the purchase context impacts consumers' willingness to pay, conducting the BDM auction at the winery best simulated the purchase context of actual winery purchases. Additionally, subjects in the experiments were typical of the target market for small wineries in emerging wine regions. Moreover, because subjects were intercepted while visiting the winery, we did not need to incentivize their participation since, like most wine tourists, they were already open to the possibility of purchasing wine at the wineries they were visiting.

Subjects were randomly intercepted to participate in the experiments. Because Marquette is a dry red wine, a screening question was asked of randomly intercepted winery visitors to ascertain whether they drink dry red wines. If they indicated they do, subjects were briefly informed about the experiment and that their participation required a commitment to actually purchase a bottle of wine if their bid for the wine was higher than a randomly selected competing bid.

Subjects then read a consent form, completed a short survey, and received detailed instructions about the experiment's procedures and how it is in their best interest to bid their true value for

the wine. Along with demographic items and questions about their typical wine consumption and knowledge, the survey asked subjects to rate their familiarity with Marquette wines on a scale of 1-5 with 5 being “very familiar.”

Next, subjects examined and tasted the Marquette wine before bidding what they would be willing to pay for a bottle of it. Subjects were then provided with information about the wine, and were once again asked to bid how much they were willing to pay for a bottle of the wine. After reading the information about the wine, subjects could have kept their bid the same as their original bid, lowered it, or raised it as was appropriate. The second bid was used to determine the effect of the information on each subject’s valuation of the wine.

Three different groups were presented three different versions of information. Assignment to each group followed a systematic rotation to ensure that variations in day and time were controlled for. One version of information had a “local message” that emphasized that Marquette wines were made in the community from locally grown grapes. The information then briefly explained some of the benefits to the local community from being able to produce wine locally. A second version of information communicated that Marquette is a hybrid of cold hardy grapes and pinot noir, and provided subjective descriptors about the wine as is typical of wine descriptions provided by tasting room staff and found on wine labels, wine menus, and tasting notes. The third version of the information emphasized that Marquette wines have been well received by winemakers have won many awards at wine competitions. All of the information provided is accurate and representative of the information provided to consumers by wineries that produce Marquette wines, however, the information was separated into these three distinct categories to help determine how different messages impact a consumer’s valuation of the wine.

After subjects completed their bids, one of the subject’s bids was randomly selected by rolling a die. This bid was then compared to a competing bid which was drawn from a bingo/lottery cage with balls representing prices ranging from \$0 to \$35, at 50 cent increments. If the subject’s bid was higher than the randomly drawn bid, the subject then bought and took home a bottle of the Marquette wine (at the lower bid drawn from the bingo cage). If the subject’s bid was lower than the randomly drawn bid from the bingo ball, the experiment was over.

Results

A total of 143 people participated in the experiment. The average age of subjects was 44 and 46% were female. 73% of subjects were from the state of Michigan, 82% were Caucasian, 68% had at least a 4-year college degree and 62% had a household income above the region’s median. These demographic attributes are consistent with typical visitors to Michigan tasting rooms as determined by a large 2013 study of Michigan wine tasting room visitors (McCole and Holecek). Subjects were mostly unfamiliar with Marquette wines with 86% indicating they had never heard of these wines.

Table 1. Changes in Willingness to Pay (WTP) after Reading Information about Marquette Wines

	WTP before Info	WTP after Info	Difference	Percentage different
All Bids	\$15.76	\$16.36	\$0.60	3.8%
Local Information	\$15.10	\$15.69	\$0.58	3.9%
Description of the Wine	\$16.00	\$17.15	\$0.04	0.3%
Emphasis on Awards Won	\$16.19	\$16.23	\$1.15	7.2%

As Table 1 shows, subjects placed a greater value on the wine after receiving some information about it. Overall, consumers indicated a willingness to pay \$0.60 (3.8%) more after reading some information about it regardless of information type. Moreover, different types of information indeed had different impacts on subjects' willingness to pay for the wine with information about awards producing the largest increase in valuation (\$1.15 or 7.2%) and information about the wine barely increasing valuation (\$0.04 or 0.3%).

Conclusion and Discussion

Results of this study emphasize that the type of information shared about the wines can have an impact on how consumers value the wine. This is important because there are limitations on how much information wineries can effectively communicate with consumers. Consumers at a winery tasting room may have a limited attention span to both read or listen to information about the wine, especially in emerging wine regions where previous research has shown the greatest motivation for visiting wineries has more to do with socializing and enjoying a relaxing day out than learning about wine (McCole and Holecek, 2013). Moreover, many wine consumers learn about wines from the wine label, which offers limited space to communicate messages about the wine.

In this study, reading any type of information about the sampled wines, increased consumer's willingness to pay. This is consistent with the findings of Lecocq, et al., (2004) who used a different type of auction, the Vickrey auction (Vickrey, 1961), and found that any information about sampled wines increased consumer's value for the wine. Although information in general was found to increase consumer value in the present study, some types of information increased value more than others. Information about awards the wine had won had the greatest impact on consumer willingness to pay. Obviously, this suggests that such information should be prioritized in communications with consumers via tasting room staff, labels, tasting notes, websites, etc. Additionally, many wineries that have won awards affix a separate award sticker to the bottle. Our findings suggest that such investments may be worthwhile. Similarly, the findings suggest that it might be advisable for wineries to enter as many wine competitions as possible in order to increase the odds of winning awards. Many wine competitions are held annually ranging from local to international. The information shared with subjects didn't mention any specific awards, but rather vaguely referred to awards at wine competitions. The

McCole and Holecek study (2013) showed that visitors to Michigan tasting rooms are not particularly knowledgeable about wine, so they are likely unaware of which wine competitions are most prestigious.

Wine tourism is a rapidly growing sector of tourism and offers great potential to rural areas. In addition to the tourism activity directly involving wineries, wine tourism can create opportunities for other complementary businesses such as bed and breakfasts, restaurants that showcase local foods, craft beverage businesses (e.g., breweries, cideries and distilleries), bakeries, chocolate shops, art galleries, gift shops, etc. However, if wine tourism is to realize its potential, the thousands of new and inexperienced winery owners need to quickly understand a target market that is, itself, largely new to wine tourism. Moreover, in emerging regions where new varieties of wines are being introduced, the challenge of educating consumers and determining their values adds an additional challenge. This study offers some insights as to where consumer education should begin.

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