



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

CHOICES AND SEARCH COSTS: CONSUMER BEHAVIOR AND WINE TASTING

Nadeeka Weerasekara¹, Nadia Streletskaya¹ and Jie Li²

1 Oregon State University, 2 Cornell University

E-mail: weerasen@oregonstate.edu

*Selected Poster prepared for presentation at the 2019 Agricultural & Applied Economics Association
Annual Meeting, Atlanta, GA, July 21-23*

*Copyright 2019 by [authors]. All rights reserved. Readers may make verbatim copies of this document
for non-commercial purposes by any means, provided that this copyright notice appears on all such
copies.*



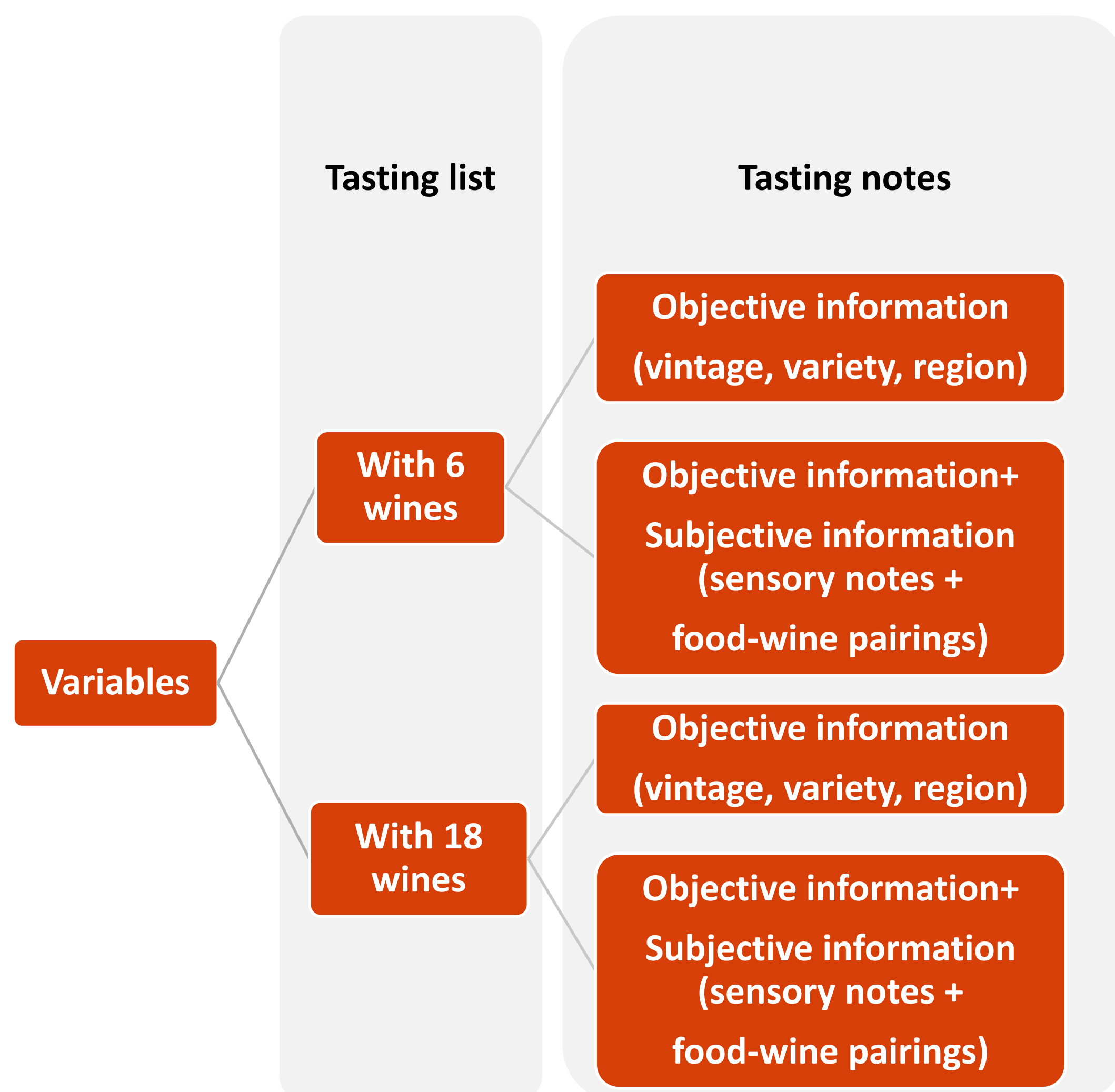
Introduction

- ❑ Sales of wine through tasting rooms plays a significant role in overall wine sales.
- ❑ Tasting rooms facilitate the consumer choices through tasting experiences.
- ❑ But in a highly differentiated product market like wine, tasting lists substantially differ among wineries.
- ❑ Additionally, wineries often provide sensory notes to support consumer decision making, which could either increase or decrease search costs.
- ❑ We examine the impact of wine list composition and sensory notes on tasting behavior.
- ❑ Also, we examine how the initial attractiveness to taste a wine reflected in the subsequent purchasing decision.



Materials and methods

- ❑ A two by two between subject experimental design was suggested.



- ❑ Endowment to participate= \$35
- ❑ Experiment had two stages.
 1. The tasting stage
 - ✓ 6 wines were available to taste- any wine costs \$1 to taste.
 2. Series of non-hypothetical Becker-DeGroot-Marschak auctions to estimate consumer willingness-to-pay for the wines in the experiment.
 - ✓ All participants bid on 6 wines regardless of tasting.
 - ✓ Average market price for a bottle of wine was given.
 - ✓ At the end of the auction stage, we announced the randomly drawn wine and binding price.
 - ✓ Those whose WTP is above the random price win the auction.



Draw "auction clearing Price"



Results

Tasting behavior

Model:

$$Tasted_{ijt} = \alpha_0 + \alpha_1 Tasting\ list + \alpha_2 Tasting\ note + \alpha_3 listnote + \alpha_k Item_{kj} + \alpha_4 Day + \alpha_{lt} x_{lit} + \epsilon_{ijt}$$

i refers to the subject, j to the wine bottle (1-6) and t to the treatment (1-4)

Tasting list: a dummy variable where 1 stands for full tasting list and 0 for selective tasting list

Tasting note: a dummy variable where 1 stands for full tasting notes and 0 for reduced tasting notes.

listnote measures the difference in the impact of tasting list on WTP when providing full tasting notes compared to reduced tasting notes.

Item_{kj} is the wine specific attribute k for wine bottle j

Day is a dummy variable to represent each day of the week

x_{lit} is the demographic attribute l for individual i in treatment t

Marginal effects:

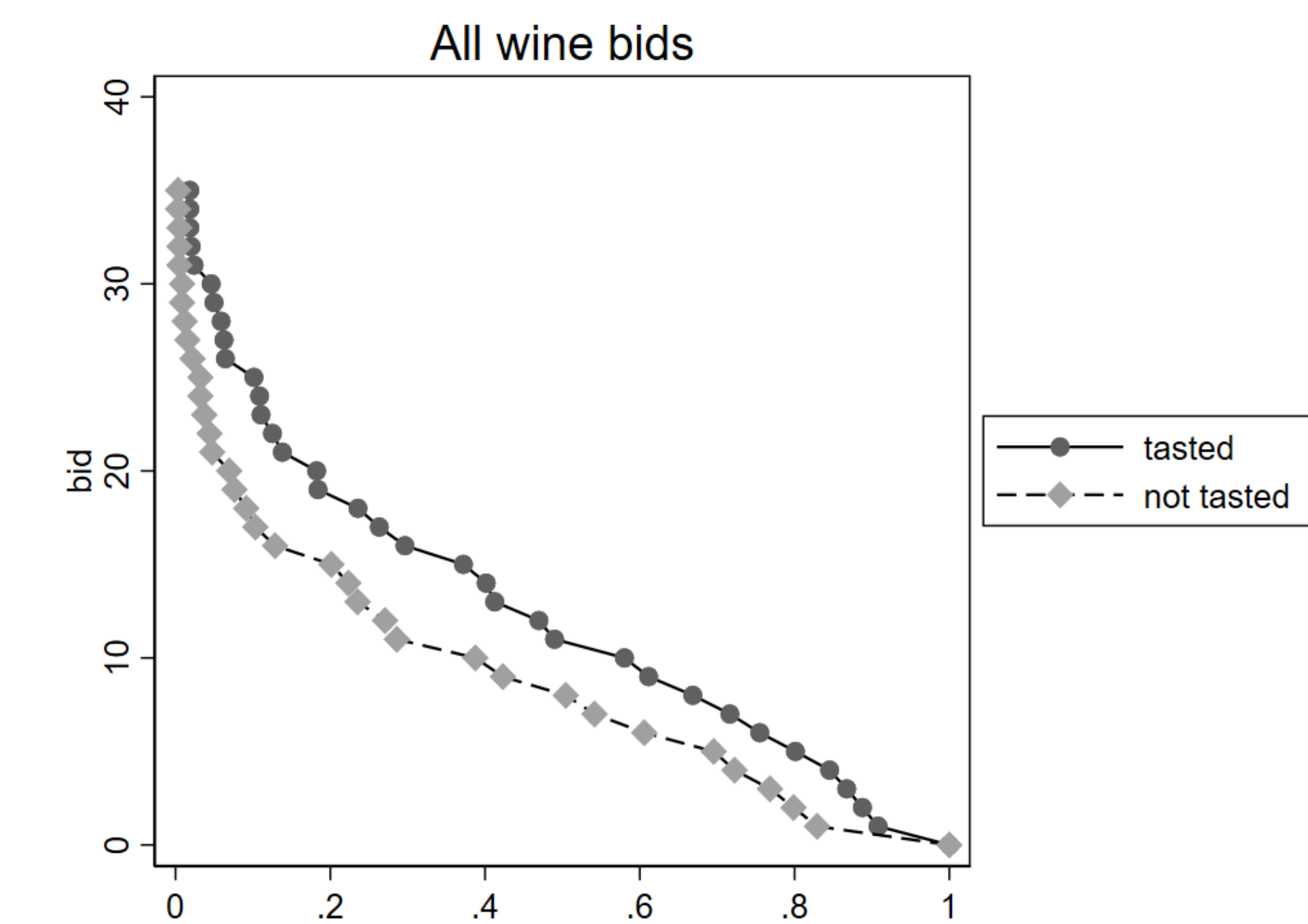
	(1)	(2)	(3)	(4)
tasting_list (the impact of full tasting list compared to selective tasting list on tasting behavior)	-0.095*** (0.028)	-0.096*** (0.029)	-0.099*** (0.029)	-0.089*** (0.030)
tasting_note (the impact of full tasting notes compared to reduced tasting notes on tasting behavior)	0.031 (0.028)	0.032 (0.031)	0.033 (0.032)	0.029 (0.034)
Observations	1134	1116	1116	1116
Socioeconomic controls included	no	yes	yes	yes
Item specific characters included	no	no	yes	yes
Time dummies included	no	no	no	yes

Standard errors in parentheses

* p<.10, ** p<.05, *** p<.01

Does the initial attractiveness to taste a wine reflected in the subsequent purchasing behavior?

- ❑ The sample average willingness to pay for a bottle of wine is \$10.192
- ❑ Tasted group: average willingness to pay for a bottle of wine is \$12.078
- ❑ Not tasted group: average willingness to pay for a bottle of wine is \$8.338



Model:

$$WTP_{ijt} = \gamma_0 + \gamma_1 Tasted + \gamma_2 Item + \gamma_3 Day + \gamma_{lt} x_{lit} + \epsilon_{ijt}$$

- ❑ The willingness to pay value is increased by 4 dollars if the consumer chose to taste a wine compared to a consumer who has not tasted a wine.

Discussion & Conclusion

- ❑ Having many choices in the choice list decreases the probability of tasting wine, consistent with the choice paradox literature.
- ❑ Providing sensory notes does not have a significant impact on tasting behavior.
- ❑ Subjects who have tasted wine are willing to pay more for the tasted wines than the subjects who have not tasted a wine.
- ❑ The results help wineries to optimize the design of tasting lists and tasting notes to reduce search costs and choice paradox impacts for wine consumers.

Acknowledgment

We acknowledge Oregon Wine Board for funding the project.