Eco-labels signal the environmental attributes of a product to consumers. The goal of eco-labels is to elicit increased demand for products perceived as environmentally favorable. Examples of eco-labels in the wine industry include the organic label for agricultural products from the US Department of Agriculture, the international biodynamic label from Demeter, or regional labels such as the California Napa Green or Lodi Rules. One of the conditions for effective eco-labels is that customers be willing to pay a price premium that helps defray the higher cost of improved environmental management practices. However, circumstances under which eco-labels can command price premiums are not fully understood in the wine industry. Some studies have even shown that eco-labeled wine could suffer from a price decrease as compared to conventional wine (Delmas and Grant, 2010).¹ A widely shared opinion in the wine industry is that there is a negative image associated with organic wine. Because of this, some wineries seek certification without informing their customer about it. Frog’s Leap Winery in Rutherford, California is such an example. The winery has adopted organic certification but does not want to be known as such by customers. As the founder of Frog’s Leap Winery put it: “We don’t want to be known as the organic winery of the Napa Valley.”² However, there is still no empirical evidence of consumers’ negative reaction to eco-wine and how consumers make trade-offs between different wine attributes such as sustainability, quality and price. In this research we analyze consumer preferences for organic labels through an online conjoint analysis survey. Respondents have to choose among various wine labels that include a combination of the following attributes: appellation, price and eco-certification (organic and biodynamic). The study will be conducted in March and April 2010 with a population of 600 MBA students. We anticipate that the results will inform us on the trade-offs if any between eco-certification and other wine attributes.
