

Chinese consumer preferences for wine by country of origin: An Experimental Auction Approach

Hainan Wang, Washington State University,

and Jill J. McCluskey, Washington State University, mccluskey@wsu.edu

Abstract:

Wine is a product whose value largely depends on the reputation associated with its region of product. This study investigates the effects of information and country of origin on Chinese consumer preferences for wine. Experimental auctions were conducted in the summer of 2009 in seven communities in Beijing and Shanghai, China.

Experimental auctions avoid the problem of hypothetical bias because consumers actually buy the products they bid on. For our experiments, 436 Participants were recruited from 7 randomly chosen communities and 3 major universities in Beijing and Shanghai. Wines from France, Australia, the United States, and China were offered in each auction. During the auction process, the participants were free to examine the bottles and labels. The sample was split into two groups for pair-wise comparisons: one group received information and the other group did not. For the group without information, the subjects only understand that the items they are going to bid for are wines from different origins. For the group with information exposure, the participants read a brief introduction to the wine grapes and wine products from different origins. The data was collected using a second-price sealed-bid auction. Survey data was collected after the auctions from the same consumer participants. One of our goals is to examine how consumers' preferences differ among the "old world" wines (French), "new world" wines (American, and Australian), and domestic (Chinese) wines. Our data shows that Chinese consumers in Beijing and Shanghai are willing to pay more for the "old world" wines from France than the wines from China, American, and Australia, which indicates their greater sense of identity on the French wines. The effect of information provision was significant.