

Can a focus on organic wine production create benefits for the tourism industry? An enquiry into the South African market.

Background of the Study: Due to its high potential for revenues many wine producing countries are trying to capture a share of the wine tourism market. As a result, to obtain competitive advantage among destination eco-friendly, attributes and claims are starting to play a key role in attracting wine tourists already shown by a few researchers (Getz and Brown, 2006, Orsolini and Boksberger, 2009, Holohan & Remaud, 2014).

The wine estates form an important component of the South African tourism industry. Some of the services provided include wine tasting, tours, food and beverage services and accommodation. Wine tourism has recently been earmarked as an important driver of tourism development and it can represent a major contributor of rural economic development. The potential of the development of organic wine tourism could be the deepening of relations between customers who can experience the different kind of wines and grapes and the small wineries who are interested in increasing their revenues from sales. (Hall, Sharples, Cambourne & Macionis, 2000)

Purpose of the study: The research has two objectives. The first objective was an enquiry into whether there is a willingness by tourists to purchase South African organic wine. A positive willingness to pay would act as a signal to the wine producers for resource allocation towards an increase in organic wine production. The second objective was to explore whether the increase of organic wine production can also contribute to wine tourism development. Specifically, the research focus on measuring the potential Willingness to Pay (WTP) for organic wine revealed by wine tourists by using a contingency valuation method.

Methodology: The methodology used by the research is Contingency Valuation (CVM). In order to reveal the willingness to pay for a product or service CVM creates a hypothetical market situation for a given good or service. The method results in a quantification of the value consumers confer to products by associating that value with the sum of money they are willing to pay. (Kawagoe & Fukunaga, 2001; Sellers-Rubio & Nicolau-Gonzalbez, 2016). Over a period of 3 months, 215 tourists have been interviewed at a few selected locations such as hotels and vineyards in Western Cape. The model run was a Binomial Multiple Logistic Regression that was needed in order to identify the different parameters that influenced the Willingness to Pay for South African Organic wines. The method is based on the following formula: $WTP_{ij} = \alpha + \beta_1 (P_j) + \beta_2 Y_j + \beta_3 n_j + F(Z_j)$ Where: WTP_{ij} i consumer's willingness to pay for j type of wine. Coefficients to be estimated, where P is the organic price premium; Y Income level; n quality attributes perceptions; Z Socio-demographic characteristics.

Results: The model was run separately for both white and red wines. The demographics of the respondents were explored based on age, country of origin and level of income. In the case of red organic wines, the WTP formula revealed that the respondents were positively influenced by taste followed by recommendations from friends, wine sommeliers or accommodation employees. Certification and awards also contribute to an increase in the willingness to pay. The quality perception has a negative influence on the willingness to pay.

The WTP formula for red wine is as follows:

$$WTP(\text{red}) = -40.209 + 1.235\text{Award} + 25.130\text{Taste} - 1.710\text{Perception} + 2.620\text{Cert.} + 15.323\text{Rec}$$

In the case of the white wine the formula estimated was:

$$WTP(\text{white}) = -39.215 + 1.219\text{Award} + 26.539\text{Taste} - 1.230\text{Perception} + 2.301\text{Cert.} + 13.450\text{Rec}$$

As expected, the formula reveals a similar pattern where the quality perception of organic wine has a lowering effect on the WTP by wine consumers. The more interesting results were obtained when the median values of the coefficients from the sample data were inserted in the two formulas. It showed that the willingness to pay for white organic wine (Eur 2.57) is higher than for red wine (Eur 1.5).

In a follow up research 40% of the respondents have visited the wine farms that produce organic wines.

Conclusion: The WTP results show that the respondents might be willing to pay a premium for South African organic wines. A drawback in the willingness to pay is the perceived quality inferiority when compared with similar wines produced by more conventional means. This is due to the perception that organic wine tends to be inferior in quality and taste to the more conventional wine. Taste and recommendations have the highest positive impacts on the WTP, which makes a case for an increase in marketing efforts by the wine producers. White organic wines seem to be more appreciated from a taste perspective.

Research Implications and Limitations: The results of the research represent a signal for the wine producers in their quest for attracting more visitors and in selling more wine products. Certification regarding the recognition regarding the employment of eco-friendly methods of producing wine will give assurances to the consumer and positively influence the willingness to pay. WTP only shows indication of purchase. Due to current legislation, the quality of organic wines produced in South Africa differs greatly.

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