PhD School on Agriculture, Environment and Bioenergy

(XXXIV cycle, 2018-20)

Project draft

1. Field of interest

*Indicare **il/i** settore/i scientifico disciplinari: AGR/01*

2. Project title

The market of bulk wine. Analysis of international trade, value chain and consumer behavior

3. Tutor (membro del Collegio dei Docenti) Stefano Corsi

- Eventually: co-tutor/s

4. Relevance of the topic and state of the art:

Several papers in economics and business literature studied the wine market evolution analyzing different features and determiners of market, only few of them concentrated, or at least mentioned, bulk wine market (Labys and Cohen, 2006, Baritaux at al. 2006, Mariani et al. 2012, Steinschulte, 2014). Bulk wine is a relevant asset in the global wine market because it counts for more than 10% of the total value and about 38% in terms of volume, but in some importing countries the import share for bulk wine is much higher, like France, Germany, Sweden etc. (OIV, 2015). The bulk wine market has shown a progressive increasing in volumes together with a limited reduction in value (OIV, 2015, Rabobank, 2012).

On the demand side, the relevant increase in wine consumption in new countries compensates for the decrease in wine consumption in Europe, but the large and growing group of new wine consumers has influenced the styles of the wines produced. In fact these consumers prefer ripe-tasting, rich, full-flavored wines with some oakiness at reasonable prices (Labys and Cohen, 2006). Bulk wine is generally cheaper, sweeter, with a less intense taste and a lower alcohol content, and these features generally meet the preferences of consumers in the entry level segment.

Moreover bulk wine is a very special value chain where market patterns are highly concentrated (e.g. Italy exports more than 50% of bulk wines to Germany)

In the recent literature there is a very scare knowledge of the profile of new bulk wine consumers. The phenomena described above seem to show a shift in bulk wine consumption which involves new groups of consumers, different to the typical old fashion low income bulk wine drinker. The new consumers are interested in wine quality, price conscious, open minded and taste changing.

5. Layout of the project (draft)

5.1. Materials & Methods: da mezza pagina ad una pagina massimo

The present project will be the result of combined methodologies aimed at analyzing the bulk wine value chains from producers to consumers.

The first step is the literature review that will be implemented by quantitative approaches, as bibliometric analysis and systematic review.

Secondly the actors and the organization of the value chain will be analysed thanks to qualitative research method, that has a specific strength in helping to understand people as well as social and cultural phenomena (Avison et al., 1999). Such methodology is used to describe the participants' view of process and to collect subjective account of phenomena. In addition, through the subsequent data analysis, it is possible to find connections and relationships as well as the influence of the context and the different perspectives toward the phenomena. The aim of this stage is to characterize the bulk wine value chain, highlighting the power relationships in the supply chain, adopting a buyer-suppliers perspective (Cox, 2001).

The second relevant step is the analysis of consumer behavior that will be analysed by hypothetical and non-hypothetical methods.

In particular the experimental auctions based on Becker-DeGroot-Marschak (BDM) procedure, a non-hypothetical method proposed by Becker et al. (1964), will be used to elicit the Willingness To Pay for bulk wines. Under the BDM procedure, individuals are asked to state their minimum selling price for a risky lottery. Experimental auctions have significant advantages over other methods to assess consumer preferences for products. Participants in a properly designed experimental auction have an incentive to represent their true value when bidding. In the recent years a body of literature implementing experimental auction to analyse wine market is developing (e.g. Pomarici et al., 2018).

The results of non-hypothetical methods will be compared to hypothetical ones, based on choice experiments, that consist of simulating a purchase situation by presenting several products alternatives to respondents and asking them to choose the most preferred product alternative that fulfils their expectations. A huge body of literature analyses wine markets by using choice experiment (e. g. Everett et al., 2018).

The mix of the method will ensure the most reliable results on wine market and consumer behavior.

5.2. Schedule and major steps (3 years): mezza pagina max

The project will be developed in the following steps:
1. Literature review
   1.1. Bibliometric analysis
   1.2. Systematic review
Deliverable: in-depth knowledge of scientific and grey literature on bulk wine market

2. Analysis of bulk wine value chain
   2.1. Determination of bulk wine actors in different countries
   2.2. Definition of interviews protocol
   2.3. Qualitative analysis of interviews
Deliverable: description of bulk wine value chain including power relationships among actors

3. Analysis of consumer behavior
   3.1. Definition of experimental design
   3.2. Implementation of experimental auctions
   3.3. Implementation of choice experiments
   3.4. Cross analysis

Deliverable: WTP for bulk wines

The PhD student will spend some months (1 semester) in U.S. university to learn experimental methods (e.g. Michigan State University, University of Arkansas).

6. Available funds (source and amount)

15.000 € Different research funds

6. Literature: max 10 citazioni

Avison, D., Lau, F., Myers, M., & Nielsen, P. A. (1999). Action Research. Communications of the ACM, Vol 42 Nr 1 , 94-97.

Baritaux, V., Aubert, M., Montaigne, E., Remaud, H. 2006. Matchmakers in Wine Marketing Channels: The Case of French Wine Brokers. Agribusiness, Vol. 22 (3) 375–390 (2006)

Becker, Gordon M., Morris H. DeGroot, and Jacob Marschak (1964). "Measuring utility by a single-response sequential method" Behavioral Science 9, 226-232

Cox A. (2001) Understanding Buyer and Supplier Power: A Framework for Procurement and Supply Competence, Journal of Supply Chian Management, Volume37, Issue1, March 2001, Pages 8-15

Everett, C., Jensen, K., Boyer, C., Hughes, D. (2018) Consumers' willingness to pay for local muscadine wine, International Journal of Wine Business Research, 30 (1), pp. 58-73.

Labys, W.C. and Cohen, B.c. 2006 Trends versus Cycles in global export shares. The Australian Journal of Agriculture and Resource Economics, 50, pp. 527-537

Mariani, A. Pomarici, E. and Boatto V. 2012. The international wine trade: Recent trends and critical issues, Wine Economics and Policy 1 (2012) 24–40

OIV. 2015. State of the Viticulture World Market. Paris, April 2015

Pomarici, E., Asioli, D., Vecchio, R., Næs, T. (2018) Young consumers' preferences for water-saving wines: An experimental study, Wine Economics and Policy, Article in Press.

Rabobank (2012) The Incredible Bulk. The rise in Global Bulk Wine Trade. Rabobank Industry Note #296. January 2012

Steinschulte, M.E. 2014 Supply Chain Analysis of the German Bulk Wine Market. Academic of Wine Business Research, 8th International Conference, Geisenheim, Germany.