

# EFFECTS OF CONJUNCTIVE LABELING ON AWARENESS LEVEL OF TARGETED CONSUMER SEGMENTS

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## Introduction

Conjunctive labeling is becoming a more common practice in wine producing countries such as the United States and Canada. This entails attaching the reputation of a smaller appellation (AVA), such as Dry Creek Valley, to the reputation of the larger region (i.e. Sonoma County) by printing “Sonoma County” on all wine label imprints. An analysis of data collected in 2008 (before the advent of conjunctive labeling in Sonoma County) with data collected in 2016 (two years after full implementation) will highlight changes in awareness among consumer segments.

The motivation for this study is to evaluate whether or not the implementation of conjunctive labeling has been beneficial to Sonoma County producers. Several other regions on the West Coast are considering a similar implementation and this research will help to inform those decisions. The before and after timing of the surveys provides unique insight for this evaluation.

## Literature Review

Today, most major wine regions have some type of legal system to define wine appellations based upon the original French system of AOC certification. In addition to geographical identification, these entities often include various quality criteria as well as viticulture and production techniques. The United States system of AVAs, however, does not guarantee quality or require specific growing and production processes. AVAs just communicate an authentic and distinctive winegrowing area, large or small.

The research on conjunctive labeling in the United States is fairly recent. Napa Valley was the first region to require conjunctive labeling beginning in 1990. It has been very successful, but the technique was not imitated until Sonoma County implemented conjunctive labeling in 2014. Part of the reason is to reduce confusion in the mind of the consumer. There were 239 AVAs in the United States in 2016 which is a lot of information for consumers to consider. Conjunctive labeling is also tied in to a variety of regional marketing activities for Sonoma County.

According to Lockshin and Rhodus (1993), the average wine consumer is likely to rely upon extrinsic cues such as price or region of origin when making quality assessments. Over time, trust is built between consumers and regions whose wines have pleased them before (Bruwer and Wood, 2005). In 2007, Johnson and Bruwer demonstrated that the promotion of a regional identity in wine would provide value by creating consumer awareness and influencing consumer perceptions.

Price paid (over \$15/under \$15) and consumer knowledge were two traits explored by Johnson and Bruwer (2007) to examine which wine consumer attributes contribute to interest in place-based marketing. Atkin and Johnson (2010) found that consumers typically spending over \$15.00 for a bottle of wine rely on regional information to a greater extent than their lower spending counterparts.

Research by Rasmussen and Lockshin (1999) concluded that that consumers who use regional branding as a quality cue generally possess a higher degree of perceived knowledge. More recently, Perrouy et al. (2006) provided evidence that consumer expertise influences the importance of region of origin. Famularo et al., (2010) also found that willingness to learn about wine was positively related to the importance of region in making wine purchasing decisions.

### Problem to Be Investigated

Digging deeper, the research question to be addressed is: which consumer segments showed the greatest increase in awareness of Sonoma County wines over that eight year period from 2008 to 2016? The consumer traits examined in the current analysis are expertise and price usually paid. This will help to fill the gap expressed by McCutcheon et al. (2009) that not enough is yet known about how the impact of region of origin varies across different market segments.

### Research Methodology

An online survey methodology was used to gather data from over 400 wine consumers provided by Survey Sampling International in both 2008 and 2016. The samples shared many similarities although they were different respondents. Statistical testing using Mann-Whitney method provided significance data.

### Findings

When we grouped the sample according to the price they typically pay for a bottle of wine, the over \$15 group showed greater gain in awareness of Sonoma AVAs than those who pay less than \$15 per bottle from 2008 to 2016. (See Table 1)

When the groups were split by expert vs non expert, the results showed a larger increase in AVA awareness in the expert group from 2008 to 2016. Non-experts also showed an increase from 2008 to 2016 but not as large. (See Table 2)

### Implications

Place of origin is a positioning opportunity for wineries and helps wineries establish an awareness of their product (Chaney, 2002). Sonoma County wines tend to appeal to customers who know more about wine and are willing to spend over \$15 per bottle.

### Conclusion

The greater increase in awareness in both of those groups demonstrates that the conjunctive labeling information is reaching a beneficial target audience.

	Under \$15	Under \$15		Over \$15	Over \$15	
<b>Table 1 Aware x Price</b>	2008	2016	<b>Difference</b>	2008	2016	<b>Difference</b>
Sonoma County	2.73	2.86	<u>0.13</u>	3.27	3.62	<b>0.37</b>
Russian River Valley	1.27	1.57	0.30 (ns)	2.05	2.58	<b>0.53</b>
Dry Creek Valley	1.10	1.52	0.42 (ns)	1.90	2.69	<b>0.79</b>
Carneros	1.01	1.23	0.22 (ns)	1.65	2.21	0.56*
Green Valley	0.88	1.46	0.58 (ns)	1.68	2.56	<b>0.88</b>

**Bold....99% confidence**; asterisk \*...95%; Underline...90% ; (ns)..not significant

Mann-Whitney test of difference

	Expert	Expert		Not Expert	Not Expert	
<b>Table 2 Aware x Expertise</b>	2008	2016	<b>Difference</b>	2008	2016	<b>Difference</b>
Sonoma County	3.28	3.73	0.45*	2.35	2.75	0.40*

Russian River Valley	1.90	2.65	<b>0.75</b>	0.95	1.45	<b>0.50</b>
Dry Creek Valley	1.69	2.62	<b>0.93</b>	0.84	1.54	<b>0.70</b>
Carneros	1.51	2.18	0.67*	0.73	1.25	0.52*
Green Valley	1.39	2.53	<b>1.14</b>	0.74	1.43	<b>0.69</b>

**Bold....99% confidence**; asterisk \*...95%; Underline...90% ; (ns)..not significant  
Mann-Whitney test of difference