

Dissonant Opinions and the Home Bias: Consumer Response to Crowd Sourced Reviews for Wine

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Abstract

◦Purpose – In recent years we have witnessed a substantial increase in the volume of peer reviews for many consumer products. We are particularly interested in the role of peer reviews for wine given the proliferation of such reviews in recent years. These reviews are expected to serve as a non-trivial social influence that can affect consumer behavior. We build on earlier work examining consumers' beliefs and evaluations after exposure to critics review and to contradictory peer reviews to examine the own- and cross- effects of peer reviews on consumers' willing to pay.

◦Design/methodology/approach – We developed a survey and a lab experiment with different rounds of information to collect data on consumer demand for three wines. The survey and the experiment both include sparkling wines produced in France (Champagne), Spain (Cava), and New York (Finger Lakes). The labels for the wines are not revealed to subjects in either the survey or the experiment. These three wines received the same score from the Wine Spectator (88/100). In both our survey and our experiment, we present a range of peer review scores based on an average of recently published Vivino ratings. This generates three average peer review scores for each wine, and in each treatment two of the wines are presented with an average peer review score of 4.4/5 (equivalent to 88/100 Wine Spectator score); the third wine

is assigned with an average peer review score of either 3.8/5 (lower than the Wine Spectator score), 4.4/5 (equivalent to the Wine Spectator score), or 4.8/5 (higher than the Wine Spectator score). This arrangement leaves us with nine possible expert-peer scores across the three wines. We then estimate a series of regressions and examine the (own- and cross-) effects of peer reviews on US consumers' willing to pay for the three sparkling wine.

◦Findings – Our main results indicate the presence of a negativity bias associated with low peer reviews in two ways. First negative peer scores have statistically significant own-effects for all wines whereas a positive peer score only had a significant own-effect for the New York wine. Second, negative peer scores have important spillover effects; low peer reviews led to a statistically significant increase in the WTP for the other wines in all cases but one. We do not find evidence of a local bias driving the lone positive own-effect for the New York wine, but we do find support that it is associated with subjects that have greater familiarity with wine in general and those that exhibit a higher share of total wine consumption.

◦Practical implications – Our results have implications for the dissemination of information in a retail context.

Keywords: Negativity bias, spillover effects, Sparkling wine, Consumer demand, Peer reviews.
