

Having Customers Share The Perception Of Quality
Differences: One Century Of Debates About Quality
Assessments On The French Wine Market

Geneviève Teil



Indira Gandhi Institute of Development Research, Mumbai
September 2007

Having Customers Share The Perception Of Quality Differences: One Century Of Debates About Quality Assessments On The French Wine Market¹

Geneviève Teil

National Institute for Agronomic Research (INRA/SAD APT Paris, France)
Email: teil@inapg.inra.fr

Abstract

The wine market is a pretty paradoxical research object for the economical and marketing studies. In France alone, every year, hundreds of thousands of new brand differentiated products are marketed. How can so many brands survive to any rationalization process? One could think this situation to be tied to a kind of French paradox, but the number of wine brands is also increasing in all wine producing countries whether “old”, like Spain or “new” as US. Furthermore whereas most of the market theories explain the existence of markets thanks to the happy meeting of a demand with a corresponding supply, how could we explain the growth of the so called quality wine market, where it is so difficult to find two drinkers, even to expert drinkers, agreeing about the quality of a wine, ruining therefore the possibility of existence of any “demand”. The wine market is an interesting field case that helps us revise some of our most widely shared hypothesis on the empirical functioning of the markets. Which are the market procedures sustaining the happy encounter between a drinker and a wine? Is it the wine quality? Is it it’s a good product signalisation? Are there social distinctive processes? Is it a general opacity of the market? Is it the good adjustment to the consumers taste? In order to disentangle this complicated question and explain how consumer-product agreements are managed in order to perform sales and, at a larger scale, a market, this communication will draw back the evolution of the wine market in France during the last century.

During this period, faced with repeated crisis, the wine market actors did not stand without reaction. Next to the limitation of the production, the wine quality emerged as a major stake during all the 20th century. In order to help its recognition, it became first labelled with origin denomination labels. But soon, new difficulties led to reconsider the quality labels efficiency. During the period considered, each new crisis brought in the same way critics of the old measures and new solutions. So, difficulties after difficulties, ever larger collectives proposed and set up ever more adapted procedures for the marketing of the wines. So the 20th century has seen the coming out of a series of procedures aimed at facilitating the quality recognition of the wines. But step by step, the authors acknowledged as able to define quality were changing, such as quality itself, and new market organisations appeared. Nevertheless, far from sweeping away the old procedures, the new solutions cohabited with them making the wine market appear today as a complex multilayered sandwich of market procedures that fostered the development of a market of hundred of thousands of wine

Key words: Wine market framing, Quality differentiation, Socio-economy, Credibility, Confidence

¹ A seminar was presented on this theme at Indira Gandhi Institute of Development Research (IGIDR) on 6th August 2007. The author was visiting IGIDR from September 2005 to May 2007.

Having Customers Share The Perception Of Quality Differences: One Century Of Debates About Quality Assessments On The French Wine Market

Geneviève Teil

1. Introduction

The question asked today is about quality. **What is the quality of a product?** The economists have not really deepened this question. Quality is taken as the straightforward result of occasionally complex socio-psychological processes. But when their work starts, quality is already here, and considered as a given.

The purpose of my talk is on the contrary to show how these socio-psychological processes are deeply intertwined with economics and cannot be separated if one wants to understand the empirical laws of the markets.

This communication is grounded on the quality wine market empirical case. Markets are often extremely complex collective organisations, with a plenty of actors aiming at a variety of goals, having recourse to lots of different techniques, tools and theories. This is why, usually, empirical markets are quite difficult to account for. However, in the wine case, during a century there has been a kind of steady stubborn will to achieve an economic organization able to foster a quality production.

This will and the actions undertaken in order to bear this organisation to existence and later to maintain and improve the already achieved results have raised oppositions and difficulties. All these were interpreted by the quality proponents as threatens and requiring specific and adapted answers. But, the aim remained unchanged, so that after a century at least “something that can be pointed out” has been achieved.

Wine is still quite an exotic beverage in India, but it provides a very nice case to understand what quality differentiation means in terms of market organisation. So, in order to help you understand the stakes at hold, I will risk a comparison or a thought experiment. The wine market could be compared with a massala market in India, where hundreds of thousands of rural families would elaborate their own spices combinations and sell their surplus on the national or international markets. From this economic activity, whole regions as well as some definite producers would have accumulated very large fames. And imagine then that a small insect destroys progressively all types of spice-plants and that almost 40 years are required to find a remedy during which any kind of substitute is invented and marketed to provide taste to the dishes. Finally, try to figure out that, now that an agronomic solution has been found to impede the destruction of the spice plantations by the insect, you are in charge of helping the producers to recover their markets and fames. The French wine market at the beginning at the turn of the 20th century

2. Quality differentiation

Indeed, at the end of the 19th century, the European wine plantations were step by step, one by one, completely destroyed by a small plant loose, the phylloxera. By 1880 there was

almost no more fresh grapes to make wine, so every means to make substitutes were used, and the obtained beverage had little in common with original wine.

Slowly new production techniques were invented, allowing by 1900 for a reconstruction of the vineyard. So a question was raised: how could the producers recover their markets and former quality fame? By the time the vineyards were reconstructed some features had changed.

- First new wines were raising awareness. They were elaborated in new countries, Australia, South Africa, Chile..., sold as quality products: actual wines, made of real grapes. And they were labelled using French or Spanish, Portuguese, Italian names such as Bordeaux, Porto, Champagne, Sherry. In doing so, the new winemakers were interpreting these wines as the result of a “production recipe”: a range of grapes and a winemaking process. But they were not issued from the famous vineyards the names referred to. The original producers of these wines regarded these new products as a threat because although using the same recipe, they were not reaching the same quality level nor even showing the same taste style as the former French, Spanish, Italian or Portuguese products. Thus they feared these different or even sometimes lower quality products would sap the fame acquired by their wines or at least shade off the taste standard that made them recognizable.
- Secondly, wine drinkers who had been drinking fakes for so many years were not regarded anymore as able to distinguish properly among qualities
- And winemakers who had acquired an amazing proficiency in providing for substitutes, had now to prove their commitment in providing again good products.

For administrators and deputies, the market had reached an archetypical Akerlof’s lemons situation: buyers were no more able to distinguish between good and bad wines, and producers had no means to differentiate their good wines from the bad wines and the copies. So the market would not be able to provide support for the ancient fame recovery.

In order to help the customers differentiate among qualities, it was decided to provide them with a quality label: the Denomination of Origin, in French the Appellations d'Origine Contrôlées (abbreviated AOCs). And in 1935, the National Institute for the Denominations of Origin (the INAO) was founded; it was in charge of the creation of the quality labels.

The starting point of the AOC creation was that the customers were not seen as knowledgeable enough to make the difference between good and bad wines. This situation led to a deep reflection about the professional definition and vigilance of the quality. After several failures, it was decided that AOC quality label would be awarded to wines that were:

- made with grapes issued from a delimited geographical zone of production selected according to their acknowledged fame acquired in the past;
- the eligible wines had to be produced according to a set of controlled means – growing conditions and wine making requirements establishing a threshold for “quality” wines.
- Finally, the AOC label was awarded after a tasting of the resulting wine by a winemakers commission in order to ensure the wine was showing no defect and the right taste style of the region.

The AOC avoided carefully any quality description or definition. First it had proven impossible to provide for a quality definition: the wine quality was a controversial notion². Producers did not always agree on quality evaluations of the same product. Some emphasized a few characteristics that others rejected. Second, the administrators wanted to let the notion evolve with technological change namely.

So quality was not made explicit, but framed by a few analytic tests (alcoholic degree, acidity...) and a gustatory test. AOCs constituted just a delimited space around a reference, the tasting typicality of the local wines under the same AOC. This frame allowed for personal interpretations if they kept within the local acknowledged "style" of the wines.

Demand answer

The customers started to buy and experience the AOC quality differentiation. AOC labelling received different interpretations among the customers. Some of them thought "any sign is more reliable than I". On the opposite others would not care of the label or were thinking that this quality differentiation was just a marketing trick resting upon the credulity of the customers. Others again would not deny the existence of quality but the quality hierarchy performed by the label.

Between these global rejections and the taken-for-granted positions some critical voices could be heard : labels were a good means but should be improved, namely because the assessors of the quality were said to be judge and part.

In the eyes of the wine quality defenders, the first use of the label was just fine . To the opponents, they answered that their taste could be misleading . And their efforts focussed on the last ones.

The AOCs were raising an important question: who had the proficiency in assessing quality? This question had been clearly answered : the wine professionals were the best experts, and they were thus judge and part. In order to solve this difficulty, wine quality supporters, such as well-known wine lovers, brokers, journalists, begun to publish assessments of the differentiation performed by the AOC labels. This new assessment activity resulted in slightly diversifying the set of the assessors.

If some drinkers were convinced and would use the new information they provided, the task performed by these new assessors raised also new questions: they were providing new quality assessments, often in disagreement not only with the AOC quality rankings but also among themselves. So the wines buyers had to choose among these different quality signs, and were asking about the best way to do it?

This induced a competition among the assessors. In order to ascertain their proficiency, critics provided their readers with a variety of criteria assessing their own trustfulness. They also organized wine critics awards and assessments. This all resulted in an increasing growth of the wine critique committed to the assessment of the quality of the wines. And... raised again new disputes. In order to differentiate among the wines, labels had been created, which were assessed by critics, themselves again assessed. But this assessment process was endless; the reliance on a quality sign or a judge could never be ascertained.

² For more details about the role of the wine critique and controversies among this collective of actors see Geneviève Teil, *De La Coupe Aux Lèvres - Pratiques De La Perception Et Mise En Marché De Vins De Qualité* (Toulouse: Octarès, 2004). Geneviève Teil, "La Production Du Jugement Esthétique Sur Les Vins Par La Critique Vinicole," *Revue de Sociologie du Travail* 43, no. N° 1 (2001).

So a new solution was proposed to the drinkers: “if any sign is never definitively reliable for you, please become yourself an expert”. And wine critics developed a new activity: teaching to the wine drinkers how to appreciate the wine qualities. By doing so, they contributed to the growing of an again diversified set of wine quality assessors including numerous wine-lovers.

Wine critics did not only encourage drinkers to buy better quality wines, but also to spend more for better wines. Higher prices were seen as the normal reward for higher quality products, independently from any production cost calculation. This reward attracted a growing number of wine producers competing for wine quality and better prices.

Thanks to the efforts provided by the whole critique, an increasing number of wine drinkers would search for good wines. They were most welcome by the customers who wanted to drink “real” good wines. A large number of vineyards asked for an AOC and their number increased continuously. So, the last 60 years, experienced a steady growth on the quality wine market and more than 350 wine AOCs were registered. But while this differentiation process was resting upon an increasing number of wine tasters, it still was strongly maintaining a difference between the ones who were seen as competent to participate to the quality endless redefinition and assessment, and “the others”.

Achieved result after 50-60 years

So what did the quality differentiation effort achieve during the last century? The traditional wine market is still here, with its enduring wines and customers. But side-by-side, a new market organization has appeared, the quality assessed wine market with its assessors, and its clients.

Both market organisations keep up together very conflictive relationships, namely because they don’t have the same definition of the “good” product, nor the same quality tests and proofs. Nevertheless, they are clearly interdependent: the quality-wine markets provides for the prestige of the beverage, while the other provides for new customers who often begin by drinking unqualified cheaper wines before getting interested in quality wines.

So finally, the achieved result has been to place side by side and articulate two different market organisations: the long standing wine market that although drastically shrinking has never stopped existing along with a new quality wine market.

These two market framings show also some amazing differences: hundreds of thousands of producers and a huge price array on one side³, and a few big brands and a comparatively narrow price array on the other one. The conflicts that accompany the coexistence of both market frames do not mean they are incompatible. On the contrary, they both coexist quite well in our case.

Quality as a quest

The wine market actors have invented a new market framing where competition is not firstly oriented towards prices, but towards quality. Here quality is neither a norm nor a standard, nor a preference or a taste, it is the reflexive, controversial, dynamic aim of the production. It is a perpetual quest: always looked after, never achieved. So the controversies about quality are surely not the sign for a problem or dysfunction, but an indicator of the degree of their

³ Wine prices spread from a few dollars 4-5 US\$ to 2000 US \$

involvement in performing always better achievements and as a consequence, of their long term success.

Here the quality wine market organisation points out a specific market frame with the central role played by the wine critique, which fosters a vivid search for quality and thus the dynamics of the market. But another characteristic has emerged: the quality wine market is world wide, deeply internationalized, extremely competitive and nevertheless not globalized. The competition within producers for quality that maintained many producers and therefore many brands at work has fostered the diversity of the production

3. Performing a customer-product agreement

Usually, the buying act is considered as the result of the correspondence of two sets of characteristics, on the product side on one part, on the customer side on the other. The product is said to be the result of the combination of a delimited list of ingredients or components. The customer is supposed to be a composition of psychological, physiological and sociological characteristics.

However as we have seen through the intense discussions that accompanied the creation of the AOCs and later regarding the evaluation of the quality assessments, quality was nothing less than a very controversial perception of the product. It had to be discussed, tested, and confirmed through the use of complex procedures of tasting. In no case quality would express itself alone and directly to any perceiver. And the perception of quality could not be considered as a given or even a parameter. It was rarely fixed and stable and rather unpredictable and evolving.

The changing customers have shown that their perceptions of quality could be transformed and changed through repeated and shared experiences of the product. Again, many customers do not have ready-made preferences; they often change their minds after new experiences. There is no such thing as tastes and preferences inscribed in your body and mind that would force your mind to know what you prefer. On the contrary, tastes are the result of very reflexive self-questioning or analysing processes. According to each customer they can be very strongly stabilized, closed to any new experience for instance, or, on the contrary extremely versatile, changing with every new tasting, every new experience.

So in order to understand how the product customer agreement was produced, we had to remove our former hypothesis. Instead, we understood the product-customer agreement as the *result* of numerous devices and procedures.

Two different market framings

These procedures are able to frame the agreement in two different ways. On the quality market side, the marketing consists in helping customers to know, or feel the quality differences as stated by the professionals. This was performed by the AOC and later the wine critique, which discussed quality and then informed, educated and equipped the customers so that they could adapt to the products.

On the opposite side, the first step consisted in raising the customers' awareness towards themselves, their tastes, preferences, dislikes, wants, desires.... Then preferences have to be transformed into requirements; this means that the customers are helped to ground their choices on their preferences (which is of course not the case for the quality organisation). Lastly a product that tries to meet these costumers' requirements is conceived and produced.

Now, what are the consequences of this reframing of our understanding of the markets? Most of the economists and marketers make one implicit hypothesis: the aim of any market is to fit the customers' needs. This implies to lower the prices at all expenses but within the quality norms set up by the economic laws.

Following this interpretation, AOCs are interpreted just as a market barrier. The underlying interpretations say that AOCs do not designate quality products because AOC do not fit with customers' preferences. And tests results are exhibited to show that wine drinkers fail to prefer the higher quality of AOCs. (So AOC have been since a very long time a stumbling block between the European and American food administrations at the WTO.)

But if you remove the hypothesis that markets are only aimed at fitting customers needs, and you allow professionals or the market governance to organize themselves in order to avoid the Akerlof's lemons situation, the barrier interpretation becomes senseless and AOCs turn to be just a customers' information device. And this device is required precisely because the customer is not seen as knowledgeable enough.

4. Conclusion

The case we have analyzed together shows that if one does include into the analysis of the markets the way quality is constructed, then a variety of market organisations appear and among others an alternative to the demand subordinated market. The WTO promotes customers grounded markets, however, it is not the only way a market can operate.

If we are to defend the know-how, the proficiency of the professionals, artisans, and specificities of our countries, we have to disagree with the WTO, because remote foreign customers do not know what the interest of a local production resides in. And the purpose of Geographical Indications such as AOCs is precisely to settle a market organisation resting upon the producers' knowledge and able to teach the customers, to educate them.

I am not concluding that quality competition is better than price competition. I am just trying to suggest that other economical organisations are possible with their own advantages and drawbacks. Industrialisation and standardization are not our inescapable future; little farmers and shoppers are not condemned. And surely, lots of markets with strange features, left aside as artefacts or bizarre and paradoxical organisations, will show, when deeply scrutinized, characteristics remote from many mainstream interpretations.

References

- Akerlof, G. A. "The Market for "Lemons": Quality Uncertainty and the Market Mechanism." *Quarterly Journal of Economics* 84 (1970): 488-500.
- Teil, Geneviève. *De La Coupe Aux Lèvres - Pratiques De La Perception Et Mise En Marché De Vins De Qualité*. Toulouse: Octarès, 2004.
- . "La Production Du Jugement Esthétique Sur Les Vins Par La Critique Vinicole." *Revue de Sociologie du Travail* 43, no. N° 1 (2001): 67-89.