Innovating Traditional Products: "Self-Sacrifice vs. Product Authenticity"

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Abstract:

Purpose: Products are continuously innovated to improve organization efficiency and meet consumer expectations. Although satisfying consumer expectations in a society where buyers expect continuous product improvement is imperative to survival in today's competitive environment, consumers reject 50-80% of these innovated products. While this could be due to the perceived lack of authenticity of an innovated product leading to diminished perceived value, our knowledge about the relationship between authenticity and value creation is limited. Moreover, there is no conceptual explanation specific to how consumers react when a traditional product, like wine, is intrinsically modified and how consumers' characteristics, as well as culture moderate any trade-off between loss of authenticity and gained functional benefits. This study addresses the above-mentioned gaps through the development of a conceptual framework, examining whether the intrinsic innovation of a product will elicit a stronger influence on perceived authenticity when the product is traditional rather than not traditional.

Design/methodology/approach: The preliminary exploratory approach, involving seven focus groups and wine tastings, was conducted in Jakarta, where wine is not a traditional product, and Adelaide, where wine consumption is part of the culture. The innovation was related to a substantial lowering of the alcohol level.

Findings: Overall results support the conceptual model, showing that Indonesian participants are more open to consuming low/no alcohol wine and still consider the product to be wine in contrast to Australian participants, who reacted more negatively to the product innovation and did not consider the product to be wine.

Keywords: Wine, Product Innovation, Authenticity, Traditional products

1. INTRODUCTION

Meeting consumer expectations can be challenging – it is hard for companies to introduce innovated products and even harder to innovate traditional ones (Katz, 2003). Launching innovated products comes with high risks and the success rate is usually under 50% (Taylor and Bearden, 2003) due to feelings of inherent uncertainty experienced by consumers when purchasing these products. Typically, they avoid risk and/or use supportive information to reduce uncertainty levels (Martinez et al., 2009). Important factors influencing the success of a product innovation relate to *consumer perceptions* of authenticity (Gilmore and Pine, 2007), better value/quality and a good understanding of customer needs (Kenneth 2013; McNally et al. 2011); hence the acceptance of a new (or innovated) product is critically connected to belief in superior product attributes as well as consumer characteristics (frequency of consumption and product class involvement) (Hauteville, 1994). Whilst consumers may well expect and welcome product innovation in categories such as computers, software, cars and numerous other categories, the examination of intrinsic innovation of more traditional products, like wine, is limited resulting in a substantial gap in our current knowledge. As a result, important attributes of any innovated products may include: their perceived 'traditionality' (how traditional a product is perceived to be), the perceived enhanced value of the innovation and the level of innovativeness offered by the new product over the original.

Wine is a very traditional product with high symbolic value (Meillon, 2010). The intrinsic innovation of modifying (reducing) its alcohol levels (by partial or complete dealcoholization) is gaining support in society as the alcohol level in wines has continued to increased through the years, leading to an increassed per capita consumption (Chikritzhs et al., 2010). This has led the World Health Organization (WHO) to launch a global strategy specifically aimed at lowering alcohol consumption. This global strategy, together with consumers' increasing health consciousness (ICAP, 2007), has increased the need to develop new wines and other forms of alcoholic drinks to enhance consumer choice for lower alcohol alternatives (Grant, 2010). However, lower/low alocohol wines already exist but have not been very successful due to people expecting these wines to be less traditional, less complex, to have poorer taste and to lack natural character (Meillon, 2010; Josselin 2008; Saliba et al. 2013). This is particularly true for red wine, which is perceived to be more complex and is not expected to withstand the dealcoholization process without losing quality (Meillon, 2010). Moreover, red wine is considered more traditional with a somewhat 'sacred' status (Meillon, 2010). In summary, the process of dealcoholization is perceived by consumers to prevent the traditional winemaking process from being performed properly, and thus hinders their acceptance of such poducts. Hence, determining an acceptable level of innovation in wine products, one that would still allow the product to be deemed 'authentic' (in terms of style, varietal, level of alcohol, color), is gaining importance. The purpose of this preliminary study, therefore, was to test consumers' response in two diverse wine markets, one where wine is a traditionally consumed product and one considered an emerging wine market. Wine products tested were of varying alcohol levels, varietals and styles. The purpose of the research was to provide support, or otherwise, for a conceptual framework to be empirically investigated in a later stage of the overall research project.

## 2. LITERATURE SUMMARY AND PROPOSED CONCEPTUAL FRAMEWORK

A critical factor to the success of a traditional product is *product authenticity*, which represents consumers' subjective judgment about the products' authentic value (Grayson and Martinec, 2004; McNamara, 1997). Authenticity is a characteristic attributed by social

agreement to certain entities, based on whether an object is considered genuine or 'real' (Trilling, 1972). Modern consumers often characterize *authentic products* as original, traditional, genuine, unique, and real (Munoz, et al., 2006). Authenticity can become an issue when compromised (Peterson, 2005; Benjamin, 1936; Trilling, 1972) and traditional products potentially evoke feelings similar to those aroused by something regarded as authentic (Carroll and Wheaton, 2009; Levine, 2005; Sokolov, 1998). Traditional products are also likely to represent particular challenges to consumer acceptance when innovated as opposed to 'modern' product categories, such as computers or mobile phones, where innovation is accepted and, indeed, necessary for continued success. Indeed, authenticity has become increasingly important for consumers, overtaking quality perceptions as the main purchasing criterion (Gilmore and Pine, 2007), thus carrying with it an almost sacred, cultural type of interpretation that conveys high value (Frazier, Gelman, Wilson, & Hood, 2009). However, consumers' judgment about the authentic value of a product and its consumption is subjective (McNamara, 1997) and the criteria used by consumers to satisfy their authenticity needs through consumption, may be different from the ones that do not share the same needs (Lewis and Bridger, 2000). Furthermore, since many products are currently consumed not only in one country, but also globally, the need for authenticity may vary across cultures. For example, what is considered to be a traditional product in one culture might not be in another, and society's culture affects the values and thus the behavior of its members (Hofstede, 2010). As a result, it is important to examine how consumers' perception of authenticity differs when the innovated product is traditional to their culture in comparison to when it is not. Therefore, in this study, two locations were selected for data collection, first Indonesia (Jakarka), where wine is not a traditional product, and Australia (Adelaide), where wine has a long tradition of both production and consumption.

It is particularly important to manage and conform to consumers' perceptions of the authenticity of a product (Grayson and Martinec, 2004) even whilst innovating it. Yet, research offering evidence that subjective interpretations of authenticity create value, and thus lead to purchase intentions, is limited (Kovács, 2014). At its core, product value is an assessment of what is received versus what is given up to get it (Gupta and Zeithaml, 2006), and it can be referred to as *'perceived sacrifice'*. When it comes to goods and services deemed traditional, objects perceived as authentic are considered more valuable than other non-authentic objects with the same characteristics {Kovács, 2014 #50}. However, when the characteristics of a product change due to innovation, the research is silent as to whether consumers' need for authenticity can outweigh *functional benefits* they would enjoy as a result of the innovation. Even though consumption preferences and the behavior of those who seek authentic value have been explored previously (Crosby and Johnson, 2003; Lewis and Bridger, 2000), little is known about how consumer need for authenticity plays out in the case of an innovated product or service (Liao, 2009). Furthermore, research is needed to identify how perceptions of authenticity differ as a result of consumer characteristics such as product involvement, frequency of consumption/purchase and socio-economic background, which represent potentially moderating factors not yet investigated in this context. Products perceived as authentic are considered more valuable than other non-authentic objects with the same characteristics (Kovacs and Carrol, 2014). Hence, when a product is intrinsically modified (such as when lowering the alcohol level in wine), the innovation may erode its perceived authenticity. Our current understanding of how consumers experience and respond when the characteristics of a product change substantially due to innovation is very limited. Wine represents a suitable context for this inquiry given the mainstreaming of wine consumption in the past two decades that have seen traditional producers, connoisseurs and critics complain about the lack of authenticity of mass produced wines (Beverland, 2005).

Given the continuous need for constant product innovation and improvement in the wine industry globally, and the substantial number of gaps in our knowledge about innovating traditional products, a conceptual framework was derived from the extant literature (Figure 1) which proposes relationships between the constructs discussed. Moreover, the framework examines the extent to which the innovation of a traditional product influences perceived authenticity, and how the latter influences value generation for innovated products.

Figure 1. Proposed Conceptual Framework
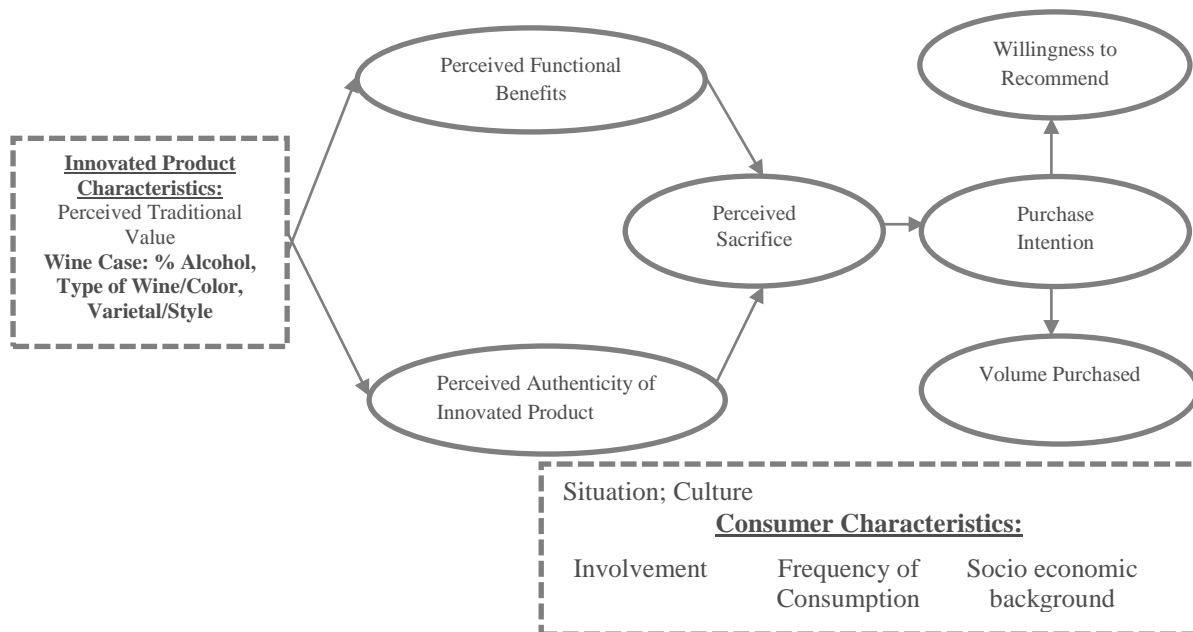
Lastly, the framework illustrates the potential trade-off (perceived sacrifice) between a desire for authenticity (what is given), and the perceived functional benefits of the innovated product (what is received). In the preliminary exploratory qualitative phase reported here, we focused only on how traditional participants perceive wine in their culture (Meillon, 2010) and how lower alcohol levels in wine influenced its perceived authenticity. This study focused not only on perceived product attributes (perceived traditionality), but also consumer perceptions and factors influencing consumers' value judgement about an innovated product, controlling for the potential moderators: consumer characteristics, situation and culture.

It is expected that when the characteristics of a product change as a result of an innovation, the perceived functional benefits change as well. Furthermore, it is expected that with the realization of any increase in perceived functional benefits, perceived sacrifice will decrease. Because consumers buy things not only for what they can do, but also what they mean (Levy, 1959) and gain symbolic and experiential benefits from products (Belk, 1988; Keller, 1993; Mick, 1986; Solomon, 1983), the question of whether perceived diminished authenticity erodes the symbolic value from the product arises. For example, when mass production techniques are used to produce furniture, a demand emphasizing craft like hand-made furniture emerges (Orvell, 1989). Hence, we propose that a diminished perceived authenticity will lead to higher levels of perceived self-sacrifice. Consumers rely on different cues to assess authenticity, and attributions of authenticity may vary among consumers, creating variations in value ratings. The moderating effect of consumer characteristics such as:

product involvement, frequency of consumption/purchase and socio economic background, is therefore expected to have an impact on authenticity.

Involvement or attachment to a product should have a positive effect on the need for authenticity (Liao, 2009; Glen and Carroll, 2009). We propose that involvement will be negatively related to the perceived authenticity of an innovated product, such that when a consumer is highly involved in the product category, the innovation will be perceived to be as less authentic. It is also expected that consumers with different *socioeconomic backgrounds* and lifestyles hold different degrees of need for authenticity based on limited evidence offered by Liao (2009). Furthermore, as already mentioned, it is expected that the need for authenticity is a phenomenon that varies across cultures. We propose that when a product is not traditional in a certain culture (thus leading to consumers not perceiving the product as traditional), consumers will be more open to the innovation and the perceived authenticity will be less impacted.

In summary, Figure 1 demonstrates the possible effect of a substantial innovation of a product with a strong traditional and historical heritage, on perceived authenticity and functional benefits. Moreover, it depicts potential relationship between the innovated products' perceived functional benefits, authenticity and perceived self-sacrifice with flow on effects to purchase intention, willingness to recommend and volume purchased. The relationship is moderated, although not yet known to what degree, by product charateristics (perceived traditionality etc.), consumer characteristics (culture, involvemnt, frequency of purchase etc.), and external attributes (situation).

2. METHODOLOGY

2.1 Focus groups in Indonesia and Australia

Exploratory research in a form of focus group interviews was employed to explore consumer reactions to a variety of alcohol-reduced wines in depth (Morgan, 1998). This technique allows probing for participants' perceptions (Albrecht, 1993), providing an amicable environment and has been successfully used in previous studies about wine and authenticity (Beverland, 2005)

Convenience sampling was employed to examine the relationship between the perception of product traditionality and authenticity. All participants were recruited through a marketing company in Jakarta (Indonesia) and a university network in Australia. These countries were chosen as they exhibit different levels of historical involvement with, and consumption of, wine and thus it is expected that wine will not be considered equally 'traditional' in both locations. Four focus groups were conducted in Jakarta with the respondents stratified into 18-35 year old males (6 males), 18-35 year old females (7 females), above 35 year old males (8 males) and above 35 year old females (6 females). The focus groups were replicated in Adelaide and the respondents were stratified into 18-35 year old males (4 males), 18-35 year old females (7 females), above 35 year old males (4 males) and above 35 year old females (4 females). The focus groups were conducted March 2013 (Jakarta) and July 2013 (Adelaide).

2.2 Interview protocol and data analysis

A semi-structured interview guide was developed based on the gaps in the literature with a view to encourage discussion, provide flexibility, and insure consistency across several focus

groups (Stewart and Shamdasani, 1990). Key questions were directed to period of drinking wine ('How long have you been drinking wine?'), situation ('When do you like consuming wine?'), criteria of wine selection ('What do you look for when buying a bottle of wine?'), frequency of drinking, perception of low alcohol wines, benefits perceived from consuming low/no alcohol wines, authenticity of wine, whether they viewed wine as a traditional product etc. Participants were given eight different wines to taste. The wines varied in attributes and alcohol level (three reds: 0.5 %, 7.5%, 15.5% alcohol level respectively; two rose: 0% and 13.5 %; three white wines: 0.5%, 5.5% and 13.5 %). No information was given about the wines and the labels were covered. After the tasting, participants were told that three wines had no alcohol and were asked whether their perception of those wines changed after finding out the alcohol level and whether they still considered the beverages to be wine. Participants were also asked to rate the wine overall from 0 (really disliked it) to 10 (liked it very much). Moreover, they were asked to guess the alcohol level and to give any comments on the wine. Identical methodology was repeated in Adelaide.

3. RESULTS

3.1 Results of focus groups in Jakarta

As expected, the no alcohol wines were considered to have the lowest quality overall, irrespective of varietal and style. However, the small range (4.44-6.55) is a positive sign that the difference in preference is not as vast. The participants had trouble associating the character of the wine with the alcohol level, and overestimated the level of alcohol in the wine. The no alcohol red wine was ranked last, following the prediction made from the literature review that 'red wine does not handle the dealcoholisation process the same way as rose and white wines'. The rose wine was met with the most positive reaction, being characterized as 'refreshing' and 'easy to drink'. Men above and below 35 were the most against the dealcoholized wines, however the history of drinking and frequency (years of drinking wine) played a moderating role. Men that had not been drinking wine for long were more open to accepting lower alcohol wines. The same acceptance of these wines was indicated by females below and above 35 years old. However, overall, they were more open to the idea of consuming these wines on occasion, when wanting to relax after a long day of work, when not eating and when not wanting to get drunk. The majority still considered the no alcohol products to be 'wine' and their perceptions did not change after finding out the information. As predicted, wine was not considered a traditional product by most participants. These participants reacted more positively to the innovation and saw the benefits as overcoming the downfalls in particular situations. The innovated product was still perceived as authentic.
On the other hand, the participants that were raised with the culture of drinking wine reacted more negatively to the innovation, seeing the new product as not authentic, and the perceived sacrifice as high.

3.2 Results of focus groups in Adelaide

Wine was considered a traditional product and perceived to be authentic at standard or more 'normal' alcohol levels. Authenticity was associated more with methods of production, location, and producer. Similarly to the data collected in Jakarta, the no alcohol wines were ranked lowest in preference; however there was a discrepancy between the rating of the white and rose wines and the red. The white and rose wines were considered light and refreshing, while the red was deemed to be 'undrinkable' and 'like fruit juice'. In constrast to the data

collected in Jakarta, respondents reacted more negatively upon finding out that the wines contained no alcohol with one participant stating that *'now that I found out that it contained no alcohol, I would never buy it'* regardles whether they had liked the taste. Judgement of the wine was also related to a quality benchmark created through years of drinking wine, particularly when they started as young adults, linking their judgement to the tradition of drinking wine with their parents. Upon finding out the alcohol content, the majority did not see the product as authentic and did not agree with the idea of calling it wine. As predicted, wine was considered a traditional product by most participants. These participants reacted more negatively to the innovation and saw the downfalls as overcoming the benefits.

On the other hand, the participants that were not raised with the culture of drinking wine reacted more positively to the innovation, and the perceived sacrifice was lower.

Frequency of drinking, situation and history of drinking were found to play a moderating role similar to the results in Jakarta.

3. CONCLUSION

The study offers important managerial implications as it explicates how consumers react to innovations of traditional products, as well as theoretical contributions about authenticity in the context of product innovations. Moreover, it will also be a contribution to the alcohol industry by providing an insight as to how consumers perceive the innovation as well as what is the 'optimum' innovated product in terms of style, varietal and alcohol level. This may provide the foundation for lowering alcohol consumption per capital. The results also provide strong support for the empirical testing of Figure 1. in the next stage of this research.

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