

Olive oil blind tasting experiment

EEp 142, Spring 2009, Villas-Boas

Olive Oil Extra Virgin Certification

- American olive oil consumption has been growing
- no regulation of olive oil labels in the US
- key law effective January 2009 in California requires that olive oil sold in the state must be labeled according to international olive oil standards.
- Several other states are on this same path, and federal regulation may not be far off.
- How might giving the coveted term “Extra Virgin” regulatory bite affect olive oil markets? (Gustafson and Lybbert, 2009).
- In the context of asymmetric information (we will go back to this case and above paper when we cover this in class later in the semester.
- Right now focus on product differentiation

Olive Oil Extra Virgin Certification

- Do consumers taste extra virgin certified olive oil attribute in a blind tasting setting?
- What is the willingness to pay for olive oil they prefer relative to an alternative, in a blind tasting setting

Experiment

- In a classroom offer two olive oil bottles where the brand and labels are hidden , Bottle A and Bottle B, to be tasted by dipping bread in two separate bowls
- Both brands claimed to be extra virgin and both are US brands, and only one was certified
- Fill out a simple questionnaire
 - Do you usually consume olive oil? Y/N
 - Which brand do you prefer A / B
 - Which brand is Extra Virgin A / B
 - How much extra would you pay for preferred brand? _____

Experimental Design

- Number of students enrolled were 95
- Sample of students who participated equals 59
- Three more subjects tasted after class
- Total sample size equals 62
- Brand B was the Extra Virgin one

Results – data summary stats

- 73 % consume usually olive oil
- 48% prefer A, so 52 % prefer B
- Remember B is the EV
- 40% think A was extra virgin EV

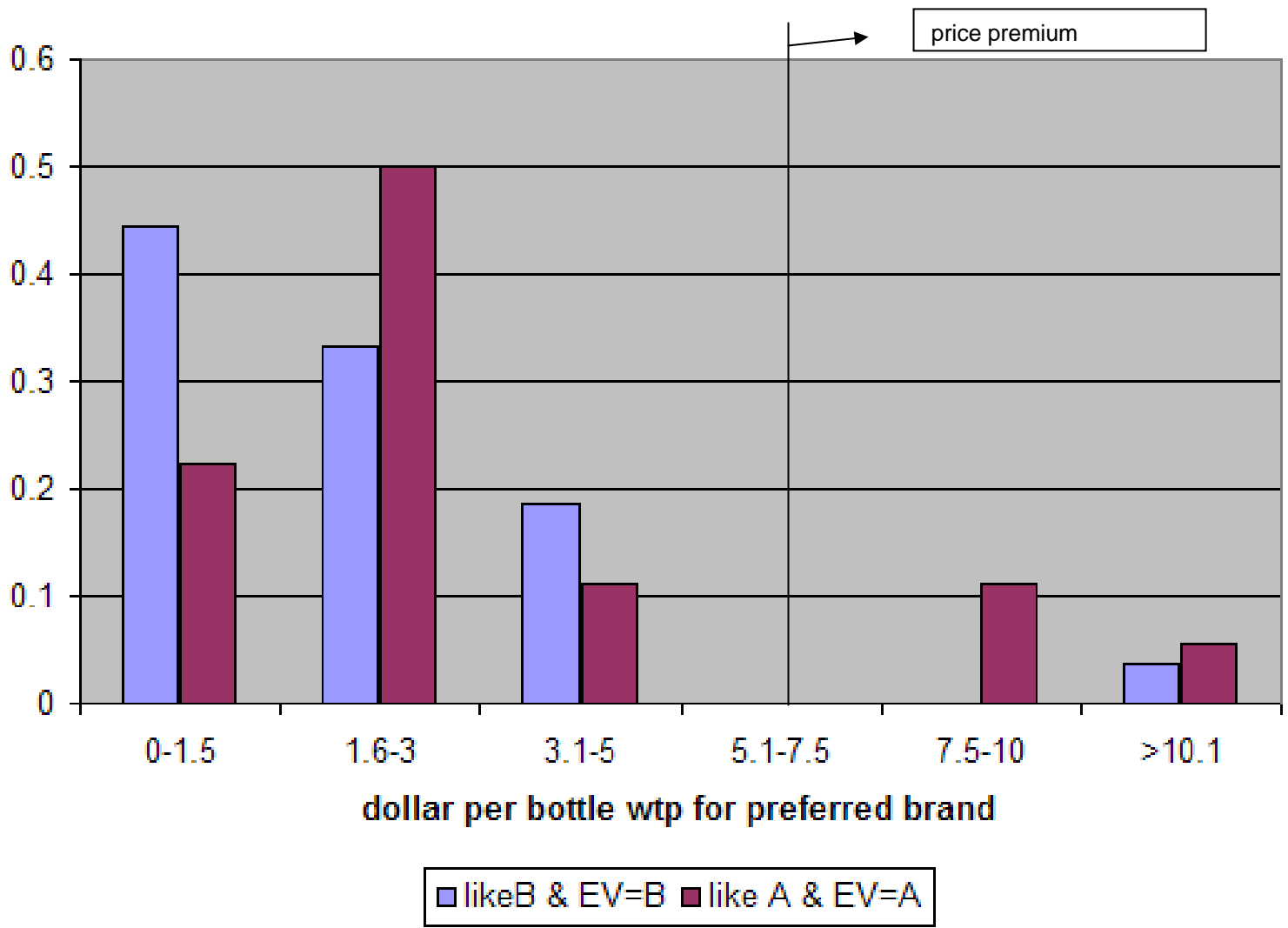
	Usual no	Usual yes	total
EV=B	13	24	37
EV=A	4	21	25
Total	17	45	62

Results – data summary stats

- 48% prefer A
- note B is the EV
- Majority identified EV=B, 60%
- And 24 of those 37 are usual consumers
- Basically tied on brand preference

	EV=B	EV=A	total
Pref B	27	5	32
Pref A	10	20	30
Total	37	25	62

freqs of wtp for preferred brand relative to other brand



Willingness to pay (WTP) for preferred brand

- | | | |
|-------|-----------|--------|
| Usual | not usual | pooled |
|-------|-----------|--------|

Dep var WTP in \$ dollars	Only usual consumers	Not usual cons only	All respondents
constant	2.9** (0.62)	8** (1.66)	3.75** (0.64)
Pref B	-1.5 not sign	-7* (3.32)	-2.5 not sign
PrefB and Think EV=B	1.9 not sign	7.8* (3.82)	2.8* (1.7)
R squared	0.03	0.39	0.04
N obs	42	20	62