Wine Marketing

What influences consumer selection in the retail store?

A look at initial South Australian data gathered as part of an international research project.

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This paper presents initial research findings from the research project "Mapping the influences of consumer choice for wine selection (on and off-premise) in key export markets". This paper is based on the initial data gathered in Australia. The research, funded by the Grape and Wine Research Development Corporation, will gather data in key export markets, existing and potential in order to identify to what extent different segments exist and what influences their choice in order to develop 'influence maps' for the Australian wine industry to utilise in production, marketing and targeting decisions.

Over the next two years there will be a series of papers and reports published from this research. Updates for these can be obtained by contacting Steve.Goodman@adelaide.edu.au

One of the big problems in wine marketing is knowing which of the many attributes a single wine can have are most important to different customer groups when they are actually buying wine. Much of our knowledge on the importance of different aspects in wine marketing is based on surveys, where consumers respond to questions on the importance of lists of intrinsic (wine-related, like flavour, style, etc.) and extrinsic (packaging and price-related) attributes. However, unless one alternative or attribute clearly dominates, it is difficult to identify the most important attribute or most preferred product. Often the differences may be statistically significant, but it is difficult to assess whether a rating of 5.6 out of 7 is meaningfully different from 5.1 out of 7. Treating the typical 1-7 agree/disagree scales as if 6 is twice as good as 3 may generate different conclusions than if we simply count which alternative received the most 'agree' ticks. What weighting scheme to apply to category ratings, or whether to rely on the alternative with the most 'agree' ratings, is a well-recognised problem in the case of purchase intention scales (see Morrison 1979, Jamieson and Bass 1989). Another issue is that each attribute is frequently measured with a single item rating newly developed just for the survey, so the reliability and validity of the scale is unknown. Attributes are usually not measured relative to other attributes or even products, which must compete for the same (necessarily limited) consumer resources. Even if they are, respondents often are not allowed to indicate that they like many (if not all!) of them. Although some individuals truly might like nearly every attribute or combination, such responses don't provide adequate discrimination to help managers identify real priorities (Finn and Louviere 1992). Our research shows the usefulness of a new way to measure how important various product attributes are in comparison to others.

Wine is a complex product with a wide range of attributes consumers might use in making their product choice. Some previously tested attributes include: taste, type of wine, alcohol content, age (of wine), colour, price, brand, label/package, practical (usability for purpose), and region. Lockshin and Hall (2003) recently reviewed over 75 articles concerning consumer behaviour for wine. They noted that many of the studies used simple surveys with rating scales to measure consumer preference for various wine attributes. Although there was much conflicting order in the rankings of the attributes for importance; previously having tasted the wine, the price, the origin, the grape variety, and the brand name of the wine were all mentioned frequently. The authors concluded that the best means to advance understanding of which attributes and combinations led consumers to purchase a particular wine was to use either choice-based experiments or analysis of actual consumer purchases.

Using purchase data (e.g. supermarket or wine store records) is a powerful technique, but has several weaknesses. First, it is expensive and only a very few wine companies can afford to obtain this data, so it will not help the majority of wineries or channel members. Second, it only allows analysis of what consumers have purchased – not what influenced them or what they might have actually preferred. Patterns can be discerned, but new attributes or combinations cannot be tested – and importantly, emerging opportunities based on consumer preferences are difficult to detect. Third, there is usually not enough information about the consumers to allow for segmentation, which is necessary, especially for ▸

wineries targeting niche markets or an industry looking to grow through reaching high potential groups.

The method

Our method is called Best-Worse Scaling. In addition to demographic data, the level of wine involvement and consumption frequency, a section of the survey involves a series of 13 tables (see example Table 1) each consisting of four 'influence attributes'. Across the survey, each attribute appears an equal number of times and appears along side each other attribute equally across the total set. For each set of four 'influence attributes' respondents are asked the question, 'the last time you purchased a bottle of wine in a store to have for dinner with friends' please indicate the attribute that MOST (Best) and the one that LEAST (Worst) influenced your decision.

Previous work has shown that there is much less bias when respondents have to pick the BEST and the WORST; there is no influence of the way different people use numerical rating scales. Attributes are directly compared with each other, so the results are truly the most important to the least important. The analysis is simple, yet powerful. The number of times an attribute is chosen worst is subtracted from the number of times it is chosen best leaving a score which can then be standardised to enable different samples to be compared. The results are referred to as 'level of importance'. Each attribute has a number, which is a true representation of its value to the consumer. If one attribute has a 4 and another only a 2, we can say one is twice as liked as the other. For a detailed discussion of the method and its application in the wine sector, see Goodman, Lockshin and Cohen (2005; 2006) that shows our detailed method. Academics and practitioners alike can use this method to discriminate amongst various segments and to assist in planning their marketing effort.

Table 1. Example of one table of Best-Worse Choice Experiment

Worst/Least	Issue/attribute	Best/Most
	1. Grape variety	X
	2. Brand name	
X	3. Medal/award	
	4. Origin	

The limitations of the data presented in this paper are that it is the initial data collected in South Australia. The secondary phase of data is to be collected in the eastern states in early 2007, which will enable insight into the differences or similarities of Australian states. The data collected so far consists of 228 responses collected directly in wine stores. As such, the average involvement level is fairly high – although we still find some differences between high and low wine involvement consumers.

Results in retail store wine choice

Figure 1 provides the choice influence attributes in rank order for the sample, showing, to some extent, what practitioners and researchers have suspected – that 'tasting the wine previously' and 'someone recommending' are key – followed by 'grape variety' and 'origin of the wine' (country or region). The level of importance of each attribute and respondents could be used for the statistical analysis to estimate the significance of the differences among the attributes. However, the positive bars (relative importance) mean that more respondents consider the attribute as more important while the negative bars show the opposite. Zero relative importance means that equal number of respondents consider the attribute as best and as worst. While there is no startling revelation in the sample as a whole, it does appear that in store displays and nice labels might in fact be too late to influence decisions – these

1 – Promotional display in-store
2 – Grape variety
3 – Origin of the wine
4 – Information on the shelf
5 – Alcohol level below 13%
6 – Matching food
7 – Information on back label
8 – Medal/award
9 – An attractive front label
10 – Brand name
11 – Someone recommended it
12 – I read about it
13 – tasted the wine previously

Fig. 1. Sample ranking of choice influencers

decisions are likely to be influenced by prior exposure. Staff/friend suggestions or production decisions such as region, varietal and quality (medals/awards) are important, although general branding and publicity (read about it) also contribute to influencing choice.

To generate managerially useful insights, the next step is to begin to look at, and compare various segments to see if there are differences in influencers that might suggest areas for targeting strategy. Figure 2 shows the comparison across gender in this sample, sorted by Female (n=108) preferences. While both males and females share the same first two influencers, women rate brand, origin and varietal almost equally as the next set of influencers, while men (n=120) consider varietal as much higher importance compared with women and then have origin much more important to them than brand. This suggests that with women it may be necessary to combine the right region, varietal and brand effort, while men may be better targeted with more effort on varietal and publicity ('read about it'), something which has little influence for women.

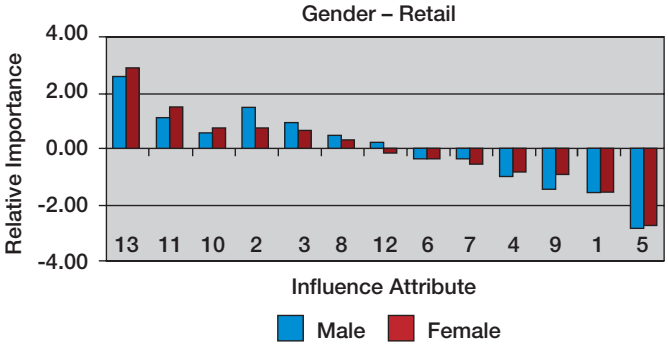

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Fig. 2. Gender comparison of choice influencers

Looking at the data using age breakdowns (Fig.3) shows the differences between the groups (18-24 years n=44, 25-40 years n=84, 41-54 years n=74 and 55+ years n=26). The industry has identified the importance of reaching new generation consumers so seeing that varietal and medals/awards are significantly less important to 18-24 and much less important to 25-40, both of whom are more likely to be influenced by recommendation suggests opportunities for reaching them will involve generating word-of-mouth (WOM) amongst reference groups and staff in-store rather than 'bling' on the bottle.

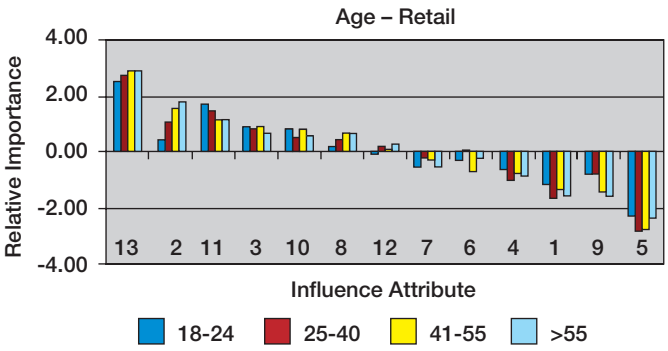

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Fig. 3. Age comparison of choice influencers

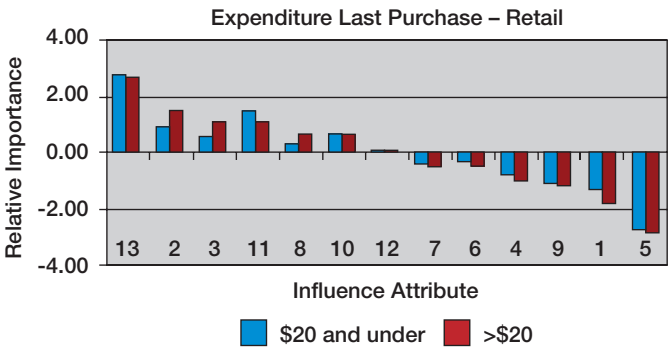

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Fig. 4. Expenditure Comparison of Choice Influencers

The average spend per bottle of consumers involved in this sample was generally equal across income groups (although frequency is likely to be different). When purchasing wine for a special occasion all age groups spent approximately 50% more on the bottle, except the 18-24 group that increased their spend by 100% – possibly representing not an importance on the wine but more that special occasions in this group are likely to include 21st birthdays, first dates, graduation from University. Whereas 'branding' has often been seen as the domain of commercial wines and the lower price end of the consumer market, the data showed that branding was significantly more important for the >$80k income segment – while Jacob's Creek is a brand, so too is Henschke and Glaetzer – branding is a challenge and importance for the full spectrum of price points and income groups targeted.

The influencers for higher consumption (n=146) consumers (more than once per week) and high involvement (n=103) (those who take an active interest in wine, it is important to them) the biggest differences are in the importance of varietal and origin, whereas lower involved (n=84) and low frequency (n=81) consumers had double the importance on medals/awards and marginally more importance on someone recommending the wine. The importance of varietal and origin are also seen in the expenditure on the last bottle purchased, where the medals/awards are twice as important to the higher spend segment (n=134) (Fig.4) while the importance of generating WOM, as recommendation is more important to the lower spend (n=92).

Across all segments, the most important influence was having tried the wine before – leaving marketing until the consumer visits the store looks a little late as 'attractive labels', 'in-store information' and 'promotion in-store' scored 'worse' across all segments. The challenge to get trial and recommendation is difficult, the data on the influences on-premise will show to what extent that channel offers a viable way to move people up from buying by the glass to a bottle in retail. Low involved respondents, 18-24 years old and less than $51k income segments are not influenced by 'read about it' – which is likely more that they don't read wine reviews rather than a lack of importance. It might show the importance of placing wine reviews within broader lifestyle editorial and writing situations as well as general product placement within television and movie entertainment. From a marketing perspective the production decisions of region, varietal and quality (to win medals, gain reviews – importantly to be liked by the consumer) are crucial – it is important to look at the correlation between 'which region and which varietal', i.e. how viable is it for a Barossa producer to have a Pinot Noir and Sauvignon Blanc in the range or is an Old World approach appropriate (not in legislation but in marketing savvy). A Barossa producer may be better off producing the style the region is most associated with (say Shiraz), with smaller amounts of niche wines (say Merlot and Semillon).

Conclusion

What this initial data has shown us is important – there are differences in what influences consumer choices for wine. The Best-Worse method offers a way to identify and then map what is influencing consumer segments in their choices for wine in retail and on-premise, that it is capable of generating insights that can assist the wine industry is better marketing (and producing) product to reach the segments that are identified as crucial to growth. Once data is collected in key existing and potential export markets this expands to assist the Australian industry in its global pursuits, which underpin sustainability. This paper is the first in what will be regular updates on the research and importantly on the implications and practical insights for the Australian wine industry, from individual markets to comparisons of Old vs New World, Europe vs USA vs Asia and so on. Feedback and questions are welcome –contact details are in the introduction.

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