
9TH ACADEMY OF WINE BUSINESS RESEARCH CONFERENCE

WINE BUSINESS RESEARCH THAT MATTERS



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9th Academy of Wine Business Research Conference

Wine Business Research that Matters

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Cooperative Strategy and Liquidation in the Bordeaux Wine Industry

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Abstract:

Purpose: Cross and Buccola (2004) established that if the lenders of cooperatives are not in position to assess the “right” price to be paid for the raw-material delivered by cooperative members, these latter may push for a cash transfer which may deteriorate the financial position of the cooperative. This form of liquidation can be an exit way for cooperatives which, at the turning point of maturity, do not seek strategic alliances to increase their market power, or do not shift to a new model, according to the lifecycle approach of Cook (1995).

Design/Methodology/Approach: In this research, we test this hypothesis for cooperatives of the Bordeaux wine industry. We run two regressions which aim at characterizing the relationship between leverage and cash transfer to cooperative members according to the downstream strategy of cooperatives.

Findings: Our results confirm our main hypothesis. The cooperatives which stay in the traditional form are prone to liquidation: the cash transfer to producers implies a higher leverage which implies a financial distress.

Implications for practitioners: The financial behavior of cooperatives forming union and of those which have opted for vertical integration is radically different.

Keywords: Cooperative finance, liquidation, lifecycle approach, wine industry, cooperative union, vertical integration

JEL Codes: G320, D230, Q130

1. INTRODUCTION

A major drawback of the cooperative ownership structure is that cooperative members may have a lower stake in the future well-being of the firm, as cooperative owner, than in its present well-being, as cooperative supplier. Cross and Buccola (2004) established that if the lenders of cooperatives are not in position to assess the “right” price to be paid for the raw-material delivered by cooperative members, these latter may push for a cash transfer which may deteriorate the financial position of the cooperative. The desire to liquidate cooperative capital is in line with the yardstick competitive hypothesis (Cross et al, 2009), stating that cooperatives are a temporary mechanism for agricultural producers to fight against the monopsony power of larger downstream firms (Nourse, 1942). As soon as market efficiency is “restored”, cooperatives may let the place to IOFs, which, a priori, benefit from a less costly ownership structure (Hansmann, 1988; Cook, 1995).

However, it appears that a lot of cooperatives do not disappear even when they reach the turning point of maturity and operate in a competitive market. Cook (1995) extended the Nourse’s story in considering that cooperatives which have reached this stage face three options: (1) exit (which is the option given by the yardstick competitive hypothesis); (2) continue in forming strategic alliances utilized as equity-capital-seeking strategy; (3) transition by shifting to a new model that tempers the disincentives stemming from the cooperative ownership structure. If we relate these two lifecycle approaches of cooperatives, we may conjecture that the liquidation process established by Cross and Buccola (2004) can be a way for cooperatives to exit while the cooperatives forming strategic alliances or reinventing themselves have interest to preserve their ability to invest.

In this research, we test this hypothesis in a particular context, the Bordeaux wine industry. Indeed, the Bordeaux cooperatives seem have reached the turning point of maturity. In 2010, the Bordeaux wine industry policymakers agreed on a strategic plan to encourage cooperatives to form union. However, some have succeeded in implementing their own vertical integration strategy and may have no interest to form union with less efficient cooperatives. Others appear reluctant to change from the traditional downstream strategy, which is the sale of bulk wine to *negociants* (the IOF firms which traditionally blend and brand the Bordeaux wine destined for the mass-market). It comes that three types of cooperatives co-exist in the Bordeaux wine industry. They may be categorized according to their downstream strategy: the “traditional” one, which is the sale of bulk wine to negociants; the strategic alliance through union; the vertical integration. If we follow the approach of Cook (1995), the “traditional” cooperative may be prone to liquidation while the cooperatives in union and those which have chosen downstream integration have interest to preserve their ability to invest.

2. DETECTING THE COOPERATIVE LIQUIDATION

To detect the cooperative liquidation is an empirical challenge. Indeed, if it were easily observable, the cooperative lenders could anticipate the financial distress but it appears that many cooperative bankruptcies have taken their stakeholders by surprise (Cross and Buccola,

2004). According to our own knowledge, this idea is relevant for the French wine industry as well¹.

Cross et al. (2009) proposed a method based on a comparison between the price paid to the cooperative members and the price offered by the investor-owned agribusiness to characterize the liquidation process. However, we cannot use this method in the Bordeaux wine industry because investor-owned wineries are still rare in Bordeaux. There is no “investor-owned-firm contract price” which may serve as a reference to see if the price paid to cooperative members is excessive or not.

Thus, we propose a different empirical strategy. We observe the relationship between the debt (*LEV*) and the price paid to producers (*P*) through two different econometric specifications. In the first one we consider the impact of the price paid to producers on the cooperative debt. The cooperative debt is the dependent variable and we use a lagged proxy of the price paid to producers (P_{N-1}) in order to prevent endogeneity. Our control variables (*CV*) are the ratio of net to gross assets as a proxy for investment and the value of the wine processed by the cooperative (the output price). Moreover, we focus on three debt variables: (i) the ratio of the medium and long term debt on equity (the medium and long term leverage), (ii) the ratio of short term debt on sales, (iii) the ratio of financial debt on equity (the total leverage). In the second specification, the price paid to producers is the dependent variable and the lagged proxy of debt is the explanatory variable. The control variable is the output price.

According to our main hypothesis, the relationship between the debt and the price paid to producers should differ according to the downstream strategies (*DS*) of the cooperatives. We use cross-variables to highlight the phenomenon (see the equations of specification below). In the general model (1), as the “traditional” cooperatives are prone to the liquidation process, we should observe a positive relationship between the price paid to producers and the leverage ($\beta_1 > 0$): all else equal, the cooperative members prioritize their current payments against their mid-term financial prospects. For the other cooperatives, the relationship between the price paid to producers and the debt can be negative if they face financial constraints or null if they don't.

We expect more ambiguity in the second general model (2). Indeed, even if cooperative members intend to use the leverage as a source of cash, the repayment due to the past leverage may act as a constraint on the cash transfer and so imply a lower price paid to producers. In so forth, a negative impact of past leverage on the price to producers may indicate a financial distress. That may be a consequence of a liquidation process. A positive impact may indicate that the access to debt financing can be used to increase the cash transfer to producers. That can be related to financial constraints or enlighten an extreme form of liquidation.

¹ See for example the cases of the cooperative of Cayranne and the cooperative of Mont Tauch. The latter one had been cited as an example of proactive cooperative by policymakers just before its tremendous bankruptcy (see Abhervé, 2014).

$$(1) LEV = \beta_0 + \beta_1 DS \times P_{N-1} + \beta_3 CV$$

$$(2) P = \beta_4 + \beta_5 DS \times LEV_{N-1} + \beta_6 CV$$

3. DATA

In 2010, the Bordeaux wine region encompasses 7 400 farms cultivating vineyards, with 5 700 farms specialized in wine growing. The vineyard covers 124 000 ha (about 50% of the Gironde agricultural area) and generates 90% of the county agricultural value. 2 460 wine-growers are cooperative members. They operate 24 279 ha, i.e. 20% of the Gironde vineyard. The 39 Bordeaux cooperatives process about 36% of the 5.8 million hectoliters of the wine produced in Gironde. The average size of farms exclusively making wine with the cooperative is about 10 ha (DRAAF, 2011).

Thanks to a partnership between the professional organizations of the Bordeaux wine industry and the faculty of Bordeaux Sciences Agro, we were able to gather data on all Bordeaux cooperatives, i.e. the 39 cooperatives existing at the time of the collection of data. The uniqueness of our database is due to the mix of production data and financial data which were collected through a survey addressed to the accountants of cooperatives. We asked them to collect data over a six-year period. This enables us to proxy the price paid to producers by dividing the cost of raw materials by the volume of the production processed. It also provides a proxy of the average price of the wine sold by the cooperative (the output price) and information on the distribution channel used by the cooperative through the volume sold in bulk to negociants, the volume transferred to a union and the volume sold in bottles.

We consider that the downstream strategy is: (i) traditional, when cooperatives have not implemented a union nor a vertical integration strategy; (ii) union when more than 30% of turnover is done by sales to a union; (iii) vertical integration when bottled wine represents more than 30% of the turnover. Table 1 displays general statistics and table 2 focuses on the variables used for the regression models.

Table 1. Size, sales and downstream strategy

		Number of members	Area (ha)	Sales (euros)
Traditional	<i>Obs</i>	57	76	76
	Mean	69	524	3,147,210
	Min	30	125	416,569
	Max	185	1,935	14,600,000
Union	<i>Obs</i>	29	35	35
	Mean	77	785	4,351,052
	Min	33	100	466,085
	Max	208	2,560	15,200,000
Vertical Integration	<i>Obs</i>	73	102	102
	Mean	134	647	7,170,552
	Min	12	30	462,991
	Max	549	3,671	25,400,000
Total	<i>Obs</i>	159	213	213
	Mean	100	626	5,271,695
	Min	12	30	416,569
	Max	549	3,671	25,400,000

Note: observations are cooperative-year, e.g. 39 cooperatives over a six year period (2005-2011)

In table 2, we can observe that the leverage ratios do not seem different according to the downstream strategies of cooperatives, except for the short-term debt which is likely lower for ‘traditional’ cooperatives. However, one striking point is that the minimal sale price is lower than the minimal price paid to producers in the category of “traditional” cooperatives. That illustrates an extreme case of cash transfer from the cooperative to cooperative members which should result in negative retained earnings. We also observe that the average output price of cooperatives in union is not different from the output price obtained by traditional cooperatives. The same is observed for the price paid to producers.

Table 2. Price to producers, leverage, sale price and asset renewing

		Price paid to producers (euros/hl)	Medium and Long-term leverage (%)	Total leverage (%)	Short-term debt on sales (%)	Sale Price (euros/hl)	Ratio of net assets on gross assets (%)
Traditional	<i>Obs</i>	71	71	71	74	71	69
	Mean	73	45	79	10	105	36
	Min	45	2	2	0	30	6
	Max	132	141	441	108	189	100
Union	<i>Obs</i>	35	35	35	35	29	35
	Mean	74	37	69	20	105	29
	Min	43	0	12	0	62	6
	Max	123	135	184	123	170	96
Vertical Integration	<i>Obs</i>	50	102	102	102	29	35
	Mean	105	48	116	28	131	33
	Min	46	0	4	0	91	10
	Max	223	211	858	162	255	53
Total	<i>Obs</i>	156	208	208	211	129	139
	Mean	83	45	96	21	111	34
	Min	43	0	2	0	30	6
	Max	223	211	858	162	255	100

Note: observations are cooperative-year, e.g. 39 cooperatives over a six-year period (2005-2011)

4. RESULTS

We present the results of our multivariate analysis (we apply a feasible generalized least square approach adjusting for heteroscedasticity and autocorrelation) in six tables. The first three tables present the results for the first econometric specification according to the three different proxies of debt: medium and long term leverage; short-term debt; total leverage. In the same manner, the following three tables present the second econometric specification according to the three proxies of debt.

In the table 3, the cross variable shows that the medium and long term leverage increases with the price paid to produces for traditional cooperatives while the link is negative for cooperatives in Union and not significant for cooperatives which have chosen vertical integration. This difference in the behavior of cooperatives provides is in line with our hypothesis: the cooperative members prioritize their current payment against the financial mid-term prospects. Reversely, the cooperatives in union seem to anticipate the future

financial requirements in reducing the price to producers (implying more retained earnings) before increasing their leverage.

Table 3. Effect of the price paid to producers on the medium and long term debt leverage, by downstream strategies of cooperatives

	(1) MLT leverage	(2) MLT leverage	(3) MLT leverage
Traditional	-1.58 (-0.74)		
P _{N-1} *Traditional	0.05** (2.57)		
Union		4.30** (2.17)	
P _{N-1} *Union		-0.04** (-2.02)	
Vert. Integration			-3.22 (-1.16)
P _{N-1} *Vert. Integration			-0.03 (-0.86)
P _{N-1}	0.13** (2.26)	0.16*** (2.76)	0.14** (2.04)
Asset renewing	0.94*** (8.76)	0.95*** (9.05)	0.88*** (8.52)
Output price	0.04 (1.29)	0.07** (2.27)	0.03 (0.90)
Constant	-3.62 (-0.56)	-7.66 (-1.12)	0.80 (0.12)
N	100	100	100
Wald statistics	106.78***	104.08***	108.33***

z statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

In table 4, we observe that the link between the price paid to producers and the level of short term debt is exactly the opposite than what we observe in the table 1. We can explain that by the very different nature of nature between the short-term and the long term debt. Indeed, short-term debt is a consequence of the economic and financial situation of the cooperatives while the long-term debt is a decision of cooperatives. As a result, an interpretation of the result is that the less the ‘traditional’ cooperatives pay the producers, the more they appeal to short-term debt. It may denote a situation of financial distress. Again, we observe an opposite link for the cooperatives in union. In this case, the more the cooperative pay the producers, the more they need short-term debt. This is a direct consequence of the cash transfer from the cooperative to the producers, a behavior which needs to be kept in control by the bank in order to avoid financial distress.

Table 4. Effect of the price paid to producers on the ratio of short-term debt on sales, by downstream strategies of cooperatives

	(1) ST debt on sales	(2) ST debt on sales	(3) ST debt on sales
Traditional	-2.77 (-0.79)		
P _{N-1} *Traditional	-0.11** (-2.56)		
Union		3.10 (0.79)	
P _{N-1} *Union		0.12** (2.55)	
Vert. Integration			6.52 (1.35)
P _{N-1} *Vert. Integration			-0.04 (-0.64)
P _{N-1}	0.17** (2.27)	0.15** (2.19)	0.18** (2.05)
Asset renewing	0.45*** (4.27)	0.52*** (4.53)	0.52*** (4.89)
Output price	-0.09** (-2.11)	-0.05 (-1.31)	-0.09** (-2.24)
Constant	-0.56 (-0.08)	-13.45** (-2.04)	-8.85 (-1.07)
N	102	102	102
Wald statistics	44.45***	39.78***	33.87***

z statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

Table 5 includes short-term and long-term debt in the same proxy of debt. We have seen that the link between these two types of debt and the price paid to producers are very different. In this table, we can only conclude that the link between short-term debt and the price to producers dominate in the regression.

Table 5. Effect of the price paid to producers on the ratio of total leverage, by downstream strategies of cooperatives

	(1) Total leverage	(2) Total leverage	(3) Total leverage
Traditional	-5.49 (-1.33)		
P _{N-1} *Traditional	-0.11*** (-2.59)		
Union		6.07 (1.51)	
P _{N-1} *Union		0.11*** (2.78)	
Vert. Integration			0.02 (0.38)
P _{N-1} *Vert. Integration			0.00 (0.14)
P _{N-1}	0.16 (1.06)	0.15 (0.96)	0.08 (0.46)
Asset renewing	2.74*** (16.31)	2.67*** (13.58)	2.62*** (12.37)
Output price	-0.02 (-0.38)	-0.01 (-0.19)	-0.03 (-0.44)
Constant	-16.89 (-1.29)	-29.80** (-1.97)	-16.98 (-1.11)
N	100	100	100
Wald statistics	305.12***	236.57***	158.23***

z statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

In table 6, we see that the level of long-term debt has a negative impact on the price paid to producers for traditional cooperatives. Considering the table 1 and the table 2, this may reveal a situation of financial distress due to a liquidation process: the higher the cooperatives transfer cash to the producers, the higher they increase the leverage of the cooperatives. And the higher the cooperatives are leverage, the lower the cooperatives can offer an attractive price to producers. In other words, we would observe the consequence of the liquidation process: the level of medium and long term leverage has a direct consequence on the ability of the cooperatives to pay the producers. We observe no significant effect of leverage on the price paid to producers for the other types of cooperatives.

Table 6. Effect of the past medium and long term leverage on the price paid to producers, by downstream strategies of cooperatives

	(1) Price paid to producers	(2) Price paid to producers	(3) Price paid to producers
Traditional	3.04 (0.93)		
MLT Lev. _{N-1} *Trad.	-0.12* (-1.93)		
Union		-4.24 (-1.23)	
MLT Lev. _{N-1} *Union		0.04 (0.54)	
Vert. Integration			2.37 (0.55)
MLT Lev. _{N-1} *Vert. Integration			0.05 (0.66)
MLT Lev. _{N-1}	0.14** (2.55)	0.03 (0.62)	0.04 (0.82)
Output price	0.17*** (4.23)	0.16*** (3.85)	0.13*** (3.58)
Constant	52.11*** (9.02)	57.83*** (10.86)	58.01*** (12.09)
N	98	98	98
Wald statistics	33.60***	17.08**	25.67***

z statistics in parentheses

* p<0.10, ** p<0.05, *** p<0.01

In table 7, we see that the short-term debt has a negative impact on the price paid to producers for ‘traditional’ cooperatives. This is consistent with the idea that the financial distress leads cooperatives to lower the cash transfer to producers. One interesting point is that the access to short-term debt leads vertically integrated cooperatives to offer higher price to their producers, which may be interpreted either an opportunistic behavior of cooperative members against the bank, or a credit rationing which constrain the cooperatives to deliver the optimal price to their producers.

Table 7. Effect of the past short term debt on the price paid to producers, by downstream strategies of cooperatives

	(1) Price paid to producers	(2) Price paid to producers	(3) Price paid to producers
Traditional	-2.70 (-1.20)		
ST debt. N_{-1} *Trad.	-0.23* (-1.87)		
Union		-4.18 (-1.19)	
ST debt. N_{-1} *Union		0.05 (0.29)	
Vert. Integration			2.97 (1.19)
ST debt. N_{-1} *Vert. Integration			0.26* (1.84)
ST debt. N_{-1}	-0.03 (-0.28)	-0.13 (-1.41)	-0.20** (-2.26)
Output price	0.18*** (5.22)	0.18*** (4.81)	0.16*** (4.45)
Constant	58.80*** (12.40)	57.67*** (13.16)	58.25*** (14.30)
N	101	101	101
Wald statistics	49.76***	27.05***	44.47***

z statistics in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

In table 8, we observe that the debt has a negative impact on the price paid to producers for “traditional” cooperatives. This shows that the financial situation of these cooperatives is precarious: debt has a direct and significant effect on the cash transfer to producers. Reversely, for vertically integrated cooperatives, the access to debt impact positively the cash transfer to producers. That confirms the result obtained in the table 5. The interpretation is the same.

Table 8. Effect of the past total leverage on the price paid to producers, by downstream strategies of cooperatives

	(1) Price paid to producers	(2) Price paid to producers	(3) Price paid to producers
Traditional	3.53 (1.18)		
Tot. Lev. N_{-1} *Trad.	-0.11*** (-3.20)		
Union		-6.18* (-1.67)	
Tot. Lev. N_{-1} *Union		0.03 (0.57)	
Vert. Integration			-2.64 (-0.64)
Tot. Lev. N_{-1} *Vert. Integration			0.12** (2.43)
ST debt. N_{-1}	0.06* (1.72)	-0.04* (-1.89)	-0.06*** (-3.60)
Output price	0.16*** (4.79)	0.18*** (4.54)	0.12*** (3.92)
Constant	55.97*** (10.20)	59.84*** (12.68)	64.29*** (16.30)
N	98	98	98
Wald statistics	51.56***	27.57***	51.92***

z statistics in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

5. CONCLUSIONS

Our empirical strategy shows that cooperative liquidation, in the sense of Cross and Buccola (2004), may be the concretization of the choice of exit, in the sense of Cook (1995), by the cooperatives which do not consider their futures through alliances or new models.

Our methodology requires an *a priori* categorization of cooperatives according to the risk of liquidation. This is a drawback if we want a tool to detect the risk of liquidation. However, this may provide interesting results regarding the evaluation of the structures or the strategic choices of cooperatives. In our research, we show that “traditional” Bordeaux wine cooperatives are effectively prone to a liquidation process, as higher payment lead to higher debt, which may lead to financial distress and, in fine, low payment to producers. By contrast, vertically integrated cooperatives, or cooperatives in union are in more standard relationship with the bank, where the dominant effect is that reduced financial constraints through access to short-term debt lead to higher payment to producers.

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Strategy and Leadership in U.S. Wine Businesses: 15 Years On

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Abstract:

Purpose: This investigation compares and contrasts results from a 2015 investigation into strategy and leadership in US wineries with data from a 1999 survey.

Design/methodology/approach: Meta-analysis of gaps in prior wine business research, 2000-2015. Survey instrument using structured questions sent via Internet to a database of 11,784 wineries from the Unified Grape and Wine Symposium mailing list, yielding 338 usable responses.

Findings: Economic cycles and laws and regulations are consistently critical challenges, while climate change has emerged as a major concern. Respondents report remarkable stability in performance indicators (growth in sales, profits, and employees), as well as no major changes in strategic responses to challenges in their competitive environments.

Implications for practitioners: Developing skills in marketing, entrepreneurial thinking, strategic planning, and negotiation is of paramount importance for practitioners - and educators of the next generation of wine business leaders.

Keywords: Strategy, Leadership, Decision making, Wine business education

1. IMPORTANCE OF THIS INVESTIGATION

The core content of a strategy includes a diagnosis of the situation at hand, the creation or identification of a guiding policy for dealing with the critical difficulties, and a set of coherent actions (Rumelt, 2011: 79). In the global wine industry, for example, superior leadership and strategy execution are said to be the highest predictors of sustainable growth (Remaud and Couderc, 2006; Swaminathan, 1995; Taplin, 2006). The wine industry has weathered boom and bust and recovery cycles over the 2000-2015 period. When facing challenges in the external and competitive environment, however, it is vastly more difficult to invest time and money in a new direction (Jordan et al., 2007; Sull, 2009). In a recession, for example, it is difficult for businesses to consider learning new managerial skills (Gulati et al., 2010). So, “the time to learn is when things are going well” (Wells, 2010: 31). In other words, the moment to formulate and implement a strategy is *before* you realize you need one (Rhodes and Stelter, 2009; Wells, 2010: 5). How can a manager become more inspirational and resilient, or at least deter overconfidence about environmental conditions and changing competitor power? (Kahneman, 2011; Sull, 2009) The answer: via learning how to build or acquire knowledge resources and capabilities that will stand the test of time, i.e. crafting a sustainable competitive advantage (Nguyen and Slater, 2010).

An earlier investigation, based on a random sample of the universe of Northern California wineries in 1999, informed wine business research and pedagogy at the birth of an undergraduate wine business strategy concentration (Gilinsky et al. 2000). Today, that program has reached adolescence and evolved into newer MBA and executive programs involving wine business curriculum. To what extent have there been major changes in wine business strategy and leadership, as well as wine company performance (e.g. sales, profits, staffing) over the intervening years? On what areas should wine business researchers and practitioners focus for the foreseeable future?

Following is a review of empirical research into wine business leadership and strategy, featuring a meta-analysis of the wine business literature to identify important gaps. We then present the survey methodology and findings to guide further research and practice. The Appendix presents the survey instrument used in this investigation.

2. LITERATURE REVIEW

There has been an explosion of research into wine industry business practices over the past 15 years, accompanying the proliferation of specialist peer-reviewed journals in the field (e.g. *International Journal of Wine Business Research* (previously the *International Journal of Wine Marketing*), *Journal of Wine Research*, *Journal of Wine Economics*, and *Wine Economics & Policy*). In addition, research specific to the wine industry has also appeared in more general business journals (e.g. *British Food Journal*, *Business & Society*, *Journal of Cleaner Production*, *MIT Sloan Management Review*).

Table 1 presents a meta-analysis of published research, by subject area and journal title, from the specialist journals during the period of January 2000 – June 2015. This was accomplished inspection of tables of contents back issues of all of the journals via online library databases such as Ebsco and ABI/Inform and Emerald. While prior wine business researchers have investigated numerous issues, the number of studies with a focus on management have been comparatively few (18 or about 3 percent) in relation to the host of studies about wine marketing (38 percent), economics (18 percent), production/operations (14 percent), tourism (5 percent), and sustainability (4 percent).

Table 1 — Wine Business Research in Specialist Journals, 2000 – 2015

(Ranked by frequency in each subject area)

Primary subject area/topic	<i>IJWM</i>	<i>IJWBR</i>	<i>JWE</i>	<i>JWR</i>	<i>WEP</i>	TOTAL*	% of total
Marketing	60	81	23	63	15	242	37.5
Economics	18	15	52	25	3	113	17.5
Production / Operations	2	3	4	79	3	91	14.1
Case study / Industry history	23	13	34	17	1	88	13.6
Tourism	15	8	0	6	3	32	5.0
Sustainability	0	5	2	15	5	27	4.2
Finance	0	6	10	2	1	19	2.9
Management	5	5	0	6	2	18	2.8
MIS/ E-commerce	8	7	0	0	0	15	2.3
TOTALS, BY JOURNAL	131	143	125	213	33	645	100.0%

*Through 30 June 2015, excludes articles in press.

Names of journals:

IJWM = *International Journal of Wine Marketing* (1989-2006), succeeded by *IJWBR* in 2008.

IJWBR = *International Journal of Wine Business Research*, published by Emerald since 2008.

JWE = *Journal of Wine Economics*, published online by American Assoc. of Wine Economists since 2006.

JWR = *Journal of Wine Research*, published in print and online by Taylor & Francis since 1990.

WEP = *Wine Economics and Policy*, published online by Elsevier since 2012.

Source: Authors' examination of journals' tables of contents, abstracts, and key words in tables of contents in library databases such as EBSCO, ABI/Inform, and Emerald.

The most recent studies of wine industry management, of which leadership and strategic management are a subset, report a number of important strategic learning needs and leadership capabilities. Small Australian producers need to focus less on developing technical expertise and more on financial acumen, strategic ability, marketing knowledge, HR planning, and general management skills (Aylward and Clements, 2008; Charters et al., 2008). Chilean producers need to foster collaboration in marketing activities and shared access to information and technologies (Felzenstein and Deans, 2013). French producers need to make investments in quality, overcome labor difficulties, manage team differences, reposition brands in the marketplace, and build trusted customer relationships (Bouzdine-Chameeva, 2006; Mora 2006). The Spanish wine industry needs to intensify efforts to improve infrastructure, marketing and education to assist producers to confront challenges and achieve long-term survival (Alonso and Liu, 2012). US producers need to understand the marketplace, learn agricultural and consumer cycles, develop people and communication skills, and share best practices via intra-industry coalitions and networks — working for the industry as a whole — rather than merely for the self-interest of their particular firms (Brown and Butler, 1995; Gilinsky et al., 2000).

3. METHODOLOGY

The current investigation replicates an anonymous cross-sectional survey of wine business leaders (Gilinsky et al., 2000). The 1999 random sample was constructed from a database of 368 firms listed in the *Wines & Vines* (1999) and *Wine Business Monthly's Wine Industry Directory and Almanac* (1996). In 2015, the universe consisted of 11,784 wine businesses from the Unified Wine and Grape Symposium mailing list of United States wine producers. In 1999, the questionnaire was 20 pages in length and organized into four sections: 1) the business and its demographic characteristics; 2) perceptions of environmental opportunities and threats; 3) perceptions of critical leadership characteristics and strategic and competitive best practices; and 4) self-reported performance over the past three years. For the 2015 data collection effort, a condensed version of the earlier survey instrument was created, retaining the same demographic, perceptual, best practices, and performance questions, but reduced from 80 to 15 questions (available from authors upon request). Internet survey software (SurveyMonkey) replaced mailings of paper questionnaires via the U.S. Postal Service. The response rate for the 1999 study — after three mailings — was 22.6% or 83 firms, while the response rate in 2015 — after two e-mailings — was 2.9%, or 338 firms. The lower response rate is possibly attributable to the fact that wine business research has grown exponentially as shown previously in Table 1, and the industry has become inundated with surveys.

4. FINDINGS AND DISCUSSION OF RESULTS

Respondents in 2015 are predominantly smaller producers: 80 of the respondents annually produce more than 100,000 9L cases (12 x 750 ml bottles); 88 respondents produce between 5,000 and 100,000 cases, and 124 produce less than 5,000 cases. Privately held wineries represent 89 percent of respondents; nine percent are publically held and two percent are

cooperative wineries. Figure 1 shows the age of the wineries. Table 2 shows self-reported performance indices for the three years prior to survey completion in 1999 and 2015.

Figure 1: Respondent Business Age, Years, 1999 and 2015

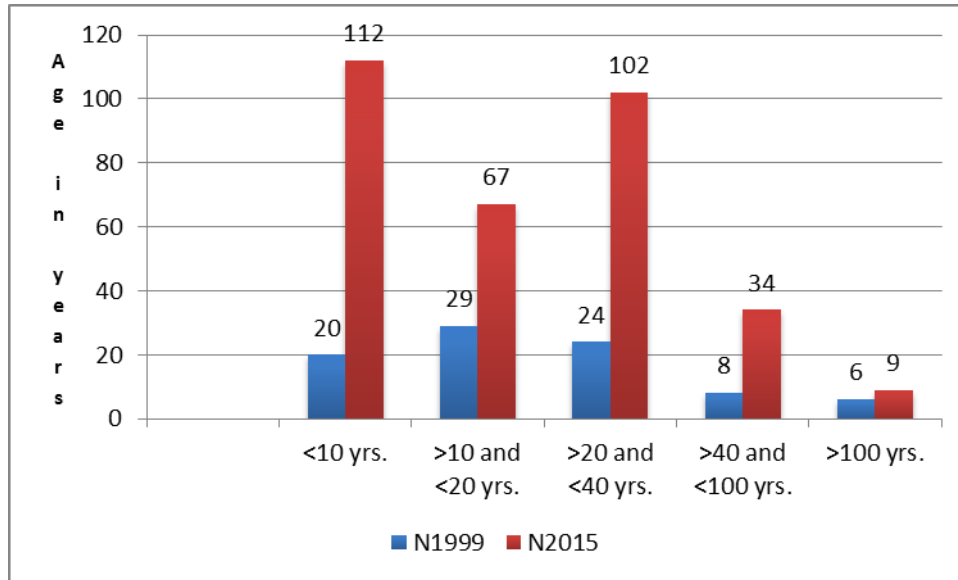


Table 2: Prior Three Years' Performance, 1999 vs. 2015

1999	Increased	Decreased	Stable
Sales growth	82.9%	9.8%	7.3%
Profit growth	84.2%	8.5%	7.3%
Employee growth	56.1%	40.2%	3.6%
2015			
Sales growth	81.8%	5.2%	13.0%
Profit growth	73.8%	4.8%	21.4%
Employee growth	42.3%	8.1%	49.6%

4.1 Strategic challenges

Strategic challenges are represented by critical challenges, environmental forces, and managing challenges. Critical challenges are consistent with those from the 1999 survey, suggesting how little the wine industry has changed in terms of its perceptions of the major challenges (see Table 3). For privately held firms, the majority of critical challenges are regulation and taxes, distributor control, and building customer relationships and databases. Managing and building customer databases is of highest importance for public companies — customer acquisition may be viewed as a path to higher valuations in the stock market.

Younger firms appear to have expressed greater concern about economic cycles than older firms, which are more concerned with consumer demographics. Environmental forces, shown in Table 4, somewhat reflect those in the 1999 survey: regulations and economic factors remain dominant, albeit climate change has emerged as a concern for over 1/3 of the respondents. As shown in Figure 2, strategic responses are split among the choices provided in the survey, likely a reflection of how breadth of management styles and strategic options has grown since 1999. Although neither staff size nor age appear to moderate strategic response, production capacity does have an impact: smaller wineries (those producing less than 5,000 cases) focus more on training, skills, and management control than do larger wineries, which is intuitive inasmuch as that small producers typically are characterized by a “hands-on” approach by management and ownership.

Table 3: Critical Challenges, 1999 vs. 2015

Top Three Challenges for My Business

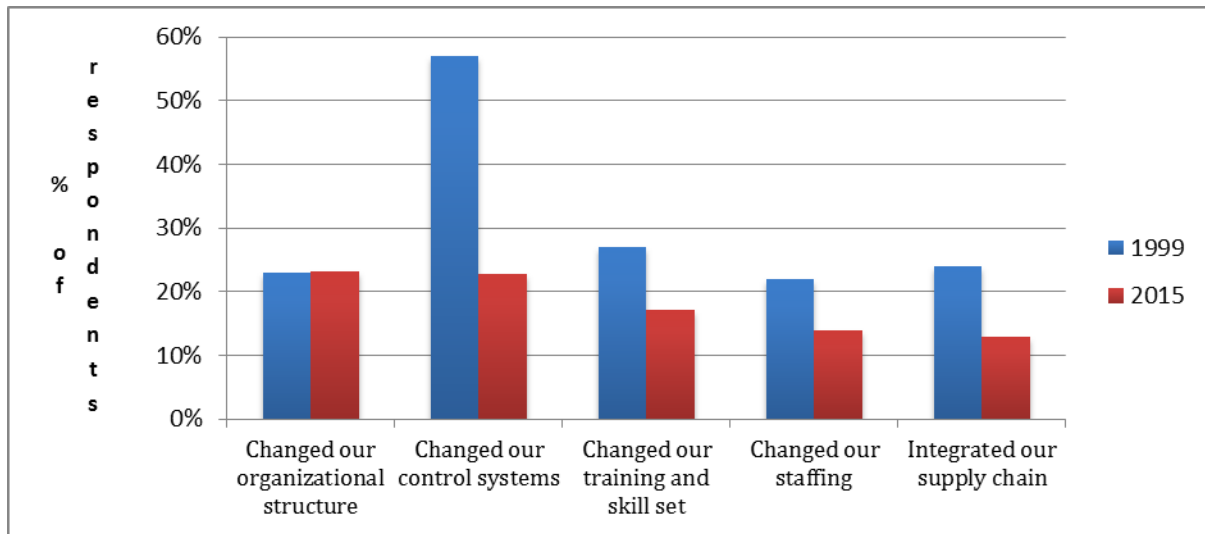
	1999		2015
Marketing	60%	Marketing	34%
Channel competition/distribution	58%	Channel competition/distribution	22%
Government regulation	45%	Government regulation	20%

Table 4: Environmental Forces, 1999 vs. 2015

Most Important Force Impacting My Business

	1999		2015
Increasing costs	60%	Climate change	34%
Entry of larger rivals	58%	Economic cycles	22%
Government regulation	45%	Government regulation	20%

Figure 2: Strategic Responses to Challenges, 1999 vs. 2015



4.2 Leadership characteristics

Consistent with the 1999 survey, we investigated how wine industry leaders felt about their own characteristics and how they got into leadership positions. Skills, vision, and achievement are again rated highest as leadership characteristics as shown in Table 5.

Table 5: Skills for Future Leaders, 1999 vs. 2015

Top Five Skills			
	1999		2015
Finance & accounting	94%	Finance & accounting	14%
Marketing	92%	Marketing	14%
Operations	82%	Negotiation/bargaining	13%
Talent management	81%	Strategic planning	13%
Strategic planning	79%	Entrepreneurial thinking	12%

5. CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

Based on a first-cut examination of the above data, the United States wine industry appears to be characterized by remarkable stability or some might say lack of dramatic changes, at least in terms of performance indicators, strategic management issues, and desired leadership qualities, regardless of changes in the external environment. Over the fifteen years between investigations, economic cycles and laws and regulations remain as critical challenges, while

climate change is emerging as a major concern. Respondents note no major changes in strategic responses to challenges in their competitive environments. Developing skills in marketing, entrepreneurial thinking, strategic planning, and negotiation continue to remain paramount for practitioners — and educators — of the next generation of wine business leaders. Surprisingly, given the emergence of Internet channels, direct-to-consumer marketing and the use of big data to understand changes in consumer behavior, technology prowess is of lesser importance than finance and accounting skills. Marketing and operations skills are most highly sought by smaller wineries; larger producers indicated a tendency to be more fraught with talent management issues. As indicated by the meta-analysis of the literature above, the winery management area (including human resources and information systems management) remains a relatively understudied field. As respondents' country of origin in these investigations is solely American wineries, expanding this investigation via collaborations with researchers in other regions could increase understanding of regional differences, permit comparisons among producing nations and help pinpoint research and pedagogy to meet the specific regional needs of wine producers across the globe.

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APPENDIX

Survey Instrument Used in This Investigation

I. Company Information

1. Ownership [*Circle one.*] PRIVATE PUBLIC COOPERATIVE
2. Number of years in business:
3. Number of employees:
4. Primary location / appellation of origin:

5. Number of 12 x 750 ml cases produced (please check one response):
_____ < 5,000
_____ 5,001 – 10,000
_____ 10,001 – 20,000
_____ 20,001 – 50,000
_____ 50,001 – 100,000
_____ 100,000 – 1,000,000
_____ 1,000,001 +

II. Strategic challenges

6. Which of the following do you see as the most critical challenges facing your company / industry today? (*Choose top 3*)
 - a. Regulations and taxes
 - b. Distributor control
 - c. Global competition
 - d. Managing and building customer relationships, brand awareness
 - e. Access to capital
 - f. Succession planning
 - g. Other: [open-ended answer]

7. Which of the following environmental factors (regulatory, macroeconomic, geopolitical, etc.) has the MOST impact on your business today? (*Choose top 3*)
 - a. Climate change
 - b. Economic cycles
 - c. Laws and regulations
 - d. Cross-industry competition (other beverages)
 - e. Technological innovation
 - f. Consumer demographics
 - g. Other: [open-ended answer]

8. How do you (or did you) manage (or overcome) these challenges? (please check one response)

- a. Changed our organizational structure
- b. Changed our management style
- c. Changed our staffing (increased or decreased)
- d. Changed our training and skills
- e. Changed our systems for management control, procedures, etc.)
- f. Integrated our supply chain (Direct to Consumer expansion (DTC), supplier acquisition, etc.)
- g. Other: [open-ended answer]

III. Leadership characteristics

9. How does someone come to be recognized as a leader in this industry? (please check one response)

- a. Education
- b. Skills
- c. Background
- d. Vision
- e. Style
- f. Strategy
- g. Achievements
- h. Intangibles
- i. Some event
- j. Other?

10. Which business skills will leaders need to develop in order to compete successfully in the future? (please check one response)

- a. Operations
- b. Marketing
- c. Information Tech
- d. Finance/Accounting
- e. Talent Management
- f. Scientific knowledge
- g. Presentation Skills
- h. Statistical Analysis
- i. Sales Experience
- j. Strategic Planning
- k. Entrepreneurial Thinking
- l. Foreign Languages
- m. Social Media Savvy
- n. Negotiations/Bargaining

11. Which core values are needed in order to compete successfully in the future? (*Choose top 3*)

- a. Commitment to environment
- b. Commitment to community development
- c. Commitment to employee well-being
- d. Commitment to preserve the business for successive generations
- e. Commitment to dealing fairly with suppliers and customers
- f. Commitment to honesty and integrity

IV. Performance characteristics

12. My firm's last three years' sales: (*Check the appropriate trend description below*)

- Increased over previous three years
- Declined from previous three years
- Was about even with previous three years

13. My firm's last three years' profits: *(Check the appropriate trend description below)*
- Increased over previous three years
 - Declined from previous three years
 - Was about even with previous three years
14. My firm's last three years' growth in total employees: *(Check the appropriate trend description below)*
- Increased over previous three years
 - Declined from previous three years
 - Was about even with previous three years
15. My firm's last three years' charitable activities: *(Check as many of the appropriate trend descriptions below that apply)*
- Donated proceeds from events held at my winery
 - Donated wine to auctions and other events
 - Donated a percentage of revenues from wines sold
 - Donated a percentage of profits from wines sold
 - Created a special brand or label linked to a specific charitable cause
 - Other: [open-ended answer]

Competitive advantage through direct marketing: A case study of a small New Zealand wine business

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Abstract:

Purpose: This paper examines the various channels used by one small New Zealand wine business to sell directly to consumers and presents the advantages they gain by adopting these direct marketing strategies.

Design/methodology/approach: An interview with the owner-manager of a small wine business was used to gather primary data about their marketing strategies.

Findings: This study illustrates how a small wine business is able to earn ninety-five percent of their total revenue through direct marketing channels such as events or functions, online/email sales and the cellar door. Findings suggest that the business has gained several competitive advantages through their use of direct marketing channels, including control of pricing, higher profit margins, efficiencies in distribution and communications, reduced risk through less reliance on intermediaries, and enhanced customer relationships leading to potential loyalty and future business.

Practical implications: This case study provides information about how to sell wine directly to consumers and this may benefit other small wine businesses who want to achieve a competitive advantage through the adoption of similar marketing strategies.

Keywords: wine, direct marketing, distribution strategies, competitive advantage

1. INTRODUCTION

The majority of wine produced today is sold indirectly through supermarkets and other large retailers. This may not be an ideal marketing channel for smaller wine businesses, as they cannot supply the required volumes and compete with larger global brands. In addition, large retailers hold considerable power over smaller suppliers and thus control pricing. Many wineries use a combination of both indirect and direct marketing channels to sell wine. This paper provides an in-depth case study of a small wine business in New Zealand that is selling almost all of its wine through direct marketing channels in order to gain a competitive advantage. The paper begins with an examination of the literature relating to direct marketing channels, specific marketing channels in the global wine industry, and the relationship between direct marketing and competitive advantage. The next sections detail the method, before the results, discussion and conclusions are presented.

2. LITERATURE REVIEW

Direct marketing can be viewed as a channel of distribution typically linking a seller and a buyer. This type of distribution strategy leads to disintermediation, or the elimination of supply chain middlemen. Direct marketing establishes an exchange relationship with a customer in which the usual supply chain intermediaries are omitted (Baron et al., 1991). Some direct marketing channels, such as farmers markets or cellar doors, use direct selling methods (i.e. face-to-face sales), whilst other direct marketing channels do not use direct selling (e.g. internet or email sales). Moller and Halinen (2000) refer to direct marketing as a practice aimed at enhancing the efficiency of marketing activities (including communications and distribution) and building loyal, profitable customers. The term direct marketing is often linked to both 'relationship marketing' and 'database marketing'. Relationship marketing is about the creation of long-term, profitable relationships with customers; these relationships may be created and maintained through personalised communications to customers. The practice of communicating and selling directly may rely on the use of a database of customer data, hence the linkage to the term 'database marketing'. The literature has noted the important relationship between supply chain management strategies and competitive advantage for a business (Li et al., 2006). This can be explained by taking a resource-based view of a business; marketing-based assets such as customer relationships, knowledge of the external environment, and distribution channels, can create customer value and thus lead to both a competitive advantage and profitability (e.g. Grant, 1991; Srivastava et al., 2001).

Evidence suggests that agricultural producers are increasingly selling directly to consumers. For example, the value of directly sold products increased by 37 percent between 1997 and 2002 in the US, and the number of farms engaged in direct marketing increased by almost six percent (Thilmany & Watson, 2004). Farmers markets, roadside stands and pick-your-own are examples of direct marketing channels. Thilmany and Watson (2004) reported that direct marketing is more likely to be used by smaller producers and they noted that an adjacent large urban population assists those producers who utilise direct marketing strategies.

Traditional wine channels

Whilst the production and consumption of wine was once quite localised (Hussain et al, 2008), since the early 1990's most wine sales have occurred through large supermarkets, hypermarkets and liquor outlets. For example, some 41 percent of wine sales in the US market in 2000 were made through supermarket channels (Wickham et al., 2001) and globally supermarkets account for 60 to 80 percent of all wine sales (Gettler, 2003).

Typically, an indirect distribution channel will flow from the winery, through a wholesaler or distributor, to a retailer or restaurant, and on to the end consumer. Whilst the indirect sale of wine through large retailers is prevalent in most markets, many wineries also utilise direct channels as a component of their overall distribution strategy.

Direct marketing of wine

Bruwer (2008) suggested that the direct marketing channels most often used by French wine producers are cellar door operations, farmers' markets, wine shows, mailings, the internet, and producer associations. Other studies have reported that the most successful direct marketing channels include wine clubs, the internet and winery cellar doors (e.g. Berglund, 2003; Coppla, 2000; Bruwer & Wood, 2005; Mitchell & Hall, 2004). There is evidence to suggest that direct wine sales are increasing; Heald and Heald (2007) reported that the value of wine sold directly to US consumers has reached one billion dollars.

The majority of research on the direct marketing of wine has focused on the use of internet strategies. This is not surprising given that the rapid development of e-commerce has made it easier for businesses to engage in direct sales with customers. Indeed, Hussain et al., (2008) suggested that small wineries should exploit technology and explore new avenues to establish direct contact with wine consumers. It has been reported that wineries, particularly smaller businesses, can benefit through using internet technologies to sell wine (e.g. Goodman, 2000; Major, 2000; Mueller & Stricker, 2000). In the Australian industry, taxation benefits are associated with wine sales through direct channels and thus these distribution strategies are important for small wineries (Sellitto & Martin, 2002). In an Australian survey, Sellitto (2004) reported that direct marketing was more important for sales and profitability to smaller wineries than to those producing larger volumes of wine. Similarly, research in the French wine industry revealed that direct marketing channels are most often used and more important to smaller wineries, with the cellar door being the single most important channel (Bruwer, 2008). Earlier research with New Zealand wineries also revealed that direct marketing is essential for small wineries (Mitchell & Hall, 2004) and research in Southwest Michigan reported that smaller wine businesses sell most of their wine directly through their cellar doors in order to achieve higher profit margins (Wargenau & Che, 2006). There is also a considerable body of literature (e.g. Bruwer, 2002; Fountain, Fish & Charters, 2008; Houghton, 2001) that has examined the building of relationships and brand loyalty through winery cellar doors, wine tourism or wine events; although related, this study has not specifically focused on this area of the literature.

Direct marketing channels and competitive advantage

Literature suggests that businesses can gain advantage through utilisation of direct marketing channels. Jeuland & Shugan (1983) noted that direct channel strategies reduce a producer's dependence on traditional retailers, moderate pricing inefficiencies and may allow sales at a higher margin. There is evidence that agricultural producers can charge higher prices and achieve higher margins when marketing directly to consumers (e.g. Hardesty & Leff, 2010; Kambara & Shelley, 2002; Stephenson & Lev, 2004). Indeed, 63 percent of surveyed Californian agricultural producers stated direct channels were most profitable (Kambara & Shelley, 2002). Verhaegen and Van Huylenbroeck (2001) similarly noted that Belgian farmers achieved higher revenues when using innovative marketing channels (e.g. farmers markets and co-operatives) than when selling products through traditional retailer channels.

Thilmany and Watson (2004) suggested that agricultural producers who adopted direct marketing strategies were able to build a loyal customer base and could differentiate their products on the basis of quality, versus selling low margin commodity products through traditional retailers. This loyalty may, in part, arise from the ability for direct-purchase consumers to gain information about the producers themselves and the practices used to produce the foods they will consume (Hardesty & Leff, 2010). Supply chain management literature also supports the view that the shorter the supply chain (i.e. closeness of a business to its customers), the higher the quality of the disseminated information will be (Li et al., 2006). Hardesty and Leff (2010) also noted that direct marketing is particularly attractive for small agricultural producers as they can (a) earn higher profits through bypassing supply chain intermediaries and (b) they are able to sell volumes that would otherwise be too small for traditional retailers. The authors summarised their research with producers in the US by stating that "smaller farmers can build financially viable operations using direct marketing channels to obtain access to markets, growing their farming operations, reduce their marketing risk, and gain market power by providing consumers products with attributes that are not readily available in the industrialised produce distribution system" (pp. 17).

The importance of direct marketing channels for small wineries may relate to volume: they cannot guarantee supply to retailers and thus are more likely to sell through one or multiple direct channels. In addition, thousands of large international wine brands compete for space on the shelves of increasingly large and powerful supermarkets; smaller wine businesses are unable to compete with these brands or negotiate favourably with these retailers. Coppla (2000) reported that through the use of direct marketing channels, a winery can gain control of its brand identity and can have flexibility in terms of its pricing strategy. Similarly, Dodd (1999) reported that direct marketing channels represent the most effective strategy for small wine producers; they can control the quality of products and associated services, manage brand image, and develop long-term, mutually beneficial relationships with customers.

Whilst the literature indicates that direct marketing channels are important to smaller wine businesses, little detailed information is currently available as to how a business might go about selling their wine through direct marketing channels in order to gain a competitive

advantage. This paper addresses this gap and provides insight that is likely to be of practical use to other small wine businesses.

3. METHOD

A single wine business was selected for this case study because it provides a unique case in terms of its use of multiple direct marketing channels. The case study method is an effective technique for investigating a contemporary phenomenon and is particularly suitable for the in-depth exploration of a single subject (Yin, 2003). A semi-structured interview technique was used to obtain information from the owner-manager of the business. The interview focused on identifying the business's marketing strategy, the reasons for the strategy and any competitive advantage they have gained. The interview took place in April 2015 and was carried out in person on the business's property.

The small, family-owned wine business is situated in close proximity to one of New Zealand's cities. The property includes a 12 acre vineyard, a restaurant and an event venue. The present owners purchased the property in 2002. The business is a boutique wine business, producing Pinot Noir, Riesling, Chardonnay, Sauvignon Blanc and a sparkling wine. The winemaking function is outsourced to another local winery, allowing the owners to focus on their core celebration business and avoiding the need for any investment in winemaking equipment or staff. The owner-manager talks of the decision to outsource winemaking and bottling as one that "keeps us front of house and more customer-centric". The business is classified as a Category 1 winery by the national industry body, New Zealand Winegrowers. Category 1 wineries have sales of less than 200,000 litres. These small wineries dominate the New Zealand wine industry, with 88 percent of the total 692 wineries being classified as Category 1 producers (www.nzwine.com/info-centre/statistics/). Accordingly, this business is representative of the industry as a whole.

4. RESULTS AND DISCUSSION

Marketing Strategy:

The business is positioned as a "wine celebration business", not as a winery. The owners have adopted a strong market orientation and they have a clear understanding of their customers' needs and motivations. The owner-manager stresses that the business isn't necessarily focused on selling something on the day a potential customer makes initial contact, but rather it is "about building the customer experience". In effect, the business is working to pull customers to them, rather than pushing products out to customers.

To help develop and maintain customer relationships, they incur a small cost (just \$12 per month) to use a cloud-based Customer Relationship Management (CRM) tool called Capsule. This CRM software is also linked to their accounting software (i.e. Xero) and their email management software (i.e. Active Campaign). This makes it seamless for the business to book an event in Capsule and send an invoice from Xero. Every contact from any potential customer, received via email, phone or through their website, is logged into the CRM tool. Capsule and Active Campaign allow them to send personalised and customised offers to

various groups of customers. For instance, after winning a wine award recently, the owner-manager sent a message to those customers who had previously purchased wine via the cellar door, email or the internet and offered these customers advanced access to purchase the unreleased trophy-winning wine. This case illustrates that a small wine business can exploit new technologies in order to establish direct contact with customers, as per the suggestion from Hussain et al. (2008). This business also provides a practical example of the links between direct marketing and both relationship marketing and database marketing.

The business is able to host a range of events of different sizes and formalities. Weddings are the primary event focus and the owners have invested in a new pavilion that is an attractive setting for outdoor weddings. The building of the pavilion has led to the number of weddings hosted by the business doubling from thirty to sixty per year. From day one, the focus has been on supplying a product that would sell. An excellent example of this is the development of a new sparkling wine that is a blend of Riesling and Pinot Noir; this was produced following a \$20,000 investment in research and development. The product was developed for a target market with a specific need; that of young female customers attending weddings onsite. Aside from the pavilion, there is also a main building that includes a cellar door area for wine tastings and sales, as well as a large restaurant area and two smaller function rooms.

Through their positioning as a wine celebration business, the business primarily sells wine to customers through the restaurant and cellar door, at events such as weddings, conferences or corporate functions, and when hosting visiting cruise ship passengers. Indeed, about eighty percent of the total wine sales are made through the events side of the business. The ability to sell most of their wines through direct channels is undoubtedly related to the property's physical proximity to a large urban population; this type of location has been previously reported as assisting the direct sales of other small agricultural producers (e.g. Thilmany & Watson, 2004). The business has an annual contract to provide lunches for cruise ship passengers and these provide a regular and growing business that occurs on otherwise quiet weekdays. The wines are also promoted and sold at local food and wine shows or events; the owner-manager believes these are a good showcase for the wines, but they only attend those from which they are able to make money. Finally, customers are able to purchase wine directly from the business through the internet or via email.

A very small portion of their total wine sales are made through local specialty stores, such as florists and cafes (NB. these sales amount to just five percent of total revenue). The business does not supply any wine to supermarkets, liquor stores or other large retail outlets. It should also be noted that the business undertakes only a very small amount of advertising; the owner-manager estimates that advertising expenditure accounts for just two percent of total revenue.

Together, these outlined strategies have resulted in the business earning ninety-five percent of their total revenue through direct wine sales to customers. Direct marketing channels are thus of significant importance to the business; this provides evidence to support previous research in France, Australia, the US, and New Zealand reporting that direct marketing strategies are

most important for smaller wine businesses (e.g. Bruwer, 2008; Goodman, 2000; Mitchell & Hall, 2004; Sellitto & Martin, 2002; Sellitto, 2004).

Competitive Advantage:

The choice of direct marketing channels, such as restaurant, cellar door, events and online sales, allow the business to remove intermediaries from their supply chain and thus generate greater profit margins. The owner-manager notes that the business achieves a higher mark-up when they sell wine directly to customers. He asks “well, what would you rather have? \$39 a bottle being paid today versus trying to sell wholesale at \$16.50 and being paid the following month?” The findings of this case study provide further support for earlier literature stating that producers can charge higher prices and achieve higher margins when selling directly to consumers (e.g. Hardesty & Leff, 2010; Kambara & Shelley, 2002; Sephenson & Lev, 2004; Verhaegen & Van Huylenbroeck, 2001).

Higher margins are not the only financial advantage the business gains from selling directly to consumers. Through this strategy they also get paid immediately by the customer and thus are able to optimise their working capital. This allows them to manage their cash flows more effectively and this is particularly important for small businesses. Indeed, the predominant reason for business failure amongst SMEs is inadequate cash flow or cash planning.

The direct marketing strategies allow the business to have greater control of pricing and they gain efficiencies by not having to ‘manage’ intermediaries in a supply chain. Similarly, the business is not reliant on large supermarkets that typically wield considerable power over small suppliers. This case study provides support for Moller and Halinen (2000) who referred to direct marketing as a way of enhancing the efficiency of marketing activities such as distribution and communications.

Finally, the business also gains control over customer service. As they are focused on building and maintaining close relationships with their customers, providing quality customer service is essential. By communicating directly with customers, the business is able to disseminate high quality information about their wines, production practices, and event venues directly to consumers. This ability to provide quality information has been previously identified as having a link to building loyal customers (Hardesty & Leff, 2010). The use of technology, such as their CRM tool, also provides them with a way to enhance customer relationships through personalised messages or offers. Indeed, this case study is a good example of how the value of the business has been increased through investments in CRM processes that nurture the creation of customer value. A resource-based view of the business would suggest that they have a number of marketing-based assets, including strong customer relationships and short distribution channels; the literature notes that these marketing based assets can create customer value, provide a competitive advantage, and increase profitability (e.g. Grant 1991; Srivastava et al., 2000).

5. CONCLUSIONS

In line with the comments of Dodd (1999), the profiled business provides an excellent

example of a small wine business that has been able to use direct marketing channels to control the quality of their products and services, to manage their brand image, and to develop long-term, mutually beneficial relationships with their customers. By focusing on the 'wine celebration business' rather than the 'wine business' they have strategically positioned their enterprise as a customer-focused one; the customer relationships they build and maintain allow them to sell a majority of their wine through direct marketing channels. For this business, direct channels are not supplementary to selling through typical indirect channels via large retailers, but rather the direct selling of wine is the primary distribution strategy. Other small wine businesses could adopt a similar approach of maximising sales through direct channels and reducing the reliance on indirect channels in order to gain a competitive advantage; options for direct channels include selling wine through a cellar door, the internet, via email, at events or in an onsite restaurant. The use of a CRM tool can assist a winery to manage customer relationships. Future research could be carried out with a larger number of New Zealand wineries to quantify the use and importance of direct marketing channels across the industry and to examine the influence of winery size on selected distribution strategies.

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Stimulating innovation in family winegrowing firms: Knowledge sharing between generations

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Abstract:

Purpose: This paper examines how intergenerational knowledge sharing in family winegrowing firms impacts their innovation.

Design/methodology/approach: Our study involves 27 interviews already conducted across three case sites in the wine industry in New Zealand.

Findings: We argue that different levels of hostility towards engaging in knowledge sharing held by the older generation (OG) and their following, younger generation (YG) impacts the ability of their family firm to innovate. We present two matrixes where first the source of knowledge is the OG and the receiver is the YG, and second where the source of knowledge is the YG and the receiver is the OG. The first model illustrates a likely case of incremental innovation while the second model is associated with radical innovation.

Practical implications: By having strategies in place to minimize hoarding or rejection of knowledge, redundancy in the knowledge production and problem-solving processes can be avoided.

Keywords: Wine industry, family business, innovation, knowledge sharing, traditional industry

PURPOSE

This paper examines how intergenerational knowledge sharing in family winegrowing firms impacts their innovation. We argue that different levels of hostility towards engaging in knowledge sharing (from low to high) held by the older generation (OG) and their following, younger generation (YG) impacts the ability of their family firm to innovate. The paper subsequently outlines a range of possible actions to overcome inter-generation knowledge sharing related tensions and hostility.

ISSUE ADDRESSED

Knowledge management is not widely discussed in family firm literature although some existing research explores knowledge as an important dynamic capability {Chirico, 2008 #14208}, a strategic resource {Cabrera-Suárez, 2001 #4424}, and a source of competitive advantage in family firms – particularly where there are strong relationships and connectedness resulting in information and knowledge sharing and learning {Treviño-Rodríguez, 2006 #14516}. Examination of knowledge sharing in particular has been obscure in family firm research, and indeed sparse in the wine industry context. This is somewhat surprising considering family firms tend to strive to maintain knowledge long-term within the family {Cabrera-Suárez, 2001 #4424}, and in particular the winegrowing industry is an exemplar of this maintenance of knowledge through its traditions.

This paper investigates how the willingness of the OG and YG to engage in knowledge sharing impacts on the innovation activities of the firm and to which extent these activities are influenced by the direction of the knowledge flow – from OG to YG or vice versa. Tensions between the two can result in hoarding and/or rejecting knowledge where the preference would be to create conditions that stimulate innovation behaviour efficiently {Husted, 2012 #17367}. While hoarding and/or rejecting knowledge may have a detrimental effect in any organization, motivation in a family firm to mitigate knowledge sharing hostility is typically stronger. The reasons behind this could be various, e.g. to ensure future ownership, to develop/maintain common vision {Hubler, 2009 #1767} and long-term orientation {Lumpkin, 2011 #14382}. However, the issue of reliance on a shared understanding of the content of knowledge between those transmitting and those receiving the knowledge still remains {Husted, 2002 #14362}. In sum, this study addresses the issue of knowledge sharing between generations in family firms and its impact on stimulating innovation.

RESEARCH STRATEGY AND CONTEXT

Our study involves 27 interviews already conducted across three case sites in the wine industry in New Zealand. Interviews were carried out with all family members involved in the respective businesses, and a sample of employees which served as an objective account of the dynamics in the family. Each case site represents two generations with each generation having leadership responsibilities within the business. This allows analysis of knowledge sharing from OG to YG and vice versa. We carried out a thematic analysis utilising NVivo 9 qualitative software. This iterative process allowed us to synthesize data to establish patterns and themes {Wiles, 2011 #16766}. Table 1 presents some of the demographics of the cases.

Table 1: Case sites

Company	Years in business (approx.)	Ownership	Number of family members in the business	Generations since establishment
Merlot Family Vintners	100	OG and YG	Three	Three
Sauvignon Family Estates	40	OG	Five	Two
Riesling Family Winegrowers	25	OG	Five	Two

STIMULATING INNOVATION THROUGH KNOWLEDGE SHARING

We consider knowledge sharing between generations as *obverse* when the OG is the source of ideas while the YG is the receiver. This is seen as the traditional model for the flow of knowledge, and likely to result in incremental innovation. *Reverse* knowledge-sharing occurs when the YG is the source of ideas while the OG is the receiver. In this situation there is potential for radical innovation through new experiences and competencies the YG gained from their education and vocation.

Figures 1 and 2 present two matrixes where the source of knowledge is the OG and the receiver is the YG (Figure 1) and the other way around in Figure 2. The horizontal and vertical axes present a continuum from low to high knowledge-sharing hostility. The first model illustrates a likely case of incremental innovation while the second model is associated with radical innovation. An important difference between the knowledge sharing scenarios is that the OG could do what they choose given the power relationship between the generations. For example, the OG may still implement an innovative idea even if rejected by the YG. Conversely, if the OG rejects an idea from the YG it may never be implemented. Another key difference is the potential for radical innovation when the YG is the source of ideas and there

is synergy with the OG. This is not to say radical innovation does not occur when the OG is the source, but emphasis is placed on the synergy between the generations rather than an autocratic approach on the part of the OG.

		Action	Conflict
		New solutions implemented but may find opposition from the YG	Unlikely to resolve due to both generations hoarding/rejecting knowledge
OG (source)	High hostility		
	Low hostility	Synergy Incremental if innovative but if not there could be a tendency to retain the status quo	Frustration YG hoard/reject ideas but may have no say in what is implemented
		Low hostility	High hostility
YG (Receiver)			

Figure 1: Incremental innovation through obverse knowledge sharing

The *action* quadrant represents ideas that the OG generate and which the YG may oppose but on the whole go along with the idea. An example would be where the OG suggests engineering a piece of equipment to undertake a task which could be fulfilled by a proprietary product. *Conflict* can occur where the OG does not share knowledge and instead just implements what he/she wants without consulting the YG. This could be particularly impactful where the YG is responsible for a task which has been overridden by the OG in which case the YG may reject an idea and make their strong opposition known. The bottom right quadrant represents *frustration* which could occur when, for example, the YG rejects an idea. A practical example from our study was when the OG of one family decided to build stainless steel tanks and place them outside the main tank building. The YG were of a strong view they should be placed inside to maintain the aesthetics of the winery. In this scenario it was agreed that new tanks were required however their placement was not up for discussion. Finally the *synergy* quadrant represents an open sharing of knowledge where ideas are neither hoarded nor rejected. An example would be where the YG put forward an idea which is accepted by the OG, encouraging innovation to occur. Ingredients for this diverse knowledge sharing is good family ties and communication between the generations.

From our study, an example where the OG presented an idea the YG accepted and supported was hospitality. The OG wanted to open a fine dining restaurant and with the support of the YG, in particular one daughter who was experienced in hospitality, were able to make this happen. The daughter in this instance not only shared her experience in hospitality but was intimately involved with the marketing of the winery which only heightened the synergistic nature in this scenario.

YG (source)	High hostility	Inaction New solutions found but not shared and/or implemented	Conflict Unlikely to resolve due to both generations hoarding/rejecting knowledge
	Low hostility	Synergy Radical if innovative but if not there could be a tendency to retain the status quo	Inertia OG hoard/reject ideas and slow down the implementation process
		Low hostility	High hostility

OG (Receiver)

Figure 2: Radical innovation through reverse knowledge sharing

There is a higher likelihood of *inaction* where the YG hoards ideas and/or has an inability to act on solutions without permission from the OG. The *conflict* quadrant is similar to Figure 1 only the source and receiver are reversed, that is there is high hostility from both sides toward sharing knowledge. The *inertia* quadrant represents the YG sharing ideas but the OG rejecting knowledge. As the OG is often the authority within a family business they can choose not to implement the idea. An example would be where the YG brings knowledge about a product or process they have learnt through education or experience such as organic growing, however the OG is unwilling to change the status quo or does not want to break from tradition. Where radical innovation could occur is when the YG presents solutions from their more recent education and experience and there is *synergy* with the OG who accepts the new ideas and supports the YG in their solution.

An example of the benefits of diverse knowledge sharing was the introduction of organic grape growing and wine production by a daughter in one family firm. There was some potential for tension because, like her father, she was a viticulturist. While she had experience through her degree and working around the world in different wineries, the father based his practice on experience from a large corporate winery. Given her new experiences, she proposed the idea of growing grapes organically and producing organics wines. This was considered high risk given the rigorous industry standards but she managed to convince her parents to set aside several hectares to experiment with. What eventuated was a successful award generating sub-brand that satisfied a market the family business had not previously pursued. The father gave her more leeway to experiment with different varieties while providing her with more land.

RELEVANCE TO PRACTITIONERS AND ACADEMIC SCHOLARS

Advantages that a family firm has over corporate firms to facilitate knowledge sharing include connectedness and cohesion {Björnberg, 2007 #4595}, trust and close ties {Sundaramurthy, 2008 #2143}, and the ability to build tacit knowledge between generations {Jaskiewicz, 2013 #17362}. By having strategies in place to minimize hoarding or rejection of knowledge, redundancy in the knowledge production and problem-solving processes can be avoided. Moreover, by being cognisant of sharing knowledge in a positive way, families can benefit from a learning environment that encourages two-way or bidirectional knowledge-sharing {Woodfield, 2012 #14732}. This article introduced knowledge-sharing as a modus operandi for family businesses to stimulate and manage innovation. At present there is a paucity of studies on knowledge-sharing in family firms and it is hoped this study encourages more empirical research in this potentially rich area of scholarship.

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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 increase through the years, leading to an increased 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 alcohol 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 products. 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

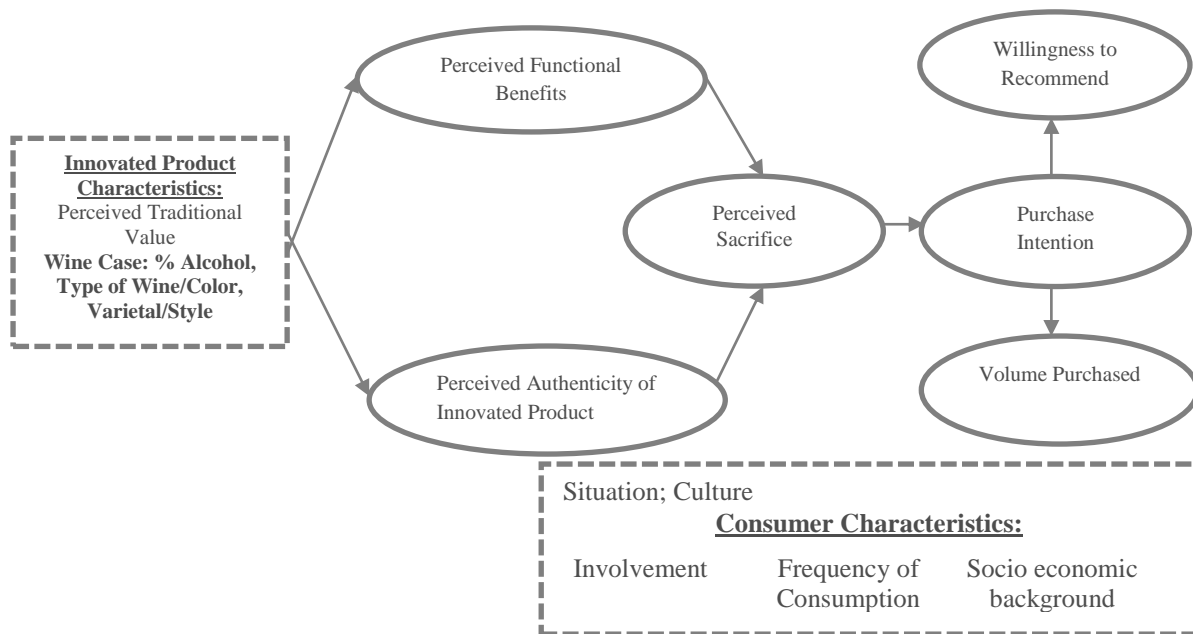
A critical factor to the success of a traditional product is *product authenticity*, which represents consumers’ subjective judgment about the products’ authentic value (Grayson and Martinec, 2004; McNamara, 1997). Authenticity is a characteristic attributed by social

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 (Jakarta), 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 characteristics (perceived traditionality etc.), consumer characteristics (culture, involvement, 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 contrast 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'* regardless 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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It's a family business: Investigating organisation and values of family-owned wineries in Australia, Germany and Italy

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Abstract:

Purpose - Family businesses play a crucial role in the world wine sector. Little research has been conducted previously to investigate how organisational characteristics of wineries are influenced through family owner- and leadership of the business. This study aims to advance knowledge in this field by exploring family wineries in different wine-producing countries.

Design/methodology/approach - Qualitative semi-structured interviews have been conducted with 53 family-owned wineries in Australia, Germany and Italy. The sample shaped up by companies of different age and size. Data have been transcribed and aggregated to identify patterns within the sample.

Findings - The governance of family-owned wineries has shown great diversity among the sample. Size, country, age of the business, as well as expertise of the top management team have been identified to be key influencing variables. Implementation of governance structures has shown to become indispensable in family businesses as the company grows. Australian businesses have been found to formally address this issue. Ensuring that family values are carried through any level of the business supports governance from a social point of view.

Practical implications - In an increasingly fast-paced business environment in the agricultural sector, implementation of governance structures can become a strategic resource and support longevity of the family businesses.

Keywords: Family business, wine, management and governance, resource-based view, familiness

1. INTRODUCTION

Global markets have become more fast-paced and subject to a growing price pressure. In order to keep pace with these challenges, family-owned wineries, which are estimated to account for approximately 70 percent of all wine businesses (Woodfield, 2014), need to learn how to capitalise on their resources in an efficient way. Family involvement in companies can, in fact, create a unique firm-specific resource (Micelotta and Raynard, 2011), which enables firms to generate a competitive advantage over non family-owned wineries (Craig et al., 2008).

Given the high impact of family businesses in the wine sector, a better understanding of organisational characteristics and values of this type of business can help to overcome challenges these businesses face. This research intends to advance knowledge in this field by investigating the management of human resources within family-owned wineries, their values and family ties and the measures taken to ensure generational succession. These aspects are explored by comparing distinctive businesses across three different wine-producing countries, Australia, Germany and Italy. This study is the first exploratory outcome of a broader research aimed at understanding the family firm identity in the wine industry.

2. LITERATURE REVIEW

2.1. Human resource management

The management of human resources is critical for family-owned wineries (Reid et al., 2002). It is argued that the way a firm assigns roles to its employees differs among companies. Family firms may fall short in attracting and maintaining talent, due to negative preconceptions, such as limited career opportunities or nepotism. In family firms, in fact, the standing of an individual may rather be determined by what an individual „is” rather than by what an individual „does” (Lansberg, 1983).

Sharma et al. (1997) outline that looking into the management of family firms will help understanding how the influence of the family can be directed towards more productive and profitable outcomes in the business.

Structures that unite the management and ownership of firms may help to reduce agency costs. It is expected that through family ties in family firms, higher levels of loyalty and mutual trust increase horizons of managers (James, 1999). Nonetheless, this advantage also comes with additional risks when missing hierarchies cannot put governance structures in place. This effect may lead to a situation which encourages the retention of incompetent family staff while competent employees may leave the firm (De Massis et al., 2008). Schulze et al. (2001) found that unity of management of ownership in family businesses cannot eliminate the occurrence of agency costs and state that altruism and self-control are its major origins. It is essential that the firm for this reason implements internal control mechanisms in order to avoid risks that may endanger the performance of the firm (Gomez-Mejia et al., 2001). Dyer (1988, 2006) argues as well that professionalisation of the family firm is one means to avoid adverse selection in the company.

2.2. Values and family ties

Family ties emerge from relationships between family members and influence interaction characteristics inside the business system. Although family businesses have been reported to be oriented on the long run through values and family ties, monitoring mechanisms are required to reduce agency cost in a family-contracting situation (Gomez-Mejia et al., 2001). Family ties are found not only relevant inside the family as a whole, but especially within the group of family members managing the business, namely the business family. Particularly, non-family employees may become an extended part of the family through interaction with family members (Uhlaner, 2006).

A recent analysis by Fletcher et al. (2012) holds further that culture and values in the family business are an important integrating mechanism of the family and the business (management and ownership) system. Business families can be considered as specific types of teams (Uhlaner, 2006). Members share similar values and norms, and are able to resolve conflicts effectively among each other (Poutziouris et al., 2006). Less hierarchical organisational practices support this ability. Further, short-term sacrifices may be taken willingly during periods of economic downturn and members may be more willing to pursue non-financial goals (Zellweger et al., 2013). On the other hand, this fact implies that relationships of this kind may also run the risk of more conflicts due to an exchange of thought and opinion which are not only related to the firm. According to Maguire et al. (2013), familiness, as the outcome of interactions between family values and business activity, involves indexical and iconic cues in family wineries, generating credibility and authenticity; it is a point of attachment for employees and consumers.

2.3. Succession

Succession planning in family firms is a critical aspect to ensure longevity of the firm and ensure successful operation across generations. The transition of management in a firm is a very sensitive stage of the business. Transitions ideally happen gradually, but this still depends on the knowledge and ideas brought forward by the new generation. The succeeding generation can have, in fact, a very different approach about the way the business needs to be run and managed both in the short and long term. For this reason, succession will alter the perception of familiness within and outside the firm (Habbershon and Williams, 1999). However, family firms seem to struggle to cope with succession, as they lack clear mechanisms and guidelines to handle the succession process (Ibrahim et al., 2001). One important aspect from a market oriented point of view is the management of the identity of the family firm during the succession process. The internalisation and reflection of the current identity helps to assess, manage and preserve a firm's unique familiness, which is considered a crucial part that has to be approached during the process of succession. It is argued that organisational knowledge is the key to success in any business (Cabrera-Suárez et al., 2001). Looking at family businesses, relationships in the firm help to enable transfer of knowledge during a succession more effectively compared to a non-family company (Bjuggren and

Sund, 2002). Relationships between successor and predecessor are not limited to work and enable exchange beyond aspects related to the business. Also knowing the family business from early childhood on and dealing with the business also as a part of the family life may give a head start when entering the business (de Vries, 1994; Boyd and Royer, 2012).

3. METHOD AND SAMPLE

Semi-structured interviews with 53 Australian, German and Italian family-owned wineries have been conducted between February and June 2015. These interviews have been conducted with family members or non-family staff in managerial roles and lasted 30 to 60 minutes. Interviews have been recorded and transcribed afterwards. The deduction of results follows a common approach for case study research by Eisenhardt (1989).

Wineries have been selected to fall into three distinctive size groups according to their annual production: small (less than 100,000 bottles per year), medium (100,000 – 1,000,000 bottles), and large (more than 1,000,000 bottles)

The questions have been synthesised based on the literature review. The questionnaire resulted in a set of nineteen questions.

This article represents a first exploratory analysis of collected information focussing on surveyed business issues concerning organisation and values. They have been grouped in four categories for analysis purposes based on the areas of the literature presented above. Due to space limitations, it is not possible to report all the considerations that emerged from the interviews.

4. RESULTS

4.1. Structural organisation

Respondents generally agreed that among smaller businesses it is necessary to show high flexibility with respect to structural organisation. The lack of formalisation in smaller businesses appears to go hand-in-hand with high workloads across a wide set of tasks, which makes business owners struggle to make regular meetings happen. Some of the respondents in smaller businesses reported that organisational structures have not been formally defined: *“this is an area where we are letting ourselves down”* (Australian small winery). Although governance structures are not very clear among smaller firms, some divisional separation can be observed. This is particularly true for companies where family members take responsibility for business units such as viticulture, oenology and sales. In these cases, especially for small Italian wineries, females and younger members seem to be more prone to develop new marketing activities (e.g. social media communication) or business areas (e.g. hospitality). Among medium-sized businesses, the choice of organisational structures becomes more diverse compared to the previous group. Due to increasing work in the company, not all roles can be occupied by family members. However, among Italian wineries, it is commonly found that the family business is run by siblings, most commonly brothers. This happens in some German and Australian wineries; however, businesses

leadership appears to be in the hands of one key figurehead. Keeping the control in the family seems to be a major concern of the families.

Among large businesses and with the implementation of formal management structures, it is found that non-family employees also acquire managerial roles in the top level of the business or in the management of wine estates located in different wine regions with broad powers of responsibility (especially for Italian large wineries). This often leads to the formation of “*formalised structures*” (Australian large winery), where the presence of a constructive board is fundamental for the management of the business. Accountability appears to become an increasing concern of the firms. In addition, “*very strong family governance systems*” are able to “*deal with the family issues that arise from time to time*” (Australian large winery).

4.2. Human resource management

4.2.1. Governance

Small family businesses do not show very clear governance structures with respect to their human resource practices. If additional staff is required to work for the winery, additional family members may be recruited in the first place. This practice can also be observed in small and medium-sized wineries. In big wineries, a dedicated role in human resource management is usually present in the business that manages staff and organises the recruitment of new members. The recruitment follows specified processes in order to achieve the accountability mentioned in 4.1: “*We are very much making sure that we have a level of accountability and level of performance review in the organisation and it doesn't matter what your surname is*” (Australian large winery).

4.2.2. Family leadership

In small and medium-sized wineries, family members find themselves in charge of leadership roles in different business sectors, such as viticulture, oenology and administration. Although this pattern is very consistently found among this type of businesses, at the same time the need to show flexibility across different sectors is underlined. Large wineries also show characteristics of family leadership. Among Australian large family wineries, much formalised structures can be found more commonly. In European firms more informal control mechanisms appear to be in place. Some Italian small wineries highlight mutual trust and involvement of non-family employees as important values for the family leadership.

4.2.3. Customer interaction

Small and medium-sized businesses families are responsible for the vast majority of the operative day-to-day business activities. While Australian wineries tend to have dedicated staff, such as a non-family cellar door manager, European wineries have been found to be more reluctant: “*Family members are at the sales front, [...] my father also does the sales and he is the original personality of the business*” (German medium winery). However, a need to shift towards dedicated staff has been voiced. No matter whether family or non-

family staff has been in charge of the role, personal contact was particularly highlighted by the businesses.

4.3. Transfer of values

Small businesses family members are actively involved in the individual areas of the business and interact directly with non-family employees - if present in the business - on a daily basis. In addition, a long-term relationship with employees, even with seasonal employees, has been reported to be an important component that drives the diffusion of values through all layers of the organisation. For instance, an Italian winery reports ongoing relationships with their employees for more than 35 years, another Australian chief executive states to *“have been to primary school together [...] [and to] have been good friends for a very long time”* with individual employees. Knowing each other very well for a long time has also been reported to facilitate processes in the business. In large businesses, more formal governance structures are in place to ensure that family values guide the actions a business takes. Some companies consider their values to be crucial for their success and consider it a central part of their brand identity: *“In this aspect we have spent a lot of thoughts on our brand and on what we communicate. We have elaborated a brand book, which makes clear which characteristics we stand for. When we are talking about our brand we are talking about our family values. We feel very strong about being clear what values we communicate with respect to tradition in the family and also with respect to the sustainability of the business”* (German medium winery). It has to be stated that not all businesses are putting effort in communicating family values. Some businesses have attributed attention to this aspect or rely on the day-to-day involvement of the family (*“Day-to-day collaboration facilitates the sharing of values”*, Italian small winery), while other companies put substantial efforts in communicating and promoting the dissemination of values in the business.

4.4. Succession

The process of succession shows a strong emotional component, particularly for small businesses. It can be clearly seen that not only the business, but also the family system is involved during this process: *“I suppose in the back of our mind, we are doing this for them”* (Australian small winery). Although children may not be forced to be involved in the business also, the succeeding generation feels a certain pressure: *“One does not want to be the one who breaks up with what others have built up before”* (German large winery). Reported experience of successions has been positive if the members of the older and younger generation can align their goals. It is reported that the pursuit to innovate the business is found in disharmony with the traditional views of the older generation. However, the lack of experience of members of the young generation also underlines the need of support of the incumbent. If the generations recognise the chances a succession offers and work hand in hand, a big transformation of the business can occur and the company can grow and diversify its activities. As the family grows bigger and enlarges across the generations, ties to the business weaken. Further, succession in agricultural environments is argued to have happened differently in the past than nowadays with respect to ownership structures. It is argued that there have been fewer options for members of the young generation in the past,

while nowadays big corporations are stated to be attractive alternatives. The process of succession is strongly influenced by the size of the company and by how the operation is structured (e.g. trust structures). Especially with increasing formal knowledge in the management of businesses, it was emphasised that family members may have the right skill set to enter the family business. Among the Australian businesses it was more commonly found that the top management of a business also tends to be more open to non-family members during the succession process to drive the development of the business by its entire potential.

4.5. Future challenges

While many businesses state not to face major organisational changes in the future, a subset of companies states challenges in different areas of the business. From an organisational point of view, structural issues, particularly due to succession in the business, are stated to be key. While succession-related issues have been covered in section 4.4, human resources and managing change are two major fields that will challenge family businesses in the future.

Businesses in a growth stage – particularly small businesses – are stating that from an organisational point of view staffing is a central aspect of their future challenges. Organisational restructuring related to professionalisation are found to be a central point of medium-sized businesses in Australia: *“legal arrangement of the business, and an establishment of a constitution, which we will govern and which will provide the rules how decisions will be made”*.

Respondents argue, *“structural change in agriculture has happened so fast during the last years”* (German medium winery). In order to address this change, family businesses rely on younger family members that enter the business. This pattern is constantly reported by businesses which are in the phase of succession: *“The organisation will change in the future thanks to the introduction of the new family management”* (Italian medium winery).

5. DISCUSSION

It has been consistently found that several factors influence organisational structures of family-owned wineries. These are size, age of the business, managerial expertise among the management, as well as the country the business operates in.

Organisational pattern have been observed to be related to a set of variables. The size of a family business is found one of the most important factors that influences structures within the organisation. However, organisational structures have not only been influenced by this variable. The educational background of managers determines the mechanisms and governance structures in the family business. Small businesses show difficulties in implementing formal structures. This may on the one hand enable quick growth, which is also supported by the reported high level of flexibility in the business, but this initial advantage may turn into a liability, as the business grows more mature. Organisational structures show differences among the countries. Major differences can be found when considering the investigated countries from a binary perspective and classify them as the European and

Australian perspective. Businesses in the two continents find themselves embedded in a different surrounding legal framework. The business-orientation among Australian companies was more openly voiced: “*we run our business as a company*” (Australian medium winery). This is in line with the finding of a generally higher degree of formalisation of processes in the firm.

The organisation of the management in small and medium sized businesses has shown to belong exclusively to family members. This is partly due to the size of the business, which does not require extra workforce for this type of activity. However, adverse selection and retention of unsuitable members (nepotism) in the business can rebound on the organisation.

Smaller as well as younger businesses show that values are rather transferred by implication, such as through working along with family members. This practice might not be effective as such to ensure the transfer of family values in the business. This finding has to be highlighted especially as respondents consider their “*family story [...] a potent competitive advantage*” (Australian medium winery). Especially as the family business grows, ensuring that family values are carried through any level of the business can support governance from a social point of view.

The succession process in small and medium businesses has shown a high degree of emotional involvement. Family ties have been reported to help the succeeding generation to settle in their role and help to overcome inexperience of young members. Planning the succession in a structured way was only reported by few small and medium businesses. However, older small family businesses or businesses where the family members had managerial experience from outside the business, showed that succession planning can also be found among smaller businesses.

5. CONCLUSIONS

This research investigated the role of structural organisation in family firms in the world wine sector. From an organisational viewpoint, implementation of governance structures has shown to become indispensable in family businesses as the company grows. It cannot be encouraged that firms rely on informal governance of the business through family ties. In fact, family ties are an important element in the early stage of the business but their effect is found to change over time. As succeeding generations enter the business, formal governance mechanisms can support longevity of the family firm. Primarily Australian businesses have been found to formally address this issue. Managerial expertise did show a positive influence in finding stable organisational structures. If this organisational knowledge is not present in the company, external advice can support this process. Major transformations of the agricultural sector will underscore the need for solid structural organisation of family-owned wineries to ensure longevity of the businesses.

5.1. Limitations

As in deductive research, the propositions we state fit well with the evidence, but did not perfectly explain the cases on an individual basis (Eisenhardt and Bourgeois, 1988). Another limitation can be seen in the fact that only a limited amount of time was spent with the businesses and only reported behaviour could be considered.

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Implementing organic viticulture as a business strategy: A case study

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Purpose - The study aimed to observe organic viticulture as a business strategy from an entrepreneurial perspective. Research analysed both quantitative and qualitative data.

Design/methodology/approach - A comparative case study approach was used with respect to HAK AND DUL (2009). Enterprises were observed by using annual financial statements over a five-year period. Statistical analysis was conducted to compare key figures that examine impacts of organic farming compared to conventional farming practices. Moreover, content analysis was drawn to examine impacts of organic viticulture from an entrepreneur's point of view. Results from quantitative and qualitative data was combined to test propositions that were derived from literature.

Findings - The study reveals that small-sized wineries have to take several strategic actions due to successful organic farming. Observed data showed several impacts that were linked to organic farming. A strong information asymmetry is given between producer and consumer that might lead to less additional value added for producer. Furthermore, organic farming is more or less self-realization rather than part of an elaborated business strategy.

Practical implications - Organic producer should implement strong communication activities to increase the awareness of production processes from a consumer point of view as well as willingness to pay to compensate increasing costs and to raise value added.

Keywords: Organic viticulture, entrepreneurship, business management, strategy

1. Introduction

Within the last decade several studies have forced examining the overall green trend in industrialised countries. Consumers become more and more conscious, since information about green production has increased. While green utility for meat and crops are relatively easy to catch for consumers and thus bear value added for producers, wine is still a complex semi luxury good with high search and information costs. Yet, little research has been done to examine the impacts of organic farming from a producer point of view in the wine business. Thus, it is unclear whether producer do benefit by implementing organic strategies or whether they pay the bill of an ongoing transition that is driven by policy makers, traders and confused consumers. We try to fill this research gap by *examining what has to be done for successful implementation of organic farming as part of a differentiation strategy within wine entrepreneurship*. With respect to SZOLNOKI (2013), who found that the terms organic, biodynamic and sustainability are often mixed up, we review literature that is linked to organic, biodynamic, environmental and sustainable issues in the wine industry.

BRUGAROLAS MOLLÁ-BAUZÁ ET AL. (2005) investigated the price premium for organic wines with respect to conventional wines by surveying 400 Spanish wine consumer. Environmental and health-conscious consumers were willing to pay a price premium. STOLZ AND SCHMID (2008) conducted a qualitative study in Italy, France, Germany, and Switzerland to investigate consumer's attitude and expectations concerning organic wine. 158 consumers were analysed through 16 focus groups. Consumers saw organic wines as more healthy, but lack of quality, since consumers did not understand organic production processes. REMAUD ET AL. (2008) displayed that organic wine is less valued through 756 Australian wine consumers. Nevertheless, a few consumers that could be drawn from segmentation were willing to pay a price premium of \$4.99 for wines greater \$12.50. MUELLER AND REMAUD (2010) replicated the study of REMAUD ET AL. (2008) to consider robustness of Australian consumer preferences towards organic and environmentally friendly claims over time. Output indicates that valuating organic claims had slidely increased over time from 0.2% to 2%. Moreover, environmentally conscious consumers paid a price premium for the claim 'environmentally responsible'. BAZOCHE ET AL. (2008) undertook an experimental auction with 193 participants in Paris to examine willingness to pay for environmental characteristics. Though the sample was divided into two groups and information was shared unequally through both groups, willingness to pay remained similar. Consumers did not value environmental effects through environmental triggers. BARBER ET AL. (2009) revealed that consumers with strong attitudes towards environmental issues are more willing to purchase environmentally friendly wine. FORBES ET AL. (2009) measured consumer attitudes and willingness to pay regarding environmental sustainable produced wines during the wine shopping process of 109 retail shoppers in New Zealand. Buyers stated preferences for environmentally friendly labelled wines. 80% of the sample were willing to pay a markup for organic farming, since interviewees thought organic wines were more expensive. Furthermore, 50.3% stated organic farming rises quality. ZUCCA ET AL (2009) observed 300 US wine consumers regarding sustainable viticulture, winemaking and willingness to pay for sustainable practices. 52% were familiar with the term sustainability, 10% knew sustainable processors, 90% thought sustainable farming was important for viticulture and would buy such products. However, 7% had deeper knowledge about sustainable farming practices. SIRIEIX AND REMAUD (2010) used a perceptual mapping approach to link given attributes to

conventional, biodynamic, organic and preservative-free wines. Outcomes reveal that organic and biodynamic wines are associated with several attributes, but respondents partly delivered confusing results through the term biodynamic. MANN ET AL. (2011) examined 404 Swiss wine consumers through bio as a wine attribute with respect to other wine attributes. Conventional produced wines were preferred compared to organic wines. Social image and health issues contributed most to organic wine consumption. However, region of origin and price were mainly attributed. OLSEN ET AL. (2011) analysed the relationships between environmental and hedonic values in organic wine purchasing process by an online survey with 321 US wine drinkers. US wine drinker showed that environmental protection and hedonistic lifestyle contributed to organic wine purchasing decision. Thus, environmental valuing consumers were willing to self-sacrifice and to pay a markup for organic wines. SCHMIT ET AL. (2013) conducted an experimental auction with 196 US wine consumers. Results indicate that willingness to pay for environmental attributes was only realised if sensory expectations were fulfilled. Quality remained the main trigger for a price premium. Furthermore, researchers stated that price premium has to cover increased production costs of organic farming. DELMAS AND GRANT (2014) tested the effect of eco-certification and labelling practices on wine prices in the US. 13,400 wine characteristics such as wine price, quality rating, variety, vintage, and quantity were examined between 1998 and 2005. Research distinguished between certified organic and organic labelling effects. Outcome displays that certified organic increased price by 13%, while eco-labelling reduced prices by 20%, because of negative associations towards eco-labelled wines.

Besides the demand for organic wine, some studies were drawn from a producer side. HOUGH AND NELL (2003) examined production costs and revenues of organic farmers by a one-shot case study approach of a South African farm. Research focused weather conventional or organic farming is beneficial for wine producer. Results indicate that the attainable price premium determines if organic farming is beneficial or not, since yield per ha was lower and costs slidely higher. ZILBER ET AL. (2010) examined the potential of organic and biodynamic farming for an Argentinian winery. Information was collected from secondary data and a single interview with the general manager of the firm. The study displayed that organic or biodynamic wine production can be used as alternative business strategy in developing countries. Nevertheless, organic farming should be used for differentiation rather than cost orientation, as production costs rise through labor intensity by organic farming. BOUZDINE-CHAMEEVA (2011) analysed organic wine producers in France and Italy to observe consumer motivation, producer motivation, production approaches and marketing strategies. 17 Italian and 15 French wine producers were interviewed through semi-structured interviews. Producer motivations are quite various. Furthermore, organic was seen as an ambivalent approach recognized by risk and quality loss as well as by the lack of international recognizable quality certification. Authours conclude heterogeneity in motivation for organic farming is driven by EU rules and organic should be linked to quality to avoid reputation and quality loss. SANTINI ET AL. (2011) did a case study within the Montalcino area in Italy by analyzing the role of entrepreneurial mindset and values in defining successful strategy for organic and biodynamic certified wineries. Outcomes showed that farming organically is not a strategy itself for successful product differentiation. CORSI AND STRØM (2013) surveyed 171 organic farmers from Piedmont, Italy, to observe if organic wines benefit from a price premium. Overall 304 organic wines and 85 conventional wines were collected and compared. Region of origin and the grape variety obtained a price premium, while organic quality did not add to price premium, but modified the impact of other variables and commanded higher wine prices. CASTELLINI ET AL. (2014) surveyed 183 Italian wine

producers to research the main characteristics of the organic wine sector before the enforcement of EU regulation 203/2012. The top three reasons why producers follow organic production are ethical reasons (88.5%), higher product quality (53.8%) and product differentiation (23.1%).

Similar to LOCKSHIN AND CORSI (2012), we conclude that the importance for organic wine is present but strongly heterogeneous and restricted. Several studies have shown that having a positive attitude towards green issues and a healthy lifestyle provides the necessary condition for valuing organic and a price premium (FATOPOULOS ET AL., 2003; BRUGAROLAS MOLLÁ-BAUZÁ ET AL., 2005; BARBER ET AL., 2009; OLSEN ET AL., 2011). High involved consumers who have a tendency for green consumption mainly state positive regarding organic wines and a price markup. However, organic bears confusion regarding content in terms of quality, processing and labelling (STOLZ AND SCHMID, 2008; BAZOCHE ET AL., 2008; ZUCCA ET AL., 2009; SIRIEIX AND REMAUD, 2010; DELMAS AND GRANT, 2014) and inferring is double-edged by positive and negative associations. Nevertheless, quality, price and grape variety stay the main attribute for a purchasing decision (CORSI AND STRØM, 2013; SCHMIT ET AL, 2013). Overall, previous studies reveal that homogenous communication and the link between organic and quality could increase demand for organic wines (BRUGAROLAS MOLLÁ-BAUZÁ ET AL., 2005; REMAUD ET AL., 2008; SIRIEIX AND REMAUD, 2010; MANN ET AL., 2011; OLSEN ET AL., 2011; BOUZDINE-CHAMEEVA, 2011). Yet, most producer studies are limited through one-shot case studies (HOUGH AND NELL, 2003; ZILBER ET AL., 2010; SANTINI ET AL., 2011) which are incomparable regarding company structure and location. We fill the existing research gap by using **comparative case study approach** to examine, whether organic benefits as a business strategy from a producer point of view. We therefore sum up, that based on the analysed literature, organic as a successful business strategy has to focus on the implementation of the following strategy actions: (a) *a price premium has to be commanded*, (b) *expenditures have to remain constant*, (c) *a price premium has to exceed increased expenditures*, (d) *yield has to remain stable*, (e) *heavy marketing activities in terms of quality and environmental friendly communication have to be adapted*.

2. Methodology

The paper aims to test the propositions a) – e) to examine whether organic entrepreneurs do implement strategic actions to benefit from organic farming. We use *comparative case study* (DUL/HAK, 2008a) approach as a research strategy, since the research [...] investigates a contemporary phenomenon within its real-life context [...] (YIN, 2003). Case studies are appropriate when analyzing complex issues (PERRY, 1998; DUL/HAK, 2008). Comparative case studies use replication logic for hypothesis testing (EISENHARDT, 1989a; EISENHARDT/GRAEBNER, 2007). Case study was designed by using quantitative and qualitative data and thus following triangulation (EISENHARDT, 1989b). Quantitative data was drawn from 940 financial statements of wine businesses through several growing regions in Germany over a five-year period (08/09 – 12/13). Sample included 170 conventional and 18 organic-farming direct selling wineries. Key figures were counted as mean from financial statements over a five-year period. Mean and standard deviation was calculated over all estates and selected figures. Two groups were built (organic vs. non-organic farmer) and compared through non-parametric Mann-Whitney-U-Test and Spearman's Rho correlation analysis. Qualitative data was collected by a content analysis scheme with respect to

MAYRING (2010). 18 organic wineries were asked through a semi-structured questionnaire regarding the impacts of organic farming on several variables. Both groups were analysed through comparative case study approach with respect to HAK AND DUL (2009).

3. Results and Discussion

Table 1 displays descriptive statistics for the analysed data through mean and standard deviation. Standard deviation shows high dispersion within the observed groups. The size of the wineries (ha) and labor equipment is nearly similar. Both samples almost had the same (family) labor endowment per ha. The organic sample shows lower revenues per ha (org: €38,231.49; conv: €40,899.77) and nearly equal expenditures per ha. While personnel expenditures are more or less equal, material expenditures are slightly lower in the organic sample. Logically, expenditures for crop protection was lower (org: €356.66; conv: €519.29), since organic crop protection is basically managed by copper and sulphur. Organic wineries had slightly lower expenditures for fertilizer (org: €166.00; €187.38). Furthermore, expenditures for fertilizer undergo a high volatility per year, since manure is not used regularly. Results reveal findings of HOUGH AND NELL (2003) who also found less expenditure for organic manure. The lower profits per ha (org: €6,686.98; conv: €9,249.46) are based on lower yield that might be attained by organic farming (org: 61.79; conv: 74.51), since revenues per litre exceed conventional wines by €0.64. Thus, results accentuate the argumentation of SCHMIT ET AL. (2013) who argued that price premium has to overcompensate production costs. Resulting, efficiency differs between farming methods. Mann-Whitney-U-Test (p-value < 0.05) reveals significant differences through *profit per ha**, *yield in hl per ha** and *efficiency** between both samples.

Table 1

Descriptive comparison of selected key figures by mean and standard deviation

Figures	Organic (n = 18)	Conventional (n = 170)
Size of the wineries (ha)	12.54 ($\sigma = 7.93$)	12.64 ($\sigma = 7.69$)
Labor per ha	0.46 ($\sigma = 0.12$)	0.47 ($\sigma = 0.17$)
Family labor per ha	0.20 ($\sigma = 0.12$)	0.19 ($\sigma = 0.12$)
Revenues per ha	€38,231.49 ($\sigma = 8,404.25$)	€40,899.77 ($\sigma = 14,095.07$)
Expenditures per ha	€31,544.51 ($\sigma = 7,570.18$)	€31,650.31 ($\sigma = 12,547.43$)
Personnel expenditures per ha	€5,331.61 ($\sigma = 3,102.57$)	€5,508.17 ($\sigma = 4,400.37$)
Material expenditures per ha	€14,460.82 ($\sigma = 4,678.11$)	€15,036.75 ($\sigma = 7,184.80$)
Crop protection expenditures per ha	€356.66 ($\sigma = 271.38$)	€519.29 ($\sigma = 472.28$)
Expenditures for fertilizer	€166.00 ($\sigma = 250.26$)	€187.38 ($\sigma = 254.94$)
Profit per ha	€6,686.98 ($\sigma = 3,634.91$)*	€9,249.46 ($\sigma = 5,642.77$)*
Revenues per litre	€5.70 ($\sigma = 1.67$)	€5.06 ($\sigma = 1.67$)
Yield in hl per ha	61.79 ($\sigma = 13.97$)*	74.51 ($\sigma = 17.41$)*
Labor intensity in h per ha	924.40 ($\sigma = 273.86$)	933.08 ($\sigma = 346.75$)
Efficiency (Expend./Rev.)	0.83 ($\sigma = 0.08$)*	0.77 ($\sigma = 0.11$)*

*p-value < 0.05

Nevertheless, lower yield, which turns out as the main influencing variable, might be also caused by quality orientation rather than organic impact. Since strong quality orientation is accompanied by a reciprocal relation between quality (price) and yield, correlation analysis is suitable to measure quality orientation within both groups. Table 2 displays results. The organic sample reveals high negative significant correlation between yield per ha and price per litre, while the conventional shows lower correlation. Deriving from table 1, the sample

was again divided through the criterion yield per ha < 61.79. Again, table 2 shows a reciprocal relationship between observed variables. Compared to the correlation of conventional estates (n = 40), organic estates (n = 11) indicate stronger relationship between yield per ha and price per litre. Conclusive, businesses with high quality focus implemented through lower yield per ha are less influenced by yield impact through organic farming.

Table 2

Correlation analysis between yield per ha and revenues per litre

Yield per ha / revenues per litre	Spearman-Rho
Organic (n = 18)	-.715**
Conventional (n = 170)	-.507**
Organic < 61.79 hl/ha (n = 11)	-.536
Conventional < 61.79 hl/ha (n = 40)	-.180

**p-value < 0.01

Table 3 summarizes the qualitative interviews by cross-case analysis through the propositions a) - e) and thus follows replication logic (DUL/HAK, 2009). Positive statements that were drawn from the interview scheme through MAYRING (2010) obtained a score of 1, while negative statements 0. Sum was built per column to test hypotheses a) – e). Results are discussed below.

Table 3

Cross-case analysis with respect to HAK AND DUL, 2009

Cases	(a) Price premium	(b) Constant Expenditures	(c) Price premium > expenditures	(d) Stable yield	(e) Marketing communication
Case 1	1	0	0	0	0
Case 2	0	0	0	0	0
Case 3	0	0	0	0	0
Case 4	0	0	0	0	0
Case 5	0	0	0	0	0
Case 6	0	0	0	0	0
Case 7	0	0	0	0	0
Case 8	0	0	0	0	0
Case 9	0	0	0	0	0
Case 10	0	0	0	0	0
Case 11	0	0	0	0	0
Case 12	0	0	0	0	0
Case 13	0	1	0	1	0
Case 14	0	1	0	1	0
Case 15	0	1	0	1	0
Case 16	0	1	0	1	0
Case 17	0	1	0	1	1
Case 18	0	1	0	1	1
Scores	1	6	0	6	2

Overall, the interviewees showed a strong attitude towards green issues and explained that organic plays a role in their private life. Particularly, healthy food, sustainability and change of generations was mentioned as drivers for organic farming. Thus, the overall motivation and decision for organic viticulture is driven by producer conviction and self-realization. a) 17 out of 18 organic farming entrepreneurs stated that organic does not bear a price premium and consumers are not willing to pay a markup, since organic bears less additionally utility for wine consumer. This is related to the fact that price premium is mainly built on wine quality and the producer-customer-relationship. b) 12 out of 18 producers explained that expenditures have increased by organic farming methods. However, 7 out of 18 respondents

stated that material expenditures have decreased, while personnel expenditures have increased. Additional expenditures are related to a more labor intensive cultivation (more frequent plant protection, intensive phytosanitary operations). Nevertheless, Table 1 displays contradictory results derived from the financial statements and additional questions about labor intensity and personnel expenditures. However, personnel expenditures might remain more or less constant, since entrepreneurs do not produce financial expenditures within the investigated data source. Thus, entrepreneurs in personal companies and partnerships are compensated through residual profits. Consequently, increasing expenditures might be overcompensated by additional work of the entrepreneurial family rather than additional employees. c) Though one respondent collected a price premium (a), all other respondents (c) did not collect a price premium that overcompensates increasing expenditures. d) Consistent to Table 1, 12 out of 18 stated that yield is influenced by organic farming. Furthermore 3 out of 12 explained that lower yield is linked to quality management rather than organic farming. e) Merely, 2 out of 18 organic farming entrepreneurs communicate organic actively within their marketing strategy, since they think that other wine attributes are more beneficial for their customer. Conclusively, overall results reject propositions a) to e), as organic farmers do not integrate comprehensive strategic actions within their business strategy.

4. Conclusions

The paper summarized wine related literature towards organic farming from a consumer and producer point of view. A comparative case study approach was used to observe strategic implementation of organic farming by combining data from financial statements and semi-structured interviews of organic wine businesses. Results indicate that organic farming does not benefit as a wine business strategy from an economic point of view, since there is a gap in the implementation of strategy actions. Conclusively, consumers are not able to develop a comprehensive understanding about organic farming methods and are willing to pay a price premium. Since producers think there is no additional utility for consumer and a price premium that might lead to value added for producer, communication activities are restrained. Nevertheless, as aforementioned by BRUGAROLAS MOLLÁ-BAUZÁ ET AL., 2005, REMAUD ET AL., 2008, SIRIEIX AND REMAUD, 2010, MANN ET AL., 2011, OLSEN ET AL., 2011, and BOUZDINE-CHAMEEVA, 2011, a transparent communication between supplier and consumer is necessary to increase importance of organic viticulture from a consumer point of view. Furthermore, producer should link organic to quality and implement both attributes within a quality oriented strategy. Thereby, organic marketing activities might contribute to consumer awareness and a price premium. Concluding from this study, the data that was used is limited, because financial statements and the size of the sample is not representative. Further research should focus on a multi-country study from a producer point of view to elaborate a communication strategy that might lead to a potential price premium.

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Which success factors drive profitability of privately owned wineries?

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Abstract:

Purpose - The study aims to identify and assess the importance of success factors that drive economic profit of privately owned wine business.

Design/methodology/approach - Value added profitability, the degree to which a winery can compensate its internal and external stakeholders, was chosen as measure for economic success. Financial statements of 189 privately held wine businesses in Germany were collected and thirteen financial and structural key figures were calculated as mean over five years. Five economic success factors were identified by means of factor analysis and the degree to which they can discriminate between four groups of low and high value added profitability is assessed with analysis of variance and multiple discriminant analysis.

Findings - Five success factors are identified of which four significantly discriminate between different groups of economic success. Quality management, family-to-land ratio and profitability and efficiency are the most important factors for economic business success of privately held wine businesses besides financial structure. Avenues to validate and extend the framework of success factors for privately held wine businesses are outlined.

Practical Implications - Economically successful wineries benefit from scale and leverage effects - they are significantly larger (hectare size), externally source specialised input factors such as employing external labour and realise higher revenue per litre through higher wine prices and better market positions.

Keywords: Wine business performance, success factors, SME business management

1. Introduction

Privately held direct selling wine businesses are an integral part of German wine production, accounting for nearly a third of the German wine growing acreage of about 100.000 ha. They are characterized by private ownership, small-scale operations and low market share. Besides competition from the large import market share of about fifty percent these family businesses also face strong competition from two other main German wine producers, wine co-operatives and wine cellars which have more access to scale and synergetic effects. While larger businesses can invest in technology, assets and skilled labour to create comparative advantage, small businesses have to deal with their restricted capital and labour endowments {Laforet, 2006 #13}. Nevertheless, small sized wineries show a large dispersion in economic success and reasons for these differences are not well understood {BMEL, 2015 #1}.

Privately held wine businesses undergo structural change where wine businesses with acreage below 5 ha are losing production and market share. Business succession is another current economic threat where earnings from the wine business ought to provide sufficient income to compensate two family generations to make a succession worthwhile. For a company to be sustainable in the long run and to be attractive for business succession, all internal and external stakeholders need to be compensated. It is therefore of interest to examine, which factors drive profitability of privately held wine businesses. We aim to identify success factors and to understand their relative importance for economic success and competitiveness from analysing financial statements of privately held wine business in Germany. Thereby this research synthesises so far distinct research streams in economic wine business performance.

2. Literature Review

The examination of firm performance has a longstanding history in management research {Richard, 2009 #4} and there exists a large variety in the measurement of different business performance constructs {Murphy, 1996 #6}. Likewise studies in the agribusiness sector focused on different aspects of economic success and use different measurements for its operationalisation {Dautzenberg, 2005 #8;Theuvsen, 2010 #3;Diez-Vial, 2011 #9;Nehring, 2014 #5;Gellynck, 2015 #11} but so far there is no study analysing comprehensive success factors. Similar research in the wine sector is rather scarce. One stream of research focused on analysing relationships between banks and wine businesses and effects on their financial structure {Cadot, 2006 #7;Cadot, 2011 #2}. These studies concluded a strong relationship between financial structure and business scope. For instance, compared to wine growers wine producers were found to require more debt capital and had bigger sized businesses.

A second stream of wines business research analysed financial statement information and related it to single financial or economic indicators. {di Montezemolo, 2006 #10@@author-year;Di Montezemolo, 2006 #10} related financial profiles of Italian wines to key figures from financial statements and identified the business model and business size as the main model for competitiveness. Larger companies had higher performance in terms of profitability, growth and financial capacity. {Iselborn, 2014 #12@@author-year} analysed different components of wine business income and derived the measure of value added profitability (VAP) and compare it between different German wine growing regions and different wine business sizes on a descriptive level.

Existing studies in wine business performance largely focused on relationships between few financial and structural figures and performance indicators. Jointly they suggest that small wineries have to ensure high productivity and efficiency concerning their production, financial structure and marketing activities to achieve economic success but it is unclear to what degree these components differ in their impact on economic success. Therefore there is a need to better understand holistic success factors and to finally derive a comprehensive model about success related factors in wine business research. This explorative study aims at identifying underlying (latent) success factors from a large set of financial and structural data that can discriminate between economically successful and unsuccessful wine businesses and allows an assessment of the relative importance of different drivers of economic success.

3. Empirical measure of economic success in privately held wine businesses

Overall, (wine) business success is a construct consisting of financial and non-financial goals {Etzioni, 1964 #14; Corkindale, 2003 #15}. However, sufficient economic performance has to be obtained to attain non-financial goals, such as esteem and reputation. We therefore make the assumption that reaching financial goals is a necessary condition to achieve non-financial goals, such as satisfaction, personal achievement or self-realization.

Sufficient business performance can be defined as the economic value that covers internal and external financial interests {Iselborn, 2014 #12}. It includes the compensation of contractual (external) and residual (internal) income. Thereby contractual income addresses employees, creditors and landlords of a lease, while residual income is distributed to the entrepreneurial family. According to this definition sufficient economic value added is given when the achieved operating income within a specific period equals the value added required to cover opportunity costs such as imputed costs of lease, interest costs and entrepreneurial salary. Value added profitability (VAP) as therefore defined as follows:

$$\text{VAP} = \text{Operating income} / \text{Required economic value added}$$

Where:

$$\begin{aligned} \text{Operating income} &= \text{Expenditures (Personnel, Lease, Interest)} + \text{Profit} \\ \text{Required economic value added} &= \text{Expenditures (Personnel, Lease, Interest)} + \\ &\quad \text{Entrepreneurial salary} + \text{Cost of Lease} + \text{Cost of Equity} \end{aligned}$$

When dividing the operating income by the required economic value added the quotient represents the compensation level. A quotient of 100 % indicates that businesses are able to compete successfully through comprehensive compensation of internal and external interest groups. Their profit fully compensates the opportunity costs. Contrary, a quotient <100% indicates insufficient economic success and a quotient >100% signals that the wine business is able to accumulate profit as assets for future investments.

4. Data and Methodology

This study limits to privately owned wineries in the private legal form (personal companies & business partnerships) that are owned and managed by the entrepreneurial family, where the, main source of income and at least 80% of the turnover stem from sales of wine bottles.

Data was collected from annual financial statements over a five year period between the fiscal years 2008/09 and 2012/13 from 189 wine businesses, representing 945 financial statements. Wine businesses were asked to provide additional information about labour endowment and surface under vines in each of the observed years. We calculated nine selected key figures as mean over a five year period. The figures contain information related to factor endowment, accounting ratios, structure, and efficiency and productivity figures. Additionally, we calculated imputed costs for lease, bounded equity and an entrepreneurial salary. All figures and calculations were drawn from official statistics from *The Federal Ministry of Food and Agriculture*, Germany {BMEL, 2015 #1}.

The total number of 189 wine businesses was split into four success groups according their value added profitability (VAP), see Table 1. First an ANOVA is conducted to describe the success groups by nine selected performance and structural figures. To identify latent success factors explorative factor analysis with varimax rotation was conducted with key structural and financial figures selected and reduced after correlation analysis. Finally ANOVA and multiple discriminant analysis were used to examine which factors separate the observed success groups.

5. Results and Discussion

In a first step the four success groups are described by typically used key financial statement figures (see Table 1).

Table 1: Comparison of success groups (SG)

	SG1 VP ≥ 130% n = 44	SG2 100% ≤ VAP < 130% n = 54	SG3 75% ≤ VAP < 100% n = 59	SG4 VAP < 75% n = 31	F n = 188	Sig.
VAP (%)	1.56 ^A	1.14 ^B	0.89 ^C	0.62 ^D	321.12	0.000
Profit per ha (€)	15327.77 ^A	9031.88 ^B	6455.38 ^C	5634.18 ^C	51.38	0.000
Turnover per ha (€)	47819.59 ^A	41756.74 ^{AB}	36433.54 ^{BC}	32666.03 ^C	10.42	0.000
Production costs per ha (€)	33318.07	33027.94	30504.92	29001.91	1.18	0.319
Revenue per litre	5.87 ^A	5.09 ^{AB}	4.83 ^B	4.65 ^B	4.57	0.004
Yield per ha (hl)	77.25	73.08	73.19	68.28	1.62	0.186
Size (ha)	16.21 ^A	12.2 ^{AB}	12.32 ^B	7.71 ^C	8.31	0.000
Family labour per ha	0.17 ^B	0.17 ^B	0.20 ^B	0.31 ^A	12.07	0.000
Labour per ha	0.29	0.29	0.26	0.23	1.48	0.221

Note: Tukey-B post hoc test, factor levels with different superscript are different at p-value < 0.05

It is not surprising that the variable VAP used to delimitate the groups is highly significantly different. Strong differences can also be found for profit and turnover per ha, which are significantly higher for the economically successful groups SG1 and SG2. These two groups achieve higher profits and turnover per ha and hold a greater estate size and are characterised by a better family-land-ratio. Thus, less family labours manage and cultivate more wine growing area compared to the less successful groups. Production costs that are the remainder of profit after deducting other costs are not different between the groups. There are two main factors that affect a wine business' turnover, the yield per ha and the revenue per litre, reflecting the price at which the wine is sold at the market. We could not observe significant differences for yield per ha but differences for revenue per litre and size suggest that successful wine businesses are efficacious in both producing wine quality and marketing their wine and have sufficient scale effects. Observed differences for family labour per ha are also

related to scale or leverage effects but labour endowment with employees is relatively similar between the groups.

Results from the explorative factor analysis are shown in Table 2. Kaiser-Mayer-Olkin criteria (0.63) and Bartlett's test (0.000) record acceptable quality for factor analysis. Factors with Eigenvalue > 1 were extracted after varimax rotation. A five factor solution was found that account for 86 % of variance, all communalities were > .70.

Table 2: Success factors - explorative factor analysis of selected key figures

	Factor Loadings					Communality
	1 Profitability & Efficiency	2 Quality Management	3 Size	4 Financial Structure	5 Production Endowment	
Return on equity (%)	.81					.92
Return on investments (%)	.86					.88
Total efficiency (%)	-.84					.95
Production efficiency (%)	-.81					.93
Material expenditures per ha (€)		.90				.87
Personnel expenditures per ha (€)		.79				.82
Turnover per ha (€)		.91				.76
Area under cultivation (ha)			.87			.83
Family labour per ha			-.88			.89
Asset coverage (%)				-.91		.88
Debt ratio (%)				.91		.90
Assets per ha (€)					.89	.83
Depreciation per ha (€)					.81	.74
Eigenvalue	3.373	3.053	2.411	1.328	1.023	11.19

Factor 1 represents capital profitability in terms of equity and debt capital investments as well as production efficiency. While return on equity represents the relationship between capital investments and a achieved profit, total and production efficiency assess the ratio of input of production factors and production output. Therefore this factor is named *Profitability and Efficiency*. The fact that both material and personnel expenditures as well as turnover highly load on the same **Factor 2** suggests that businesses with more (less) turnover also have higher (lower) expenditures. This seemingly surprising finding suggests that higher turnover can be achieved when specialised input of material and personal is rather bought externally (resulting in expenditures) than generically produced internally by the entrepreneur. Therefore factor 2 is named *Quality Management*. **Factor 3** embodies the *Size* effect (cf. Table 1) and can be interpreted as a family-land ratio. **Factor 4** represents the *Financial structure* of a wine business, an increase of debt reduces asset coverage. However, steady investments are crucial for the maintenance of assets and new operations and therefore a high debt ratio might potentiate economic success. **Factor 5** loaded by asset intensity and asset related depreciation stands for *Production Endowment*, where, high assets per ha signal comprehensive investments in production facilities.

To examine the discriminatory power of the four identified success factors in classifying the businesses in our sample into the four success groups we conduct a multiple discriminant analysis. To discriminate between four groups three functions were calculated and results from the first function with the highest explanatory power are shown in Table 3. Overall the results of the discriminate analysis suggest that four out of the five identified success factors are highly successful in discriminating between the four success groups. Using the success

factors 85.1 % of the businesses were correctly classified, squaring this correlation indicates that 79 % of the dependent variable is explained and groups are highly significantly separated (Wilks-Lambda 0.19, $\chi^2 = 297.12$, $p < 0.001$). This suggests that four of the five identified success factors are highly discriminative in grouping wine businesses in success groups according their value added profitability.

The standardised coefficients and F-Values suggest that factor 2 “Quality Management” is by far the most important success factor in discriminating between VAP groups followed by factor 3 “Size”, factor 4 “Financial Structure” and factor 1 “Profitability and efficiency”. Factor 5 “Production Endowment” was not significant in discriminating between the success groups.

Table 3: Multiple canonical discriminant function

Success factors	Stand. coefficients	Wilks-Lambda	F-Value	p
1 Profitability and efficiency	.54	.94	3.46	.017
2 Quality management	1.20	.39	94.45	.000
3 Size	.80	.86	9.41	.000
4 Financial structure	-.31	.92	4.69	.003
5 Production endowment	.22	.97	0.95	.420

Notes: Eigenvalue = 3.68; Percent of variance explained = 97.8%; Canonical correlation= 0.89, Wilks-Lambda = 0.19; $\chi^2 = 297.12$; $p = .000$, Percent of correct classification: 85.1%

To better understand how the four success groups differ in the success factors identified an ANOVA was conducted and results are displayed in Table 4.

Table 4: Comparison of success groups (SG) and success factors (SF)

Success factors	SG1	SG2	SG3	SG4	F	p
	VP \geq 130% n = 44	100% \leq VAP < 130% n = 54	75% \leq VAP < 100% n = 59	VAP < 75% n = 31		
1 Profitability and efficiency	.29 ^A	.14 ^{AB}	-.16 ^{AB}	-.35 ^C	3.46	0.02
2 Quality management	1.22 ^A	.12 ^B	-.48 ^C	-1.03 ^D	94.45	0.00
3 Size	.44 ^A	.11 ^A	-.05 ^A	-.71 ^B	9.42	0.00
4 Financial structure	.05A ^B	-.31 ^A	-.02 ^A	.51 ^B	4.69	0.00
5 Production endowment	.22	-.10	-.04	-.06	0.95	0.42

Note: Tukey-B post hoc test, factor levels with different superscript are different at p -value < 0.05

Success groups are strongest differentiated in Factor 2 “**Quality Management**”, where more successful groups have higher turnover and externally bought input (staff, material). Accordingly, having a high site-specific turnover under consideration of material and personnel expenditures is critical for economic success. High site-specific turnover can be achieved through simultaneous optimization of wine price (affecting revenues per litre) and site-specific yield per ha (affecting total revenue). High market prices is likely to be a result of a strong market position achieved through marketing activities and the usage of profitable distribution channels such as cellar door and specialty retail stores. When maximising site-specific yield per ha a winery has to consider the effect on wine quality, which deteriorates at too high yields, and has to comply with European maximum wine yield regulations.

Factor 3 “**Size**” is the second strongest discriminator and particularly the group with lowest VAP (SG4) has a poor family-land ratio while the more successful groups attain a better family-land-ratio and benefit from leverage and depression effects. Accordingly, successful entrepreneurial families are able to manage and cultivate a greater business with less family labour endowment than the less successful. This is consistent with findings from {Di Montezemolo, 2006 #10} who showed that greater size increases financial performance.

Profitability and Efficiency (Factor 1) are relevant for economic success, since small businesses are limited by their production capacity. Accordingly, both capital (investment of equity and debt capital effecting financial efficiency) and production factors (affecting production efficiency) have to be treated highly efficient to generate sufficient value added. Economically successful business (SG1 and SG2 in Table 4) show positive factor values for profitability and efficiency, while negative signs for less successful businesses (SG3 and SG4) implicate lower capital efficiency and poorer input-output ratios of production factors.

Finally, Factor 4 representing a wine businesses’ **Financial structure** is the third strongest discriminator. Here we observe a very interesting non-linear effect, where the least successful and the most successful groups have lower asset-coverage and accordingly higher debt. Contrary both middle success groups hold lower debt. This surprising finding for SG1 might be related to the fact that successful estates have to steadily invest into business growth, while unsuccessful businesses primarily raise capital to ensure liquidity. Further research is needed to validate this. Results agree with previous findings from {CADOT, 2006 #7} as well as {Cadot, 2011 #2} who stressed financial gaps and loan contracts in wine entrepreneurship.

6. Conclusions

This study synthesized research into economic business success of wine businesses by exploring success factors from a comprehensive set of financial and structural data. Five success factors were identified of which four significantly discriminate between success groups based on value added profitability.

Quality management reflecting a business’ market position and viticultural yield was by far the most important success factor and so far has received little attention in economic business research for wineries. This success factor suggests that successful businesses are both able to attain higher prices and yield per ha. Future research in economic business performance should therefore also include businesses’ marketing and viticultural activities. Size effects, profitability and efficiency as well as financial structure are other success factors identified in our sample of German wineries. These three factors partially agree with previous research but their relative importance for economic success was so far unclear.

There are several avenues for future research. The discriminant ability of success factors should be externally validated out-of sample both for German and international wine businesses. Our sample size was too small to allow for a hold-out sample. Also differences in the legal framework (e.g. maximum yield regulations) between wine growing countries (e.g. old world vs. new world) should be examined, which will likely provide insights into the economic efficacy of yield restrictions. The number and scope of variables included into the framework should be extended to allow a better understanding of important factors, such as Quality Management.

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Innovation strategies for resilient SMEs: A case study in the Italian wine industry

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Abstract:

Purpose: The Italian wine system is now facing new challenges, withstanding a globalized, complex and competitive market. To deal with increasing external and internal threats companies need strategic resilience, a capacity to self-renew over time.

The aim of this work is to investigate which are the innovative strategies deployed by resilient SMEs to react and adapt to unexpected changes.

Methodology/approach: Two Italian wineries have been investigated through a longitudinal multiple case study analysis. Companies have been selected according to the match pair-method. A conceptual framework adapted from Reinmoeller and van Baardwijk (2005) is proposed to investigate the argument.

Findings: show that a resilient company is able to employ a dynamic balance of strategies, constantly adapting to changing environmental conditions.

Practical implications: Our study wants to contribute to the literature on the resilience of SMEs, proposing a deeply investigation of the Italian wine system. Furthermore it offers insights for practitioners and institutions in the field.

Keywords: SMEs, resilience, strategy, Italy, wine industry

1. INTRODUCTION

The role of SMEs [1] in the global market is worldwide recognized, especially in the European contest, characterized by more than 90% of small businesses. In such a competitive market SMEs face new challenges and goals. Firms have to deal with a global competition, new consumer behaviours and expectations, new technologies and a series of unpredictable events at economic, social and institutional level. This set of uncertainty has given new attention to the capacities of a local system and its firms to adapt and pro-act to internal and external shocks. The new challenge is survive over time, adapting to a continuous unpredictable economic environment. From this point of view what is relevant is the notion of “Resilience”. Starting from the seminal works carried out by Holling (Gunderson and Holling, 2002; Holling, 1973; Walker et al., 2004) reformulated by Simmie and Martin (2010) resilience is described as an adaptation process developed to survive over time, continuously self-renewing. From an evolutionary point of view the external events like global competition, technological changes and economic crises, are the exogenous shocks that force a system to change and evolve from a state of equilibrium to a new stage of reorganization.

In strategic management studies resilience is defined as a process capability. Consistently to the evolutionary approach resilient companies are those able to act before the shock occurs and the need for change becomes obvious (Hamel and Välikangas, 2003). The strategic vision of resilience is what Martin (2012) identifies as *adaptive resilience*, the ability of a system to minimize the impact of a shock through anticipatory or reactionary forms of organization. This study deals with the strategic resilience of firms in the wine industry.

The investigation of the possibilities that a firm has to renew itself when it faces unpredictable events it's a relevant topic both from an academic and an institutional perspective. Studies on the resilience of firms and local systems are on the rise but there are several gaps, especially concerning a firm perspective that considers which are the innovative resources, internal and external, that influence the resilience of SMEs. Furthermore limited research has been addressed concerning resilience in the context of wine industry (Flint et al., 2011) and especially in the Italian wine context (Duarte Alonso and Bressan, 2015) that is more generally under investigated.

The aim of this work is to understand which are the innovative strategies, deployed by resilient firms, to survive over time. Two Italian wine companies have been investigated through a longitudinal multiple case study, understanding how innovation strategies and organization's resilience are correlated.

A conceptual framework adapted from Reinmoeller and van Baardwijk (2005) is proposed to investigate the argument. Our study wants to contribute to the literature on the resilience of SMEs in the context of wine industry. Furthermore it offers insights for practitioners and institutions in the field.

2. CONCEPTUAL FRAMEWORK

Literature concerning resilience within the context of SMEs is quite recent. The concept of resilience is applied to a wide range of disciplines but it's always representative of the capacity of an individual, an organization, a system to adapt and react to unexpected events. Management scholars investigate the resilience of SMEs to understand how enterprises face unpredictable transformations in the global scenario, like an economic crisis at industry and global level or changing in consumers' behaviour and expectations.

Beside that some organizations, despite facing the same shocks in the same place, overcome these events and are able to adapt while others fail. The reaction to the "Unexpected" depends on the resilience of the firm.

Bhamra et al. (2011) based on 74 papers and corresponding definitions at firm level defined three main elements of resilience: readiness and preparedness, response and adaptation, recovery or adjustment.

Sheffi and Rice (2005) analysed how a shock impacts on the supply chain of an enterprise. A disruption can affect the performance of a firm in unpredictable ways and consequently the more a firm is resilient the more can decrease its vulnerability. A low vulnerability can be achieved working on redundancy and flexibility. Redundancy, in the sense of keeping some resources in reserve, is a common process of any resilient strategy but has limited benefits. On the other hand increasing the flexibility of the supply chain, building organic capabilities that perceive threats and quickly respond to shocks, can enforce the enterprise resilience and create competitive advantage in the market.

Chrisman et al. (2011) contributed to the entrepreneurship literature investigating the resilience of family firms and the aspects of their organizational form that lead to a durable activity. Arranged marriage, long-term orientation, multitemporal perspectives, knowledge structures, innovation, social capital and social exchange are the set of characteristics and behaviours that contribute to the resilience of family firms.

Analysing the factors that influence the resilience of SMEs, Garmestani et al. (2006) argued that the capacity of a firm to manage a disturbance and to develop new solutions it's due, at organizational level, to firm dynamics (*e.g.* size, diversity, employment variance) and at geographical level to the location and the proximity to other firms.

Gunasekaran et al. (2011) developed a conceptual framework pointing out key factors for the competitiveness and resilience of SMEs. Organizational behaviour and managerial characteristics are the internal factors that influence the quality of the final goods and services produced by the firm. Enabling factors, like new technologies, marketing competences, integrations in the supply chain, the location of the business, represent opportunities that a firm can use to strength and improve its production. External factors are identified in the globalization of the markets.

Reinmoeller et al. (2005) investigated the role of innovation strategies in the resilience of firms, through a longitudinal multiple case study, defining resilience as “The capability to self-renew over time through innovation”, identifying a set of resources that are either internal and external, already in use or being created. Authors assert that resilient companies are those that continuously adapt their behaviours to the changing environment and manage a dynamic balance of four innovation strategies: knowledge management (*i.e.* using and reusing of tacit or explicit knowledge within the firm); exploration (*i.e.* creation and recombination of existing knowledge, through research and development activities); entrepreneurship (*i.e.* find new solutions and new resources beyond the boundaries of the firm); cooperation (*i.e.* recombination of complementary knowledge of the partners in the same industry). The key element is the diversification of strategies that lead to maximize the adaptation of the company.

Based on these premises we elaborated a conceptual framework (Figure 1) to investigate the argument, adapting the model proposed by Reinmoeller et al. (2005). Four innovation strategies are grouped, combining internal and external factors through a temporal dimension. The time t represents the actions that are commonly in use, the time $t+1$ all the actions and capabilities that are deployed to create something that will be used.

The framework of innovation strategies has been integrated grouping practices according to the three typologies of factors, proposed by Gunasekaran et al. (2011), that can foster the resilience and competitiveness of SMEs. Factors are categorized as internal (*i.e.* organizational behaviour, managerial characteristics), external (*i.e.* cluster dynamics, globalization, shocks, economic crisis) and enabling (*i.e.* use of technology, generation of

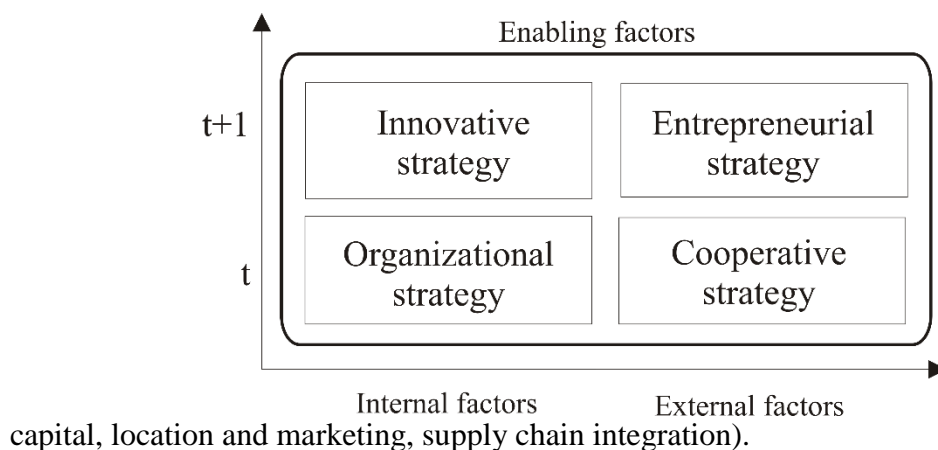


Figure 1: conceptual framework, adaptation from Reinmoeller et al., (2005).

The organizational strategy is pursued within the firm recombining existing knowledge (both tacit and unexplored) and human capital in the organization. The innovative phase is carried out within the firm and involves the creation of new ideas and resources. The cooperative strategy aims at sharing internal knowledge and competences with external partners in the same industry. The entrepreneurial strategy starts within the firm but goes beyond the boundaries, sharing an entrepreneurial mentality among the industry stakeholders.

Entrepreneurial activities, such as the creation of new businesses, spin offs, start-ups and external corporate venturing, are the essence of this practice.

3. METHODOLOGY

A longitudinal multiple case study research was carried out, adopting methods and principles proposed by Eisenhardt, (1989). According to the match pair method case studies have been chosen as polar types in which the investigated processes have been “transparently observable”. Protocols were developed following Yin (2009) to aggregate data in a clear and consistent way. Qualitative and quantitative data from selected case studies were collected by multiple collection methods and analyzed through descriptive statistics and qualitative data analysis techniques, considering as interval of analysis the last decade. Primary data were obtained thanks to in depth interviews with managing directors and focus groups with experts in the field. The National Institute for Statistics, the local Chamber of Commerce and the Bureau van Dijk-Orbis datasets have been consulted for secondary data.

3.1 Context of analysis

In a scenario strongly influenced by competitive forces and exposed to an extremely challenging environment, innovation has become one of the key factors for the resilience and performance of wineries, especially for the old-tradition European ones.

The wine industry is worldwide characterized by fragmentation and SMEs. Especially in the century-old European contest (e.g. Italy, Spain, France, Germany) wineries are for the majority family enterprises, correlated to the territory. On the contrary new wine markets as Australia, New Zealand, South Africa, Argentina, Chile and US are structured and well-organized players in the global scenario challenging the dominance of European producers.

The Italian wine sector is an old tradition system characterized by a fragmentation of thousand of SMEs. Italy is the second wine word producer and leading exporter. The constant decreasing of domestic wine consumption has forced wineries to open to international markets. In such a context innovation processes are essential to grow and profit, but the national system it’s still polarized between winemakers adhering to a traditional local market (*i.e.* low innovators) and those looking to the global markets (*i.e.* high product and marketing innovators). As opposite to the Australian system, the Italian one has weak interorganizational collaborations and networks that don’t support enough local wineries. Consequently the performance of Italian organizations is more influenced by firm internal factors than external ones.

The recent conditions of the market and the need of a renewal in such a traditional and conservative industry increased the attention of management and business studies (Orth et al., 2007), especially concerning Entrepreneurship (Brown and Butler, 1995; Delacroix and Solt, 1987; Zhao, 2005), International Entrepreneurship (Lamb et al., 2011; Mariani et al., 2012), Strategic Management (Atkin et al., 2012; Porter and Bond, 1999), International Business (Kidwell and Fish, 2007) and Innovation Management (Aylward and Glynn, 2006; Dressler, 2013; Sánchez-Hernández et al., 2010) studies. A search for articles and authors evidences

also that studies carried out in Australia and in the so called “New World” markets are the broadcast area.

Studies carried out by Aylward and Glynn (2006) and Aylward (2002) are of particular interest and investigate how innovation processes and R&D influence the performance of firms in the Australian wine industry. Beside that Dresler (2013) explored the innovation activities of German wineries, observing a shift of innovation from production processes to services, with a decreasing centrality of the product in the industry.

1.1. Case studies description

Two wineries have been selected through the match pair method and chosen as polar types. They have both a century old tradition and perfectly represent a case of resilient enterprise.

They belong to the same territory, the Oltrepò Pavese, an hilly area in the Northern Italy. This area hosts more than 1600 wineries and grape producers and represents the third biggest Italian wine district in terms of vineyards surface (13.269 hectares). From the end of WWII both wineries evolved significantly, becoming leading national players in the 80s, thanks to their sparkling white wine, from the vinification of Pinot Noir, sold as bulk or bottled. Along years they increased profits reacting to numerous unexpected events but starting from the new millennium their paths became extremely divergent.

Both wineries experienced a lock-in effect and subsequently the consequences of the domestic decreasing in wine consumptions, plus a worldwide competition from Old and New World players. One company has been able to adapt and react while the other is still experiencing a deep crisis.

4. FINDINGS

The key contributors to the low adaptability and resilience of the failed company can be found in the analysis of its innovative strategies. At organizational level the internal disagreement of the board and cash flow constraints stopped the development of new commercial and technological pathways. The absence of innovative and entrepreneurial strategies limited the adaptation to the external changes of the market. The focus on cooperation efforts characterized by merging and acquisitions redistributed the risk but also reduced innovation investments and increased the lock-in effect. The dependency from the local GDO distribution, in an Italian wine system that today profits more than the 50% abroad, slowed even further a rebirth phase.

On the contrary the successful company invested in technological equipments, buying new tubs and autoclaves. Quality production was increased and security and efficiency of the whole production process were emphasized. New entrepreneurial decisions focused on foreign markets were taken in place. A differentiated offering, an increasing quality production and proper marketing campaigns fostered the recovery of the firm.

Financial statistics sustain that positive trend: for the first time since 2009 the annual asset turnover ratio (*i.e.* Turnover/Total assets), that indicates the efficiency of a company to deploy its assets, has started growing again, moving from 0,85 (2013) to 0,89 (2014).

Conversely the bankrupt company still markets a regression with the lowest value ever: 0,30 (2014).

5. DISCUSSION AND CONCLUSIONS

This work aims at understanding how resilient SMEs adapt and react to external shocks and thanks to which practices. Based on previous studies on the resilience of organizations, we applied in the context of wine industry the framework of innovation strategies proposed by Reinmoeller and van Baardwijk (2005). The Italian wine system has not been quite investigated and recently is facing a radical innovation and technological changing. Polar case studies have been selected for their common history and development path.

The first winery is the less successful, it's still in a declining phase not finding solutions to get out of stagnation. On the contrary the second case shows a resilient enterprise that, despite faced the same issues, is now on a growing phase, increasing its resilience not only trough investments in innovation and a technological renewal but also developing adequate marketing and entrepreneurial strategies.

Findings, that have briefly resumed, suggest that a resilient company is the one that is able to employ a dynamic balance of all the four strategies, constantly self-renewing, adapting to changing environmental conditions. Focusing on one strategy, as the second company done, could lead to reduce the risk in stable times but during turbulent periods it will not foster resilience. As argued by Reinmoeller and van Baardwijk (2005) and according to evolutionary theory on strategic resilience, pursuing several different strategies increases diversity maximizing the chance of prosper adaptation. The understanding of strategic diversity is a key element in order to build resilient companies and has to be planned by managers as a long term strategy and not as instinctive reaction to unexpected shocks.

Proposed considerations may prompt winery managers to contemplate and implement responsive strategies to perceived challenges and impacts, working on building resilience. These practical strategies may also support local institutions and guidance to a more willingness to invest in the winery business, positively exploiting the strength of ties and connections, promoting policies to support enterprises.

Further studies will aim at increasing the number of case studies enhancing the contribution of the research in the field and the development of a theory on the resilience of SMEs, that is still weak.

6. ENDNOTES

[1] Enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro (European Commission, 2015).

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The Finicky Grape Winery Action Research in Wine Accounting

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Abstract:

Purpose: A project designed to build a knowledge base of wine industry-specific useful practices was undertaken over a two-year period. The vehicle for the project was a case exercise in cost accounting that brought together winery professionals and academics. The project constituted both a) action research for organization development, through direct benefits to participating wineries, and b) classroom action research via reflective learning.

Design: A case documenting the story of a fictitious winery in Oregon, U.S.A. was developed for use in a 2014 administration of a cost accounting course, then improved and enhanced for the 2015 administration of the course. Design and implementation of the project followed the discovery-action-reflection model of action research, and provided a foundation for a strengthened industry/academic partnership through the reflective process of classroom action research.

Findings: Student course evaluations, feedback from participating wine professionals, and structured reflections by the instructor across the two iterations of the course revealed that the case exercise led to acquisition and dissemination of knowledge in wine accounting.

Practical Implications: Developing a knowledge base of cost accounting practices specific to the wine business is beneficial for the local industry. The immersive process of developing the exercise provided the instructor with insights to further improve the students' educational experience, while building stronger connections between the academic program and the local wine community.

Keywords: Wine accounting, action research, classroom action research, cost accounting, Oregon wine

1. INTRODUCTION

As in other wine regions throughout the world, a lack of industry-specific accounting knowledge is a challenge for the growing Oregon wine industry. The wine industry presents an additional layer of complexity for the accountants, over and above typical cost accounting practices, and there is a lack of wine industry-specific research in the published accounting literature. In Oregon, most small wineries do not employ an accountant on staff.

An Oregon college has taken a step toward building a knowledge base to support the industry with solid accounting knowledge and practices. A vehicle for building this knowledge base is a comprehensive case exercise in wine accounting used in a cost accounting course.

Development and implementation of the exercise took the form of an action research project, in which local wine industry experts worked in partnership with the course instructor (this paper's first author) and students.

2. LITERATURE REVIEW

2.1. The Oregon Wine Industry and Wine Accounting

The first wine grapes may have been planted in Oregon, U.S.A. as early as 1847. The modern era of Oregon wine, however, was launched in large part by a handful of pioneers who settled in the Umpqua Valley and Willamette Valley in the 1960s (Oregon Wine, 2015). By the 1970s Oregon was considered a newly established wine region with an emphasis on artisanal and sustainable growing and production. (Hall and Paris, 2001).

With more than 600 wineries, Oregon is now the third largest wine grape producing state in the U.S., (Oregon Wine, 2015). Although Oregon is best known for Pinot noir and Pinot gris, 72 wine grape varieties are grown in the state (Oregon Wine, 2015). The focus on small batch, artisan, and sustainable wine continues to typify Oregon's approach (Wagner et al. 2013).

Most Oregon wineries are small, producing fewer than 5,000 cases per year (Oregon Wine, 2015).

Wine operations typically have a long cash/operating cycle, and often consist of a mix of farming (grape growing and vineyard management), manufacturing (winemaking and bottling), and distribution. These factors present an additional layer of complexity in cost accounting practices for wineries. Properly trained professional accountants can help wineries navigate this complexity, and assist winery professionals in preparing financial reports for use by investors, creditors, managers, and others, and in making key operational decisions in such areas as product/price mixes and capital purchases.

Small wineries like the majority of those in Oregon, typically do not employ an accountant on staff. Accordingly, there is a substantial local need for accountants with wine industry specific accounting knowledge. At the same time there is a dearth of wine-specific accounting research in the academic literature and in accounting textbooks. Incorporating a comprehensive wine industry case in a cost accounting course was a way to begin to build a stronger local base of knowledge in wine accounting.

2.2. Action Research

Action research is applied research focused on understanding a problem and creating

practical solutions for that problem. Reason and McArdle (2007) have identified several defining factors of action research. It is pragmatic, addressing practical issues and linking theory and practice. It is democratic, allowing people to create their own knowledge via communities of multiple ways of inquiry. It makes use of knowing and is developmental in nature, building on previously generated knowledge. Finally, it is value-oriented, seeking to contribute to the well-being and effectiveness of people and their communities.

Action research follows a cyclical pattern of discovery, action, and critical reflection aimed toward positive growth, generally including active participation by those who are affected by the research, (Adelman, 1993). The case exercise discussed in this paper resulted from a joint process of discovery, action and critical reflection among constituencies of faculty, students, and wine professionals, with the aim of positively impacting the local wine industry. The process of critical reflection was carried further by the course instructor, through a process of *classroom* action research, to strengthen and improve the students' educational experience.

2.3. Classroom Action Research

Classroom action research (Mettetal, 2001), is an application of the general action research approach. Its goal is to help instructors reflect upon their teaching practices and inform decision making about future teaching activities. The general framework for classroom action research consists of goals, information, methods, results, reflection, and presentation.

2.3.1. GOALS

In this step, the instructor reflects on the overall goal or problem related to student learning. In the case of the accounting course described here, the goal was to develop an experiential learning activity to enhance students' understanding of wine accounting. This goal was somewhat novel for a cost accounting classroom. Such experiential activities are common in other areas of business education such as management and marketing, but accounting-focused experiential activities are less common.

2.3.2. INFORMATION

Here, the instructor reviews relevant information, literature, and data to design the project. The instructor reviewed several cost accounting resources when building the learning activity (e.g. Cropsey and Peters, 1982; Dal Poggetto, 1985; Scott and Swain, 1997). To ensure accuracy and relevance of the wine industry content of the exercise, consultation with industry professionals was another critical component of this step.

2.3.3. METHODS AND RESULTS

The intent of these steps is to plan and carry out a methodology for assessing the effectiveness of the educational activity. In the cost accounting course described here, triangulation of feedback was accomplished by seeking structured feedback from students and industry partners, and combining that feedback with the instructors' reflections. There were two iterations of this assessment process implemented after the first and second administrations of the course.

2.3.4. REFLECTION AND PRESENTATION

In these final steps, the instructor reflects on what was learned from implementation of the educational activity, takes action based upon what is learned, and disseminates the results. In the class activity described here, critical reflection led to improvements in the second administration of the class exercise.

3. METHOD

An experiential learning exercise was developed as the case of a fictitious Oregon, USA winery in need of accounting practitioners with winery-specific knowledge. Students in a senior-level cost accounting course learned about the wine industry and its specific accounting practices in order to build an extensive set of financial projections to help the fictitious winery make key financial decisions.

The students began with knowledge of financial accounting and, during the first part of the course studied the basics of cost accounting. Next, they learned about the wine industry through reading, videos, discussion and, in the second administration of the exercise, a visit to a local winery. They then were introduced to the case through ‘the story’ of the fictitious winery, certain financial information from the winery owner’s business plans. The students were then asked to build seven-year financial forecasts to be used by the owners for the benefit of the winery. The forecasts were built as spreadsheets designed to be highly flexible and adaptable to facilitate many iterations of the exercise.

The financial projection building process took several weeks and was punctuated by critical review from several industry experts who met with the students to discuss their work. These discussions focused on the reasonableness of the projections and on the quality of the assumptions, estimates and methodologies used, which invariably led the students to improve their forecasts. These improvements included changes to grape and packaging costs, switching from in-house bottling to outsourcing via a bottling truck, and changes to costs and types of capital assets needed by the winery.

At the end of the exercise, the students’ projections were viewed and critiqued at a high analytical level by a wine accounting expert from a local public accounting firm. This expert has several decades of extensive wine accounting experience for hundreds of wineries/vineyards. Although students did receive feedback from wine industry experts and their instructor, they did not have any high-level analytical accounting conversations until their discussion with this wine accounting expert. The students presented, discussed and defended their work with the wine accounting expert as a culmination of the exercise.

4. RESULTS

4.1. First Administration of the Case Exercise

The first administration of the case exercise took place during the spring semester of 2014. At that time, the case was called “The Finicky Grape Winery” exercise.

4.1.1. INSIGHTS FROM STUDENT EVALUATIONS

Student evaluations from the first administration of the case exercise indicated that students had gained industry-relevant accounting knowledge and skills in the areas of:

1. The integration of financial and cost accounting
2. ‘Real-world’ accounting experience
3. Understanding winery operations and finances

The students also indicated improvement of future projects ought to include:

1. A visit to a real winery

2. More spreadsheet instruction prior to the start of the project
3. More specific instructions for student work

4.1.2. INSIGHTS FROM INDUSTRY PROFESSIONALS

Feedback from industry professionals who participated in the first administration of the exercise indicated:

1. The story and nature of the fictitious winery was realistic
2. Industry professionals were prompted towards self-reflection of their business practices
3. The exercise was a good start towards understanding wine accounting

Industry professionals' suggestions for improvement included:

4. Build statements of cash flows in the forecasts and use a longer forecast period
5. Improve sales volume timing projections
6. Make the relationship between distributor sales and its costs reasonable

4.1.3. INSIGHTS FROM INSTRUCTOR REFLECTIONS

Instructor reflections after the first administration of the exercise indicated a fair beginning with opportunities for significant improvement. Following Mettetal's (2001) rubric for assessing classroom action research, an assessment of each of the steps in the classroom action research framework is presented here (needs improvement, on target, or exemplary), along with a brief explanation of the reason for the assessment provided.

Table 1: Assessment of Classroom Action Research after First Administration

	Needs Improvement	On Target	Exemplary
Goals			Clearly stated, fit well with learning and teaching and guide action
Information	Little relevant wine-accounting literature was available.		
Methods		Knowledge of accounting and wine-specific accounting was connected with the industry experts.	
Results		Communication of results was done through spreadsheet presentation.	
Reflection		Reflection of teaching, learning and industry-connections served to improve the following year's exercise.	
Presentation		The instructor wrote a paper about this experience and presented it at an academic conference.	

4.2. Summary of Improvements Made to the Exercise after Its First Administration

As a result of the above assessment, the second administration of the exercise included: a field-trip to a local winery, more spreadsheet instruction prior to the start of the project, a longer forecast period (from five years to seven) and cash flow statements. Whereas some students from the first administration of the class had suggested more specific instructions the instructor actually chose to provide fewer specific instructions during the second administration of the exercise. This deliberate choice resulted from a desire to treat the students as equals and set the authoritative instructor/student relationship aside for the purposes of the client-facing case exercise.

4.3. Second Administration of the Case Exercise

The second administration of the case exercise took place during the spring semester of 2015. At that time, the case was called the “It’s Accrual World” exercise.

4.3.1. INSIGHTS FROM STUDENT EVALUATIONS

Student evaluations from the second administration of the case exercise indicated again that students had gained industry-relevant accounting knowledge and skills in the areas of: the integration of financial and cost accounting, real-world accounting experience, and understanding winery operations and finances. Students also noted:

1. The field trip to a local winery helped the students obtain a deeper hands-on knowledge of the wineries and winery accounting
2. Their confidence in client-contact, spreadsheet work and book-to-real-world knowledge had been enhanced

The students also indicated improvement of future projects should include:

1. Even more spreadsheet instruction prior to the start of the project
2. Improved structure for presentation and discussion with winery experts

4.3.2. INSIGHTS FROM INDUSTRY PROFESSIONALS

Feedback from industry professionals who participated in the second administration of the exercise indicated:

1. The exercise produced realistic financial projections
2. The exercise engaged the industry professionals into self-reflection of their business practices and a greater curiosity towards, and appreciation of, accounting
3. The knowledge students gained is expected to produce value for the local wine industry

Industry professionals’ suggestions for improvement included:

1. Use a fictitious winery that wishes to add additional types of wine (SKUs) at particular price-points; build a spreadsheet model that facilitates this.
2. Use a fictitious winery that grows its own (estate) grapes (the first two administrations of the exercise were for wineries that only bought grapes).
3. Conclude the exercise with a higher level of analysis; for example, do an in-depth conceptual analysis of the relationships between how each type (SKU) of wine production and sales drives significant costs.

4.3.3. INSIGHTS FROM INSTRUCTOR REFLECTIONS

Instructor reflections after the second administration of the exercise indicated substantial improvements over the first administration with continued room for improvement.

Learning objectives were successfully achieved and the instructor agreed with the students’ observations that both “soft” skills (Boyce, Williams, et al, 2001) (such as listening, diagnosis, and oral communication) had improved as a result of the exercise, and that there had been a substantial improvement in technical spreadsheet skills through the iterative process of spreadsheet building required in the case.

Table 2: Assessment of Classroom Action Research after Second Administration

	Needs Improvement	On Target	Exemplary
Goals			Clearly stated, fit well with learning and teaching and guide action
Background Information		Improved information sources were available	
Methods			A higher quality of analysis was done.
Results		Communication of results was done through spreadsheet presentation.	
Reflection		Reflection of teaching, learning and industry-connections improved the second year's exercise.	
Presentation			This paper attempts to present this work and these results with a wider audience.

5. SUMMARY AND IMPLICATIONS

This project was designed to be a collaborative effort between an educational institution and the local wine industry, with the goal of advancing knowledge in wine accounting. The case exercise was a realistic vehicle for engaging students in the study of wine accounting as part of their cost accounting course. Learning from this project extended across the student, faculty, and winery professionals, and served to strengthen ties between the college and the local wine community. A bonus of the project for students was a considerable increase in both technical skills in accounting and in “soft skill” competencies.

Limitations of this study include a lack of quantitative assessment (e.g., pre-post) on wine accounting-related knowledge among students, faculty and wine professionals. In future administrations of the exercise, such a design will be useful to consider.

Overall, we believe this project demonstrates one creative way to conduct wine research that matters: collaborative action research that supports educational goals while benefiting the wine industry in an underexplored area of inquiry (wine accounting). We share our experience with this project in the spirit of Zalan and Lewis (2014), who advocated for

collaborative efforts among members of the scholarly community not only in research, but also in the area of wine-related education.

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An exploratory study on the productivity and efficiency of Spanish and Italian wineries

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Abstract:

Purpose: The objective of the paper is to estimate the total change in productivity, broken down into efficiency change and technical change, comparing Italian and Spanish winery sectors.

Design/methodology/approach: The methodology is based on the estimation of the Malmquist productivity index for a sample of Spanish and Italian wineries between 2005 and 2013.

Findings: The results show very low efficiency levels for the wineries under study: Spanish and Italian wineries show a decrease in their average annual productivity for the period analysed.

Practical implications: The success of these wineries is underpinned on taking actions based on the results of the efficiency and productivity analysis. These results will guide the wineries to improve their competitiveness in the global market.

Keywords: Wineries, Productivity, Efficiency, Malmquist index

1. INTRODUCTION

Growing competitiveness among wineries and the globalisation of the wine market have given rise to an economic environment in which it is becoming increasingly difficult for companies to survive. The new wine-producing countries (e.g. Australia, Chile and the USA), which use modern production techniques and up-to-date marketing strategies, has stimulated those of the old world, Spain and Italy included, strengthening their efforts to compete in the international market. Efficiency and productivity analysis has become an important issue for winery managers, as it plays an important role in the management of wineries, providing vital information for a number of tactical, strategic, and policy related decisions. However, increasing productivity in the wine sector can be difficult due to the characteristics of the sector. The heterogeneous nature of the products obtained (most wineries produce different wines that are sold at different price levels) makes difficult the estimation of efficiency and productivity to inform decision making as the analysis results could be different from product to product.

The paper estimates the productivity and efficiency of Italian and Spanish wineries, with the hypothesis that these countries are far from reaching their potential levels of efficiency and productivity, due to structural problems and/or lack of managerial skills. To verify the performance of the wineries, the paper will try to answer the following questions:

- What is the actual level of efficiency and productivity among Spanish and Italian wineries? How did it change in the period 2005-2013? Is Italy performing better than Spain or vice versa?
- What are the causes of the inefficiencies, if this is the case, among the wineries? How can the wineries improve their performance?

To answer these questions, the research methodology measures productivity change using Malmquist productivity indexes computed via non-parametric techniques. Productivity change is broken down into two terms: efficiency change and technical change. The first reflects the ability of a firm to obtain the maximum level of output from a fixed level of input, given the available technology. The second reflects movement of efficiency that could be attributed to innovation or technological change. The empirical analysis is carried out on a sample of Spanish and Italian wineries between 2005 and 2013.

2. LITERATURE REVIEW

From a methodological perspective, the definition of inputs and outputs is one of the main problems faced when estimating efficiency in the wine industry. When comparing the performance of wine producers it is possible to consider a technical perspective (technical concept of efficiency), analysing the ability of the wine producer to transform some inputs into wine outputs volume (e.g. litres of wine) or analysing the ability to transform some inputs into wine outputs value (e.g. sales) (economic concept of efficiency).

Most of the authors consider the technical approach (e.g. Townsend et al., 1998; Bonfiglio, 2006; Vidal et al, 2013; Aparicio et al, 2013). While Townsend et al. (1998) estimate partial and total productivity for a sample of wine grape producers located in South Africa analysing the effect of size. The results show that the inverse relationship between farm size and productivity is weak, not consistently negative and differs among regions. Bonfiglio (2006)

analyses efficiency and productivity changes of a sample of Italian agrifood cooperatives in the period 2000-2002. Results show that wine cooperatives present the lowest average levels of efficiency. Moreover, their productivity decreased due to a worsening of managerial capabilities. Vidal et al. (2013) analyse the efficiency of a sample of Spanish PDOs between 2008 and 2010 with the non-parametric technique of Data Envelopment Analysis (DEA), BAM and Malmquist indexes. The results show that the efficiency of the subset of Spanish PDOs is uniform over the time periods analysed and that productivity experiments highlight only minor and irrelevant changes. Aparicio et al. (2013) analyse the revenue, technical and allocative inefficiency of a sample of Spanish PDOs with an output oriented version of the weighted additive DEA model. Overall, the results show that technical inefficiency is clearly greater than the allocative one. The results also showed that revenue efficiency was the greater in the case of PDOs with specific wine products serving niche markets and without clear competition. Although results are not directly comparable, most of the academic papers show low levels of efficiency in the winery sector (e.g. Bonfiglio, 2006; Liu and Lv, 2019;), which could suggest that wineries could improve under the right conditions. From a dynamic perspective, results are not consistent. While some papers evidence a slight decrease of productivity over time (e.g. Bonfiglio, 2006; Vidal et al., 2010), others (e.g. Liu and Lv, 2010) evidence a slight increase.

On the other hand, several authors adopt the economic efficiency approach (e.g. Barros and Santos, 2008; Fernandez and Morala, 2009; Fekete et al., 2009;), evidencing also low levels of economic efficiency. Barros and Santos (2007) compare the efficiency of cooperatives and private enterprises in the Portuguese wine industry showing that cooperatives, on average, are more efficient than their private counterparts. Fernandez and Morala (2009) study the cost efficiency of wine firms in Spain, verifying improvements in global efficiency as well as pure technical efficiency of the analysed firms. Fekete et al. (2009) use the Malmquist index to examine productivity in the agriculture of new EU member states.

Finally, at a country level, Tóth and Gál (2014) and Fleming et al. (2014) evidence that New World countries are more efficient than traditional countries and that inefficiency is related to some macroeconomic factors such as the development of the financial system, the quality of human capital and per capita wine consumption.

The existing literature shows that several authors have made the effort to analyse efficiency (economic or technical approach) in the wine industry, implementing different methodologies. However, there is a gap in the research of efficiency in the Italian wine sector, since Bonfiglio (2006) focused on the agrifood cooperatives in general, for the period 2000-2002. Literature research highlights that only broad comparisons among wine producing countries have been made (Old World vs. New World, Tóth and Gál (2014) and Fleming et al. (2014)). This paper is an attempt to fill this gap, focusing on specific countries, such as Italy and Spain. The paper provides a fact based analysis of the actual level of efficiency of Italy and Spain. Lastly, the paper will try to point out those factors and strategies that lead to a higher level of efficiency.

3. METHODOLOGY, SAMPLE AND VARIABLES

3.1 Methodology

The Malmquist index, estimated using distance functions, allows changes in productivity to be broken down into technical change and efficiency changes (Caves et al.1982). Technical change reflects the frontier shift over time while the efficiency change represents deviations from the best practice frontier. In simpler terms, the Malmquist index is defined as the product of the “catching-up” and the “frontier shift” terms. The “catching-up” term relates to

the extent by which a winery improves its efficiency, while the “frontier-shift” term reflects the change in the efficiency frontier of the winery between the two periods of time.

The Malmquist index based on outputs uses output distance functions defined on the output set, $P(x) = \{y : x \text{ can produce } y\}$, as (Farrell, 1957):

$$D^t(y, x) = \min \{\delta : (y/\delta) \in P(x)\} \quad (1)$$

and it analyses productivity changes as the differences at the maximum level of output that can be attained from a fixed level of inputs. The formulation of this approach taking the technology of the period t as reference according to Caves et al. (1982) is the following:

$$\frac{D^t(y^{t+1}, x^{t+1})}{D^t(y^t, x^t)} \quad (2)$$

Alternatively, the Malmquist index can be estimated in the reference period $t+1$ as:

$$\frac{D^{t+1}(y^{t+1}, x^{t+1})}{D^{t+1}(y^t, x^t)} \quad (3)$$

Since the choice of period t or $t+1$ is arbitrary, Färe et al. (1994) defined the Malmquist index as the geometric mean of the two indices above:

$$M_{t,t+1}(y^{t+1}, x^{t+1}, y^t, x^t) = \left(\frac{D^t(y^{t+1}, x^{t+1})}{D^t(y^t, x^t)} \frac{D^{t+1}(y^{t+1}, x^{t+1})}{D^{t+1}(y^t, x^t)} \right)^{1/2} \quad (4)$$

A value of M greater than one will indicate productivity growth from period t to period $t+1$, while a value less than one indicates a productivity decline. Operating and reordering the terms of the equation (4), the decomposition of productivity change into efficiency change (catching-up, CU) and technical progress (technical change, TC) is the following:

$$M_{t,t+1}(y^{t+1}, x^{t+1}, y^t, x^t) = \underbrace{\frac{D^{t+1}(y^{t+1}, x^{t+1})}{D^t(y^t, x^t)}}_{CU} \underbrace{\left(\frac{D^t(y^{t+1}, x^{t+1})}{D^{t+1}(y^{t+1}, x^{t+1})} \frac{D^t(y^t, x^t)}{D^{t+1}(y^t, x^t)} \right)^{1/2}}_{TC} \quad (5)$$

Thus, the productivity changes reflected in the index will be a mixture of efficiency changes (CU) and frontier shifts (TC). The first ratio (CU) is the index of efficiency change (i.e. whether the firm has moved closer or farther from the frontier over time), the second (TC) is the index of technical change between the two periods evaluated as a result of frontier displacement both between years t and $t+1$. A value of the CU ratio or TU ratio greater than one indicates productivity growth as a consequence of an efficiency improvement or a frontier shift (technical progress) respectively between period t and period $t+1$. A value of the CU ratio less than one indicates efficiency decline.

As it is not possible to observe the real set of production possibilities, the indexes which describe productivity, efficiency, and technology changes, as well as the distance function

must be estimated. Particularly, we have considered a DEA model (Färe et al., 1994) to measure the distance functions. In addition, some environmental variables have been included as non-discretionary inputs (Ferrier and Lovell, 1990), as they are out of the control of wineries' managers. In order to establish a cross-country comparison, a common frontier has been estimated.

3.2 Contextual setting, sample and variables

Spain and Italy are two of the world's leading wine producers and the wine industry is a relevant economic sector in terms of added value it generates, number of people employed and for the country balance of trade (Table 1). However, a significant drop in domestic consumption, which caused a significant imbalance between internal supply and demand, offsets these positive aspects. Export growth and new market entry are key requirements to ensure the viability of the sector.

Table 1 Main characteristics of the Spanish and Italian wine sectors.

	Spain (2013)	Italy (source ISTAT, 2010)
Vineyard surface area (ha)	950,639	664,296
Wine production (millions hl)	42.7	44.90
Wine exports (millions hl)	18.47	20.32
Wine consumption (millions hl)	9.10	21.79
Wine consumption (litres per capita)	19	38
Number of wineries	4,500 (approx.)	31,875

The methodology proposed is based on samples of Spanish and Italian wineries between 2005 and 2013. The Spanish sample is obtained from the SABI database (which provides accounting information on Spanish companies). The initial sample is comprised of 2,563 firms. The Italian sample is obtained from the AIDA database (which provides accounting information on Italian companies). The initial sample is comprised of 1,196 Italian wineries, after exclusions to remove outliers and reduce the number of infeasibilities of the Malmquist index, the final sample is comprised of 622 Spanish and 609 Italian wineries. The Spanish and Italian final sample represents 57.22% and 55.65% of total wineries' revenue for 2013, respectively.

The total factor productivity is estimated using three inputs and two outputs. The consistency of the variables is guaranteed even when using two different databases, because both store published accounting data that is highly harmonized across countries in the European Community. This paper uses two monetary outputs:

- i) sales revenue of each winery, because the wineries work with multiple wines that are sold at different prices. The availability of non-aggregated information on outputs produced is

usually not available for large samples;

ii) profit of the winery, since: a) wineries can obtain atypical income apart from their main activity, which is not included in their sales volume figures; b) apart from sales volume, winery managers pay special attention to results as they guarantee the viability of the company as well as future investments; and c) considering the profits allows for inclusion of the influence of other types of costs not considered as inputs.

With regard to inputs, three controllable productive factors are used: i) number of employees, as the representative input of the labour factor. We have considered the number of full time equivalent employees as the number of employees in the winery can vary during the year; ii) equity level of the winery (capital plus reserves); and iii) level of debt (short and long-term debt). The two latter variables are used instead of a single capital variable because access to financing and its costs is a fundamental dimension of international competition in the wine industry (Viviani, 2008).

To account for differences in the environmental conditions between the two countries, four variables are considered: i) gross domestic product; and ii) employment rate (both related to the economic environment); iii) volume of wine production, which considers to a certain extent factors related to climate; and iv) domestic wine consumption (both contextual setting variables related to the wine sector). We included environmental variables directly into the DEA linear program formulation as non-discretionary inputs (Ferrier and Lovell, 1990). The values of the environmental variables are different for each country but take equal values for each winery in each country by year.

Finally, given the temporal field of the study, all the monetary variables are deflated and expressed in thousands of Euros of the year 2005. The conversion to constant Euros is performed through the implicit deflator of GNP for each country.

4. RESULTS

The non-parametric DEA methodology has been applied for the estimate of the wineries' efficiency. A common frontier has been estimated (Table 2) in order to establish a cross-country comparison. The basic assumption is that the production technology substantially doesn't differ between Spanish and Italian wineries, since the structure and characteristics of the industry in these two countries is very similar. For the period under analysis, the results show low levels of efficiency for the Spanish and Italian wineries. The average efficiency of the analysed wineries between 2005 and 2013 is 0.348, indicative of a high degree of inefficiency in the wine industry. On average the wineries could have achieved the same levels of outputs using 65.2% fewer resources (Table 2). The analysis results show that the efficiency of the Spanish wineries (0.343) is lower than the Italian wineries (0.354).

According to the Kolmogorov–Smirnov (K–S) test this difference is significant. This result implies that Spanish wineries need a bigger amount of inputs to obtain the same level of outputs than the Italian wineries or, alternatively, that the Italian wineries are able to obtain a higher level of outputs than the Spanish wineries with the same level of inputs. This result confirms the idea that Italian wineries are able to value the wine in the market to a higher extent than Spanish wineries. Regarding the evolution of the efficiency for the period analysed, Table 2 shows that the efficiency declines after 2010 in both countries.

Table 2 Economic efficiency of wineries

	Economic Efficiency		
	Global	Spain	Italy
2005	0.381	0.375	0.382
2006	0.371	0.357	0.385
2007	0.366	0.366	0.366
2008	0.339	0.333	0.344
2009	0.341	0.333	0.350
2010	0.367	0.355	0.380
2011	0.351	0.354	0.348
2012	0.297	0.303	0.291
2013	0.321	0.307	0.336
2005-2013	0.348	0.343	0.354

To estimate the Malmquist productivity index the Färe et al. (1994) proposal has been employed. The results obtained are shown in Table 3.

Table 3 Productivity change: technical change and efficiency change

	Malmquist Index			Technical change			Efficiency change		
	(MI)			(TC)			(CU)		
	Global	Spain	Italy	Global	Spain	Italy	Global	Spain	Italy
2005-2006	1.018	1.018	1.018	1.040	1.068	1.012	0.981	0.953	1.011
2006-2007	1.041	1.050	1.032	1.048	1.017	1.081	0.993	1.033	0.954
2007-2008	0.942	0.947	0.936	1.041	1.054	1.028	0.904	0.898	0.911
2008-2009	0.918	0.910	0.927	0.922	0.921	0.923	0.996	0.988	1.004
2009-2010	1.010	1.022	0.997	0.920	0.940	0.901	1.097	1.088	1.107
2010-2011	1.024	1.042	1.006	1.118	1.087	1.150	0.916	0.958	0.875
2011-2012	1.019	1.025	1.013	1.272	1.252	1.294	0.801	0.819	0.783
2012-2013	1.022	0.995	1.050	0.930	0.965	0.895	1.099	1.031	1.173
Geometric Mean	0.998	1.000	0.997	1.031	1.033	1.028	0.969	0.967	0.969

The results suggest that in the period 2005–2013, the Spanish and Italian wineries have experienced an annual productivity change of -0.02%, which is explained by the confluence of two factors acting with contrary signs: the 3.1% improvement as a consequence of frontier shift, which is interpreted as technical change (TC), and the 3.12% negative catching up (CU) effect. The technical progress (3.1%) means that, over time, firms on the frontier use a lower amount of inputs to produce the same outputs. The negative catching up effect (-3.12%) implies that the efficiency of the wineries decreases over the period of time analysed. This pattern is very similar in both countries. For the Spanish sample, the results show that the annual average productivity is constant for the global period considered, which is explained by the confluence of two factors acting with contrary signs, the 3.3% improvement as a consequence of frontier shift (TC) and the 3.3% negative catching up (CU) effect. For the Italian sample, the results show an annual average productivity decrease of 0.03%, which is also explained by the confluence of two factors acting with contrary signs: the 2.8% improvement as a consequence of frontier shift and the 3.1% negative catching up effect.

The results confirm the idea that the positive contribution of technological progress to productivity growth is offset by a deterioration of the wineries' efficiency. The widening gap between wineries and the technological advances suggest that much of the decrease in efficiency can be attributed to the wineries' failure to adapt to the technological improvements made by the leading competitors. Few wineries are innovators and shift the frontier, while most of the other wineries fail to adapt to the technological improvements and fall behind.

The study highlights an important decrease in productivity between 2007 and 2009. Although it is difficult to identify the particular reasons of this decline, it should be noted that the distillations subsidized by the Common Market Organization (CMO) budget for wine disappeared in 2008. This was a substantial modification in the market conditions, because many firms had to establish new business channels to sell large volumes of wine that were previously dedicated to alcohol distillation for oral use.

5. CONCLUSIONS

Results show high levels of inefficiency in the Spanish and Italian winery sector and a slight decrease in the average annual productivity among the firms analysed between 2005 and 2013. The results shown are aggregate for a productive system which is extremely heterogeneous (especially in Italy). The use of mean values hides those wineries that are innovative and efficient and equally those that are extremely inefficient. In many cases, in both Italy and Spain, inefficiency can be interpreted as the result of a lack of knowledge about certain critical aspects of the productive activity. Being able to measure performance is crucial to quantify the loss of value due to poor performances in a productive activity. In order to improve revenues, firms should be able to identify the sources of poor performance and implement plans to make better use of their resources. Efficiency improvements may be achieved if the inefficient firm is able to learn better production routines, develop new processes or adopt new technologies into their production processes.

The negative evolution of the total productivity over the period of time considered is the consequence of two forces with contrary sign, as the positive contribution of technological progress to productivity growth is offset by a deterioration of the wineries' efficiency against the technology frontier. Most of the wineries fail to adapt to the technological improvements: managers should be aware that lack of productivity growth is a problem for their firms, meaning that they should take the necessary measures to follow its development and make an analysis of its determinant factors. Results also show a decline in the productivity between 2007 and 2009, when the distillations subsidized by the CMO disappeared. This fact highlights the importance that regulators have in defining the future of the wine industry.

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Personality Matters to Young Wine Consumers

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Abstract:

Purpose: This paper proposes a personality-based approach to measure Millennials consumers' wine evaluations. Past personality-based measures (brand personality, country personality, product personality) each present their own issues when it comes to measuring wine perceptions, especially of neophyte wine consumers. We propose a new, holistic, adapted measure to gauge the personality dimensions Millennials perceive in wine.

Design/methodology/approach: Past items from personality scales were regrouped and reduced. An initial exploratory factor analysis was conducted, followed by a confirmatory factor analysis across wines from different regions. Predictive validity tests relating the dimensions of wine personality to key consumer outcomes were also conducted.

Findings: Our results suggest two dimensions of wine personality for Millennial consumers: a social and a philosophical dimension. The nine-trait structure is stable across origins and each dimension can be related to quality and value perceptions, attitudes, and purchase intent. The findings result in a new tool for managers to gauge their reception by Millennial wine consumers.

Keywords: Wine, personality, confirmatory factor analysis, Millennial consumers

1. INTRODUCTION

Young wine consumers have been the focus of numerous studies, and for good reason – they are the consumers of tomorrow. And for a while now, Millennials have attracted the attention of academics. Extant research focuses on segmenting young wine drinkers (Thach and Olsen, 2006) and even the motivations of Millennials for becoming involved in wine related activities, such as tasting rooms and festivals (Bruwer *et al.* 2012). Recent research has focused on risk perceptions and information search when it comes to wine purchases, as well as identifying key product features coveted by Millennials, such as medals won, labels, and alcohol content (Atkin and Thach, 2012). Overall, research demonstrates that while young consumers may all have been born during the same time period, their consumption habits tend to be rather heterogeneous (Magistris *et al.* 2011; Thach and Olsen, 2006).

This article proposes to use a personality-based approach in order to better understand and uncover the evaluative dimensions that young wine consumers use for wines. In consequence, we empirically propose, test, and validate a personality measure for wines, adapted for Millennials.

2. CONCEPTUAL FRAMEWORK

2.1. Important Dimensions of Wine Consumption for Young Consumers

From this point on, we will refer to Millennials as consumers born between 1977 and 1997. Our examination of the available literature regarding this age cohort suggests that there are two important evaluative dimensions for Millennials when it comes to wine. First, other than being a lifestyle product for Millennials, wine is a social product for these consumers, representative of conviviality and company (Agnoli *et al.* 2011; Ritchie, 2011; Teagle *et al.* 2010; Thach and Olsen, 2006). Millennials like to consume wines with others because it allows them to share the wines they are drinking (Ritchie, 2011) and it is also a product that demonstrates their social and cultural capital (Richard K. Miller and Associates, 2011). Second, wine represents an experience product that Millennials can become highly involved with, because as a cohort, Millennials are very meticulous and concerned about their purchases (Richard K. Miller and Associates, 2011). Millennials, albeit their limited experience, can clearly evaluate wines using specific features including the origin, the vintage, the label, the brand name, and the grape variety (Magistris *et al.* 2011). Millennials also evaluate wines based on their value propositions, be they economical, environmental, and even experiential (Thach and Olsen, 2006). The aforementioned results suggest that Millennials not only have an attraction to the wine lifestyle, but they are willing to be involved with the product. This involvement translates into active participation in wine related activities, and these not just for the consumption of wine but also for their affective, experiential, and educational value (Bruwer *et al.* 2012).

2.2. Personality-Based Measures

Consumers make consumption choices that are congruent with their self-concept (Malhotra, 1988). The purpose of personality scales is to measure objects using terminology that represents the self-concept for the consumer (Malhotra, 1981). Objects whose personality traits are congruent with those of a consumer are expected to benefit from more positive marketing outcomes. Most personality-based measures used in marketing were been adapted from the psychology field, in particular from the Big Five Personality Dimensions (Goldberg, 1990). Malhotra (1981) first proposed a one-dimensional measure for product personality, followed by the brand personality scale (Aaker, 1997), the personalities of products (Jordan, 2002), the country personality scale (d'Astous and Boujbel, 2007), and the product personality scale (Mugge *et al.* 2009). The scales tend to be highly variable in terms of the number of dimensions and traits they contain: from one-dimension (Malhotra, 1981, Mugge *et al.* 2009) to six dimensions (d'Astous and Boujbel, 2007) and from 15 items (Malhotra, 1981) to 42 items (Aaker, 1997).

The existing personality scales used in marketing research present certain issues when it comes to measuring wine personality, specifically for Millennials. The first issue is that certain dimensions of established personality scales have been shown to be more applicable to specific product categories versus others and not to origin products (Heslop *et al.* 2010; Maehle *et al.* (2011). Second, the product personality scale (Mugge *et al.* 2009) seeks to measure the physical evaluation of products. However, wine consists not only of extrinsic features but also contains experiential, intrinsic features (Spielmann, 2015). Third, the country personality scale (d'Astous and Boujbel, 2007) measures the perceptions of nations, and not necessarily of products from a nation. Finally, most of the wine research has focused how Aaker's (1997) brand personality scale applies to wine label design (Boudreaux and Palmer, 2007; Elliot and Barth, 2012), holistic package design (Orth and Malkewitz, 2008) without developing a new scale adapted exclusively to wine as a branded product as perceived by Millennials.

Wine is a branded experiential origin product. As such, this research seeks to develop an adapted personality-based measure to gauge the evaluations of Millennial wine consumers. By combining product, brand, and country personality scales and testing these with young consumers, we propose to establish an adapted measure that wine firms and marketers can use to evaluate the perceptions Millennial consumers have of their products on the market.

3. METHODS

3.1. Pretest and Exploratory Factor Analysis

As per the literature on personality traits in marketing, all items in previously devised scales (Aaker, 1997; d'Astous and Boujbel, 2007; Jordan, 2002; Mugge *et al.* 2009) were compiled, resulting in 153 traits. Repeated traits were removed. As posited by Boudreaux and Palmer (2007), traits that could not be applied to wine or have previously been contested as inappropriate for personality measurement (e.g. those in the ruggedness dimension such as Western) were also removed, which resulted in 59 traits. This list of traits was presented to a

panel of French students from a business school in November 2014. Respondents were asked to state (on a seven-point Likert scale, where 1 represented not at all and 7 represented very much so) how much they felt this trait could be applied to wine. A total of 333 completed surveys were returned and removing those who were not in the Millennial age cohort as well as non-consumers of wine resulted in a final tally of 318 respondents. Women represented 62% of the sample. At the end of the survey, respondents were also asked to describe in their own words the differences between New and Old World wines and to give some origin examples of each.

An exploratory factor analysis consisting of multiple iterations to remove poorly performing items (e.g., those that loaded on more than one factor or those that had low, below 0.40 factor loadings) finally revealed a five dimensional structure containing 19 traits with a total variance explained of 62.93%. The final structure was tested and revealed as stable between genders. Table 1 presents the initial wine personality structure.

Table 1: Initial Wine Personality Dimensions

	Dimensions				
	Mannered	Pleasant	Styled	Gendered	Negative
Convivial	.678				
Merry	.757				
Open	.655				
Intellectual	.719				
Laid-back	.602				
Realistic	.737				
Sincere	.716				
Spiritual	.656				
Sentimental	.740				
Agreeable		.808			
Interesting		.799			
Original		.700			
Modest			.726		
Neutral			.693		
Robust			.757		
Feminine				.867	
Masculine				.883	
Immoral					.885
Absurd					.812

3.2. Confirmatory Factor Analyses and Multi-group Comparisons

In order to refine the structure and to uncover the personality structure as applied to different wines from different origins, another study was conducted. A bottle of wine was selected and a fake label was created upon which was only varied the origin: Mexico, France,

and Armenia. While Mexico represented a New World wine, as per the open-ended question in the pre-test, France represented the Old World wine, and Armenia, which was never mentioned, was used as a stimulus to represent a wine from an unknown origin. Each respondent viewed only one of the wine bottles and then answered how well they felt the 19 personality traits represented the wine, on a Likert scale of 1 (not at all) to 7 (very much). Respondents then answered questions relating to their quality perceptions (as per Sprott and Shimp, 2004), attitude toward the wine (using the measure by Lepkowska-White *et al.* 2003), value perceptions (using the measure by Raghurir and Srivastva, 2002) and their purchase intention (adapted from Voss *et al.* 2003). Respondents were asked to answer the CETSCALE (by Shimp and Sharma, 1987) in order to gauge their level of ethnocentrism. The survey ended with socio-demographic questions.

The online survey was sent out to French students in February 2015. A total of 236 surveys were completed. All respondents were French nationals and all were wine consumers. Men represented 36% of the sample, and all respondents were between the ages of 20 and 35. There were no significant differences between the groups (Mexico, France, Armenia) in terms of the level of ethnocentrism of the respondents ($F(2,233)=.113, p>.05$).

After a series of preliminary factor analyses suggesting two factors as the only dimensionality that would yield dimensions that are comprehensible and include at least three items per factor, we conducted multigroup confirmatory factor analysis to address the measurement structure across the three wine origins. Table 2 displays the factor structure imposed on the covariance matrices for the Mexican, French and Armenian wines, respectively. The two dimensions have been named social and philosophical. Measurement invariance involves a series of CFA models that impose varying levels of constraints on the covariance structures. Metric invariance exists if the evidence suggests that both the same factor pattern (configural invariance) and the same factor loadings exist across groups.

The first CFA model tests the configural structure suggested in Table 2 across samples. The model is considered “totally free” in the sense that each factor loading is free to take on its specific estimated value in each sample. The totally free, three-group CFA yields a χ^2 of 150.5 with 78 degrees of freedom (df) ($p < 0.01$), which equates to a Comparative Fit Index (CFI) of 0.936 and a Root Mean Squared Residual (RMSEA) of 0.110. Although the goodness of fit indicators are within range of those associated with good fit, the RMSEA is slightly high for a model of this size and complexity (Hair *et al.* 2006).

Table 2 also displays the completely standardized factor loading estimates produced for each group. The loadings provide input useful to compute other diagnostic indicators of construct validity. In this case, the construct reliability estimates all are above 0.68, suggesting good reliability. In addition, the average variance extracted (AVE) estimates are at or above 0.5 for Factor 2 in the French and Mexican samples, but below 0.5 for Armenian sample (0.35). Additionally, the AVE is just below 0.5 for the first factor for the Mexican and French wines, but above 0.5 for the Armenian sample. Thus, the construct reliability estimates provide evidence of construct validity although several AVEs fall below the 0.5 rule of thumb (Hair *et al.* 2006).

Table 2: Standardized Factor Loading Estimates Per Group

	Mexico		France		Armenia	
	Social	Philosophical	Social	Philosophical	Social	Philosophical
Merry	0.79		0.79		0.79	
Laid-back	0.77		0.55		0.76	
Original	0.52		0.68		0.71	
Open	0.60		0.73		0.59	
Convivial	0.61		0.34		0.80	
Spiritual		0.62		0.62		0.62
Intellectual		0.85		0.74		0.65
Interesting		0.63		0.84		0.60
Sincere		0.89		0.56		0.47
Variance Extracted	44.4%	57.4%	40.8%	48.8%	53.9%	34.7%
Construct Reliability	0.80	0.84	0.76	0.79	0.85	0.68

Discriminant validity exists clearly in both the Mexican wine and Armenian wine samples. The corrected correlation estimate (PHI) between dimensions are 0.59 and 0.57 in the Mexican and Armenian conditions, respectively. In both cases, the AVE between dimensions exceeds the square of PHI coefficient (0.35 and 0.33 compared to the lowest AVE of 0.347). In the French wine sample, the correlation estimate between factors is 0.84, which squared, exceeds the AVE estimates for the two factors. However, compressing the two factors into one yields a significantly worse fit (change in $\chi^2 = 41$, 1 df, $p < .01$), suggesting some evidence of discriminant validity.

Examining metric invariance can test the question of whether or not the factor structure of brand personality changes based on a product's country of origin. Consequently, a multigroup model examines metric invariance by comparing the TF CFA result to that of a CFA constraining the loadings to be equal across all groups (i.e., factor structure invariance). The CFA model with the equality constraints added yields a χ^2 of 169.4 with 92 df ($p < 0.01$),

which equates to a CFI of 0.931 and a RMSEA of 0.110. The difference in χ^2 of 18.9 with 14 df is not significant ($p = 0.83$). Thus, adding the equality constraints does not significantly diminish the fit of the CFA, suggesting metric invariance.

3.3. Predictive validity

Correlations between each dimensions and key wine marketing outcomes (quality perceptions, attitudes, value perceptions, purchase intention) are presented in Table 3. We note that the correlations are almost always significant and positive. For the Mexican wine, our New World option, both dimensions are positively and significantly related to marketing outcomes. For the French wine, the Old World example, the social dimension does not correlate significantly with either quality or value perceptions. However the philosophical dimension correlates quite strongly for all marketing outcomes. For the Armenian wine, the social dimension does not have an influence on perceptions of value but positively influences all other perceptions. The highest correlations are between the philosophical dimension and attitude toward the product as well as quality perceptions.

Table 3: Correlations with key wine marketing outcomes

		Quality	Attitude	Value	Purchase Intent
Mexico	Social	.204*	.347**	.347**	.279**
	Philosophical	.394**	.375**	.342**	.336**
France	Social	.252	.381**	.158	.367**
	Philosophical	.481**	.610**	.331**	.454**
Armenia	Social	.258*	.308**	.176	.240*
	Philosophical	.635**	.611**	.270*	.532**

* significant $p < .05$ ** significant $p < .01$

4. DISCUSSION AND CONCLUSIONS

The results of this research demonstrate the appropriateness of a personality measure adapted to Millennial wine consumers. The nine-trait, two-dimensional structure that emerged from our research is not only discriminately valid from other personality scales developed in marketing, but it also has predictive validity. The two dimensions of the wine personality scale fit the preoccupations of Millennials with regards to wine: the social function of the product, and the philosophical aspect of wine. It has previously been outlined that young wine drinkers prefer to consume wines in social settings and for pleasure (Ritchie, 2011). This research confirms that when Millennials evaluate wines, they consider how

congruent it is with their desire to be social. Likewise, research has previously demonstrated that albeit new to wine drinking culture, Millennials are active and involved wine drinkers, seeking numerous value propositions (Bruwer *et al.* 2012). Our scale suggests that the philosophical, experiential, and intellectual values of a wine are very important to the Millennial consumer. It should nonetheless be noted that wine quality and value perceptions as well as attitudes and purchase intentions can be influenced by a multitude of variables and that wine personality is one of many factors used in the evaluation of wines by Millennials.

While it can be argued that the scale does not contain a lot of personality traits, less than in the extant scales, the traits that remain are clearly highly relevant for Millennials. It should be noted that the scale attempts to measure a very specific product category, and for an age cohort that although interested in the product category, does not have extensive experience with it (Melo *et al.* 2010) – this therefore limits in a way their ability to describe the personality associated to wine, explaining the nine traits retained versus more in other personality scales. Finally, the scale was developed using already parsimonious scales. Our scale, which is adapted to the consumer segment and to the product, contains the most parsimonious structure possible. As well, the student sample used in our studies represent a part but not all of those within the Millennial cohort (e.g., those who work). Future research should include these Millennials. As well, additional research on real (versus the fictitious ones used in the research) bottles of wine would incorporate the impact of product packaging in wine personality assessments.

Wine marketers and managers can easily adopt the scale presented here in order to gauge the perception of their products by Millennial consumers. Managers may wish to use the scale to first have an idea of how their brands and products are positioned either by trait or by dimension. Marketers may also use the scale to evaluate how general categories of wines are perceived. For example, our research suggests that New World wines benefit from boasting both a social and philosophical approach, perhaps best exemplified in slogans similar to: old-world traditional winemaking in a new world setting. Millennials seem to demonstrate traditional expectations from Old World wines, hence why the philosophical dimension is significantly and more strongly correlated to all marketing outcomes whereas the social dimension is only significantly correlated to attitude and purchase intent for such wines. Finally, if wines originate from a mostly unknown wine origin, it appears that they might benefit more from demonstrating a philosophical personality.

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Are Dominant Wine Counsellors More Effective With Consumers?

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Abstract:

Purpose: This paper investigates how dominance exuded by wine counselors (e.g., service personnel and sommeliers) during their personal interaction with customers influences the effectiveness of encounters through instrumental and social outcomes.

Design/methodology/approach: A laboratory experiment with pictorial stimuli in two settings, and a field study in special wine stores test how counselor dominance influences the effectiveness of encounters (approach/avoidance and shopping experience) through competence (an instrumental outcome) and warmth (a social outcome).

Findings: Study 1 shows that perceived power (positive) and likability (negative) mediate the influence of dominance on approach-avoidance, resulting in an overall curvilinear relationship. Study 2 shows that wine counselor dominance relates positively to competence and warmth, resulting in an overall positive effect on shopping experience. Subjective product knowledge moderates the dominance-competence relationship.

Practical implications: Given the relevance counselor dominance has for service outcomes, wine marketers may be interested in benefitting from the findings by paying greater attention to the verbal and nonverbal drivers of dominance of their frontline employees.

Keywords: Competence, dominance, nonverbal behavior, sommelier, warmth

1. INTRODUCTION

The study of service encounters - when customers meet with frontline employees to seek and receive counsel on what to buy - has long been concerned with the question of what interpersonal perceptions and processes make for effective outcomes (Parasuraman et al., 1985). Among the general ingredients critical to a counselor's success are a broad and deep knowledge base, effective verbal communication, listening, human relations and organization skills (Deeter-Schmelz et al., 2008). Specifically for wine counselors (sommeliers, stewards, restaurant waiters-servers, salespeople in shops and wineries) critical ingredients include knowledge (Dewald, 2008), sales skills (Dodd, 1996), and service quality (O'Neill et al., 2002). Only a relatively small body of literature has focused on the impact of primarily nonverbal employee cues (such as dominance) on the perceptions customers form of counselors and the impact of these perceptions on outcomes (Gabbott & Hogg 2001).

One aspect of interpersonal perception affected by subtle and non-intrusive nonverbal behavior is the dominance dimension (see Hall et al. 2005 for a meta-analytic review). Personality and social psychology research has associated dominance with a number of positive outcomes including greater heterosexual attraction (Sadalla et al. 1987), managerial success (Phan et al., 2005), status (Cheng et al., 2010) and power (Carli et al., 1995). Service research has linked provider dominance to the belief that information conveyed by dominant communicators is more accurate (Bashir & Rule, 2014).

This study tests the prediction that customer perceptions of a wine counselor's dominance will substantially impact the outcome of the encounter. To date, the nature of the link between dominance and the effectiveness of service encounters remains unclear. Focusing on instrumental outcomes (an evaluation of dominance's relevance to the topic at hand), one school of thought (e.g., Littlepage et al., 1995) suggests that dominance reinforces customer impressions of counselor power, ability, and competence, thus implying a positive, linear relationship. Another school of thought (e.g., Dillard et al., 1997) focuses on social outcomes (an evaluation of dominance's contribution to the relationship) and suggests that dominance lowers perceptions of warmth, hereby implying a negative linear relationship. We adopt an integrative perspective, and merge both views with the literature on negativity bias (Baumeister et al. 2001) to identify how wine counselors should deal with dominance.

2. LITERATURE AND HYPOTHESES

1.1. Dominance Effects

There is substantial support (for a review see Hall et al. 2005) for the interpersonal perception of dominance (Dunbar & Burgoon 2005), which is rooted in nonverbal "power codes" (Schwartz et al., 1982) and the "shared meaning" of postures (Kudoh & Matsumoto, 1985). Subtle cues such as head tilt (Mignault & Chaudhuri 2003), body posture (Schwartz et al., 1982), head posture (Carli et al., 1995), and head and body canting (Halberstadt & Saitta 1987) can communicate dominance. Viewers then infer impressions such as power (Carli et al., 1995) or rank (Carney et al. 2005), and adjust their behavior (Kiesler, 1983).

People who behave dominant rather than submissive attain more influence in groups, because they are thought to be more competent (Littlepage et al., 1995), and possess greater agency (Cheng et al., 2010). Even when dominance is exuded only nonverbally, people are rated higher in task capacity, (Ridgeway, 1987) competence, and power (Carli et al., 1995). On the downside, dominance is negatively associated with social outcomes, such as perceived cooperativeness, helpfulness (Cheng et al., 2010), likability (Ridgeway & Diekema, 1989), politeness (Dillard et al., 1997) and liking (Dillard et al., 1995).

1.2. Curvilinear Shape

The preceding discussion suggests that dominance relates positively to instrumental outcomes (competence), and negatively to social ones (warmth). We expect a curvilinear (bell-shaped) relationship between dominance and measures of effectiveness where a lack of effectiveness with wine counselors may revolve around markedly low levels of dominance or markedly high levels of dominance. High levels of dominance may bring instrumental rewards as customers associate providers with power, aiding them in achieving their goals but can be detrimental when the interpersonal relationship suffers due to a perceived lack of warmth. In contrast, low levels of dominance may bring social rewards but can undermine instrumental goals achievement. Thus, increasing levels of dominance may often entail a trade-off between social deficiencies and instrumental merits, or, as Ames and Flynn (2007, p.307) put it, "between getting along and getting one's way".

Readers may argue that the social and instrumental outcomes of dominance simply offset each other so that all levels of dominance ultimately lead to equal outcomes, just in different ways. In contrast, we expect that the downsides of markedly low or markedly high levels of dominance will have a disproportionate effect on customers' behavior. We base this prediction on both theoretical and evidential support. Conceptual support draws from Baumeister et al.'s (2001) 'bad is stronger than good' principle (see Grant & Schwartz 2011 for a review) and Rozin and Royzman's (2001) negativity bias. Empirical support stems from research on management in general (Pierce & Aguinis 2013), and studies on leadership (Ames & Flynn 2007) and sales personnel (Johnson, 2014) in specifics.

Extending the evidence for people's negativity bias suggests that the deficiencies of markedly low or markedly high levels of dominance may overshadow the merits from the perspective of the customer. Below a certain extent of provider dominance, instrumental deficiencies outweigh social merits so that a provider low in dominance will primarily be seen as incompetent or impotent rather than relationally appealing. In contrast, above a certain extent of dominance, social deficiencies will overshadow instrumental merits, so that a service provider perceived as high in dominance will be primarily seen as relationally unbearable rather than instrumentally effective. Consequently, some mid-range of dominance – levels where there are neither pronounced social nor instrumental deficiencies – should yield the most desirable response. In other words:

Hypothesis 1: Dominance will have a curvilinear effect on service provider effectiveness: Service providers perceived as markedly low in dominance or markedly high in dominance will be less effective than those perceived as moderately dominant.

Hypothesis 2: Dominance will be positively related to instrumental outcomes and will be negatively related to social outcomes.

Hypothesis 3: Instrumental and social outcomes will mediate the effect of dominance on provider effectiveness. This mediation will be shaped by negativity effects: At high levels of dominance, social outcomes will account for the effects of dominance on effectiveness; at low levels, instrumental outcomes will mediate.

3. EMPIRICAL STUDIES

3.1. Study 1

The purpose of Study 1 was to experimentally test the basic prediction that moderate levels of a counselor's dominance will be more effective than either low or high levels (H1). In addition, the study explores the underlying mechanism by testing the mediating roles of functional and social outcomes (H2 and H3).

3.1.1. Method

Study 1 employed a 2 (context: retailing vs. counseling) x 3 (dominance: low vs. moderate vs. high) x 2 (counselor sex: female vs. male) between subjects experimental design. Dominance was manipulated by using digital photos of a male and a female model accompanied by a short text describing either a situation where the depicted person was an employee of a retail store assisting in shopping or a dietician counseling on nutrition.

Our experimental manipulations generate variance in dominance ($F(2,29)=25.0$ $p<0.001$) with scores low ($M=1.95$) for the low dominance condition, high for the high dominance condition ($M=3.94$), and intermediate ($M=2.77$) for the moderate dominance condition.

The main study ($N=352$) employed an online questionnaire to collect data from 352 consumers. Psychometric measures assessed dominance (Mehrabian & Russel, 1974, $\alpha=0.90$, $M=2.94$, $SD=1.06$), power (Doney & Cannon, 1997, $\alpha=0.88$, $M=2.48$, $SD=1.05$), likability (Doney & Cannon, $\alpha=0.92$, $M=2.47$, $SD=1.05$), and approach avoidance (Robert & John, 1982, $\alpha=0.94$, $M=1.88$, $SD=0.90$). Attractiveness (Hirschman 1986, $\alpha=0.87$, $M=2.94$, $SD=1.06$) was included as a potential distorter.

3.1.2. Analyses and Results

Analysis of variance indicated a significant effect of the treatments on perceived dominance ($F(351)= 234.2$, $p<.001$) with the stimulus selected for low dominance receiving the lowest ($M=2.12$), the high dominance stimulus receiving the highest ($M=4.03$), and the third stimulus receiving an intermediate score ($M=2.67$), as intended.

Analysis of variance results indicated a significant effect of dominance on approach-avoidance ($F(328)=66.5$, $p<.001$) with scores low for the high dominance ($M=1.57$) and low dominance treatments ($M=1.51$) and higher for the moderately dominant treatment ($M=2.58$). Post-hoc tests (Scheffè) indicated that the moderately dominant score differed significantly ($p<.05$) from both the low dominance and the high dominance scores, which did not, however, differ significantly from each other. These findings provide initial support for H1.

To test our prediction that dominance would have a curvilinear effect on counselor effectiveness, we used regression analyses with viewer ratings of dominance to predict approach-avoidance. Our models featured both linear and squared terms for dominance. Obtaining a significant negative coefficient for the squared measure would be consistent with the expected inverted-U curvilinear effect. Results of the regression models indicated the predicted curvilinear effects as the squared dominance term on approach-avoidance had a significant negative coefficient, with p -values at or below .01. A tertiary split of dominance illustrated that the approach score was significantly lower for the highest level of dominance compared with those in the middle third ($M=1.71$ vs. $M=2.24$; $t(122)=-7.00$, $p<0.001$) although it was not significantly lower for those in the lowest third ($M=1.71$ vs. $M=1.71$; $t(122)=-0.03$, $p=0.98$). As expected, we found that a middle range of dominance was associated with the most favorable approach intentions.

Running both linear and curvilinear regression models to assess how dominance predicted social and instrumental outcomes yielded a curvilinear effect of dominance on likability (social outcome). A tertiary split on dominance clarified that providers who were perceived as high in dominance scored significantly lower on likability than providers with moderate levels of dominance ($M=2.01$ vs. $M=2.81$; $t(128)=-10.10$, $p<0.001$), but providers with the lowest levels of dominance did not have score significantly different on likability than providers with moderate levels of dominance ($M=2.67$ vs. $M=2.81$; $t(109)=-1.44$, $p=0.15$).

For power as an instrumental outcome, dominance exhibited a positive linear effect as well as a curvilinear effect. Using a tertiary split on dominance yielded that low dominance counselors exhibited significantly lower power scores than those moderate in dominance ($M=1.54$ vs. $M=2.53$; $t(110)=-18.16$, $p<0.001$), whereas high dominance counselors scored lower in power than those with moderate levels ($M=3.25$ vs. $M=2.53$; $t(128)=9.81$, $p<0.001$).

In sum, ascending from low to moderate levels of dominance yields a significant increase in instrumental outcomes (power), whereas moving from moderate to high levels does not yield a difference. Conversely, descending from high to moderate levels of dominance yields a significant increase in social outcomes (likability), whereas descending further from moderate to low levels of dominance does not yield a significant difference.

We further conducted a mediation analysis with approach-avoidance as the dependent variable. Using OLS regression supplemented by bootstrapping (Hayes and Preacher 2010), tested the instantaneous indirect effect of dominance on approach-avoidance through social and instrumental outcomes. Consistent with the proposed role of social outcomes, increasing dominance among counselors low in dominance slightly increased approach behaviors

through the effect of the increase in dominance on likability, which in turn affects intentions. However, an increase in dominance among providers perceived as moderate or high in dominance lead to a reduction in approach behaviors through its effect on likability.

Consistent with the expected role of instrumental outcomes, increasing the dominance of less dominant counselors can stimulate approach behavior through its effect on power. There is a diminishing return, though, such that changes in dominance have a bigger effect on approach behavior with counselors low rather than moderate or high in dominance.

To test the robustness of effects, we conducted a multiple regression analysis, predicting approach-avoidance with five main effect terms (dominance, dominance², social outcomes, instrumental outcomes, and attractiveness), and three interaction terms (Dominance x Social, Dominance x Instrumental, and Dominance x Attractiveness). The results indicate a significant positive effect of provider attractiveness on approach-avoidance ($\beta=0.322$, $p=0.014$). More importantly, although attractiveness had a significant positive effect on approach behavior (consistent with previous research), the effect of dominance remained significant. We take this finding as evidence that the influence of non-verbal dominance is stable across a variety of more and less attractive providers.

3.2. Study 2

The findings of Study 1 are important and significant, but could be limited by the non-wine-specific context, and the study's experimental nature. The second study aimed to mitigate these concerns by being seated in special wine stores where there is more realism and a greater variance in wine counselors, specifically, their dominance. The purpose of Study 2 thus was to test whether the effects of counselor dominance established in Study 1 hold in the specific context of wine. This context-dependence is possible, perhaps even likely, because (1) wine as a product with experience and credence attributes (Müller, 2004) may lead customers to rely more on instrumental rather than social outcomes, and (2) previous wine research (Lockshin and Kahrimanis, 1998) suggests that instrumental and social outcomes of service encounters may be related/subsequent rather than independent influencers for differentiation a wine shop. In addition to testing Hypotheses 1 through 3, the study explores the role of customers' subjective wine knowledge as a moderator.

3.2.1. Method

Data was obtained from 100 visitors to special wine stores in the city of Bordeaux, France. Costumers of specialized wine shops are very focused on finding and purchasing just the right wine and store managers rely on their staff to aid customers in their quest. As such, the setting of Study 2 offers a robust context for (re)testing our hypotheses.

Study participants were randomly chosen from patrons of the stores over a period of two weeks. During different days of the week and times of the days research assistants intercepted customers who had consulted with staff when their visit was coming to an end. They invited them to participate in the survey in return for a bottle of Bordeaux wine. Upon agreeing,

participants received a paper-and-pencil questionnaire containing questions about the service encounter, the wine counselor, and themselves.

Psychometric measures were identical to the ones employed in Study 1 and included perceived dominance ($\alpha=0.78$, $M=4.78$, $SD=1.16$), competence (Fiske et al., 2002; $\alpha=0.78$, $M=6.48$, $SD=0.61$), warmth (Fiske et al., 2002; $\alpha=0.88$, $M=5.48$, $SD=1.24$) and attractiveness ($\alpha=0.69$, $M=4.88$, $SD=1.16$). Different than in Study 1, the key dependent variable was a 4-item evaluation of the shopping experience (Mattila and Wirtz, 2001, $\alpha=0.75$, $M=3.70$, $SD=0.73$). Subjective wine knowledge was assessed using Flynn and Goldsmith's 4-item measure ($\alpha=0.75$, $M=3.70$, $SD=0.73$) (Flynn and Goldsmith, 1999).

3.2.2. Analyses and Results

To test Hypotheses 1 through 3 and the mediating roles of competence and warmth in the dominance – shopping experience relationship, we employed Preacher and Hayes' (2004) PROCESS macro (model#6). Counselor attractiveness was included as a covariate. The results indicated a total positive effect of dominance on shopping experience ($B=.18$, $SE=.087$, $LLCI=.01$, $ULCI=.35$). This effect was mediated sequentially by competence and warmth, as indicated by a significant indirect effect ($B=.06$, $SE=.031$, $LLCI=.01$, $ULCI=.13$). Specifically, the wine counselor's dominance had a positive effect on competence ($B=.18$, $t=3.13$, $p=.002$), which, in turn, had a positive effect on warmth ($B=.99$, $t=6.86$, $p=.001$), which, then had a positive effect on the shopping experience ($B=0.315$, $t=3.09$, $p=0.003$). The direct effect of dominance on the shopping experience was non-significant ($B=.11$, $SE=.085$, $LLCI=-.06$, $ULCI=.28$). These effects emerged in the presence of a significant effect of attractiveness on the shopping experience ($B=.21$, $t=2.24$, $p=.028$).

To test for the moderating role of subjective product knowledge in the dominance-competence relationship, we employed Preacher and Hayes' (2004) PROCESS macro (model 1), again with attractiveness as a covariate. The findings indicate that the dominance x wine knowledge interaction effect is significant ($B=-.18$, $t=-2.30$, $p=.024$). Spotlight analysis yields that the effect of dominance on competence is significant and strong at low levels of wine knowledge (Mean - 1 SD: $B=.31$, $SE=.082$, $LLCI=.15$, $ULCI=.47$), moderate at intermediate levels at the mean ($B=.18$, $SE=.056$, $LLCI=.07$, $ULCI=.29$), and non-significant at high levels (Mean + 1 SD: $B=.06$, $SE=.075$, $LLCI=-.09$, $ULCI=.21$). The effect of attractiveness on competence was not significant ($B=.05$, $t=.95$, $p=.34$).

4. DISCUSSION

The findings indicate that dominance is a significant influencer of counselor effectiveness, but social and instrumental outcomes yielded more mixed results. While competence and warmth conspired to yield an overall curvilinear effect of dominance on approach-avoidance in the more general contexts of Study 1, they worked in sequence to channel a linear positive effect on the experience wine shoppers had in wine stores in Study 2. This finding underscores the unique nature of wine counseling. It seems plausible that this differential outcome traces back to the nature of the product (i.e., wine vs. apparel or nutrition), the

different dependent variable (post shopping evaluation of the experience vs. a priori approach-avoidance), or the setting in France (wine as an integral part of national culture).

Managers may be interested in the straightforward applicability of our findings. Rooted in subtle nonverbal cues such as body posture (Carli et al., 1995), head tilt (Mignault & Chaudhuri, 2003), or body canting (Halberstadt & Saitta 1987), dominance is relatively easy to engineer with counselors to achieve desirable levels. We hope the contribution of this study will stimulate further research in this field.

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Did They Grow Into Wine? Revisiting a Gen Y Cohort to Investigate How their Interaction with Wine has Evolved over Time

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Abstract:

Purpose: In 2008 seven focus groups were conducted in the UK with Gen Y participants. A major finding was that although many did not drink much wine now, often only at formal meals, they all believed that they would ‘grow into wine’. The purpose of this research is to conduct a follow up study to investigate how and why their interactions with wine have evolved in the intervening years. Although there has been much research undertaken across all age groups and their interaction with wine at that moment in time investigated it is much more unusual to have a follow up study where the current behaviour of wine consumers can be compared to their original, much more naïve interactions and beliefs.

Design/methodology/approach: The link person for each of the seven focus groups was contacted. Two of the focus groups were unable to be reconvened because they were not friendship groups but work groups. In each of the other focus groups it was possible to reconvene the original focus groups with most of the original participants (anticipated to be 60% at the time of submission). The focus groups were held between August and October 2015 and replicated the same conditions, i.e. location type, questions and stimulators as the original focus groups.

Findings: At the time of submission the primary data collection had not been completed. However, it was anticipated that the findings will a new perspective to our understanding of how and why social interaction behaviours change over time.

Keywords: Wine, UK, Generation Y, Consumption Behaviour, Intergenerational Learning

1. INTRODUCTION

As, amongst others, Mueller et al. (2011) and McDonald et al (2013) point out consumers have frequently been divided into generational cohorts based upon the year of their birth for the purpose of academic study in particular in relation to market research. These cohorts are linked by a common history of lived events which have impacted upon their lives in particular ways for example living through a world war or, more currently, experiences of the adult workforce during a worldwide economic recession. In terms of this paper Gen Y refers to the generational cohort borne between 1977 and the final years of the twentieth century (Charters et al, 2011; Mueller et al, 2011; McDonald et al. 2013) also known as Millennials.

Mueller et al's (2011) international study of the Gen Y effect was based upon primary data collected in 2009. It concluded that differences in interaction with wine were not particularly generational but were much more based upon culture, particularly an 'old world' versus 'new world' understanding of appropriate wine related behaviours. This study did however identify that Gen Y consumers were much more promiscuous than the other generational cohorts in relation to types of alcohol consumed. Along with Ritchie (2011), whose data was collected in 2008, the study concluded that this promiscuity was probably due to the dominance of the single lifestyle in this group at the time that the data was collected. McDonald et al.'s (2013) work also suggested that differences in wine consumption behaviour between generational cohorts is much less differentiated than previously thought and concluded that further research is needed to better develop our understanding of the value of using generational cohorts to segment the wine market.

2. BACKGROUND TO THE RESEARCH CONTEXT

In 2008 seven focus groups were conducted in the UK with Gen Y participants (those aged 18 – 30). This was as part of an international project investigating cultural differences in relation to wine, champagne and sparkling wine in particular, in the Anglophone world (Ritchie, 2011; Charters et al., 2011; Velikova et al., 2014). A major finding of the UK study (Ritchie, 2011) was that although many participants, particularly males, did not drink much wine at that time, often only at formal meals, they all believed that they would 'grow into wine'. In some instances, where older participants had moved from a single lifestyle to living with a partner this had already started to happen often because of the sharing nature of opening a bottle of wine (Ritchie, 2011).

In line with McDonald et al's (2013) call for further research into the value of segmenting the wine market into generational cohorts the broad purpose of this current research project was to conduct a follow up study to investigate how and why their interactions with wine have evolved in the intervening years. The particular focus was to compare the assumptions about how the participants had thought their interaction with wine, both purchasing and consumption, would change as recorded in the original study with their actual current interaction and behaviour. This study is of particular importance given the falling level of alcohol consumption per se in the UK, see table 1, and stagnation of the still wine market, see table 2.

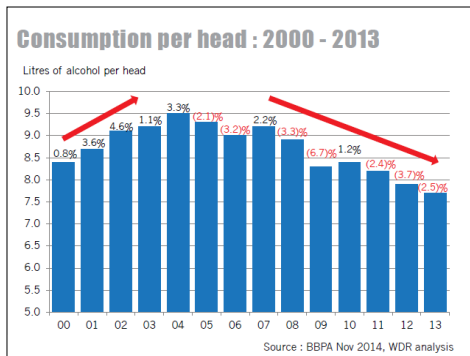


Table 1. Alcohol Consumption Trends in the UK (Wilson, 2014)

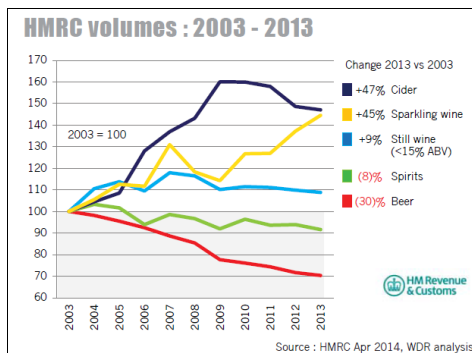


Table 2. UK wine volume as recorded by Her Majesty's Revenue and Customs Office (Wilson, 2014)

As previously noted, there has been much research undertaken across all age groups and their interaction with wine at that moment in time investigated. It is much more unusual, however, to have a follow up study where the current behaviour of wine consumers can be compared to earlier, much more naïve, interactions and beliefs.

2.1 Development of the research question

As Ritchie (2007; 2009), amongst others, has pointed out the UK has had a very long history of interaction with wine, buying and consuming it, from approximately 50BC onwards when the British Isles started to communicate with the Roman Empire. However, for climactic reasons, it has rarely produced wine on a commercial scale; what was produced was often for use at Christian religious services. There is now a very small commercial wine production industry specialising in high quality sparkling wines; an average of 3.15 million bottles (2.36 million litres) per annum representing approximately 0.14% of the UK market, (English Wine Producers, 2014). Almost all wine bought and drunk in the UK therefore is imported. In 2013 total volume sales were 1.31 billion litres with a value of £12.51 billion (Warren, 2014). Despite the current small fall in still wine consumption the UK still remains one of the most significant wine import markets in the world, out ranked only by the USA and China.

Although wine is now a familiar beverage to all in the UK who consume alcohol this has not always been so. It was traditionally an elitist beverage consumed only by the wealthy whilst beer was the choice of the majority of the population. Wine became democratised in the UK in the 70s and 80s when it became available in supermarkets (Jenson and Jenson, 1993). This means that in the UK, as a non-producing nation, Gen Y is the first generation who have no memory of not being able to buy the fruit driven wine styles pioneered by the Australians as easily as any other Fast Moving Grocery Commodity (FMGC) such as Coca Cola, tea or coffee in every supermarket in the land (Ritchie et al, 2009).

The upsurge in wine purchase and consumption stimulated by the availability of wines in supermarkets, together with an increasing number of women in full-time employment and financially independent, also stimulated an upsurge in wine availability in the on-trade, pubs and bars. Traditionally pubs were seen as masculine places where beer was sold with poor quality wine offered for women (Pratten and Carlier, 2012) therefore wine bars, seen as sophisticated and not male dominated, developed to meet the gap in the market. Currently most pubs and bars now provide wine along side beer and food. At the top end of this market gastro-pubs have developed to meet the demand for premium quality beer, wine and food in a less formal, less expensive environment than restaurants. As a result Generation Y in the UK has grown up in an environment where, although it can be, wine does not have to be expensive or exclusive and is very easily accessible.

One downside of this commoditisation from an industry perspective is that although 61% of UK adults regularly buy wine only 38% are prepared to pay premium prices, considered to start at about £9.00 (Warren, 2014; Wisson, 2015). The current average off-trade bottle price in the UK is just under £5.00 having risen from around £4.50 in 2008 (Ritchie, 2011). Most of the increase in spend has been due to an increase in tax rather than any sign of trading up. This is curious since many of the older participants in the original focus groups had said that they were looking forward not necessarily to drinking more wine but to drinking better quality wine, as they became more able to afford it. This would imply an intention to trade up yet, as table 2 shows, the UK still wine market is currently stagnating, partly due to maturity and partly to the recession. In contrast the sparkling wine market, driven by prosecco is continuing to expand. Although it is anticipated that the UK still wine market will rise again in the foreseeable future as the recession recedes (Warren, 2014; Wisson, 2015) the question of whether the rise in popularity of sparkling wines as opposed to still wine and champagne is long term or not is still to be investigated.

This question of usage of wine is also of academic interest from a socio cultural perspective; whether the image of wine and thus interaction has changed, is changing in the UK. This raises the question of whether Gen Y see wine as the ordinary FMGC identified by Ritchie et al (2010) or whether it has the more elitist quality, image usually discussed in social wine consumption research. On the one hand wine is now seen as an everyday commodity, as likely to be offered to friends at home as a cup of tea or coffee (Ritchie, 2007) whilst on the other it still retains the elitist image noted by Kant and Bourdieu particularly in public consumption situations (Ritchie, 2009)

As Ritchie (2011) points out many authors have commented upon the significance of intergenerational learning. Some suggest that the social and cultural significance of food and drink is learned from babyhood, since the identification of good and bad food and drink is essential to survival as well as cultural identification. Others suggest that socialisation towards alcohol is learnt in adolescence. Either way it is very likely that the strong belief that they would 'grow into wine' held by the original participants was due to intergenerational learning and expectations about acceptable social behaviours within their cultural groups. However, Gen Ys' parents learnt their behaviours from their parents, born in the first half of the twentieth century when wine was not freely available in the UK and always perceived as an elitist product consumed by a small wealthy section of the population. It was during the young adulthood of Gen Ys' parents that wine became democratised in the UK and a commoditised product in some circumstances. This may help to explain why there is such a strong two wine perception in the UK, ordinary wine for everyday and special wine for public consumption (Ritchie, 2009).

Gen Y is the first generation to grow up in a UK where wine is both an FMCG and an exclusive purchase for a special occasion for the majority of the population. Therefore the attitudes which their parents inculcated into them will not necessarily be replicated by them. As table 1 shows, although alcohol has become more freely accessible in the UK alcohol consumption per capita is falling. As Warren (2014) and Wisson (2015) discuss, although wine consumption is likely to rise in the future it is very unlikely to rise again at the rates seen in recent decades. In addition some anecdotal evidence suggests that for some social groups, particularly young adult AB consumers, although happy to drink alcohol in some social situations tap water is their preferred beverage of choice in many others. Traditionally it has been the AB social groups who have purchased and consumed most wine.

2.2 The research question

As previously discussed, this is the first generation for whom wine has always been easily purchased, not necessarily expensive and used in both formal and informal situations. Whilst the participants said that they would grow into wine, by changing their drink of preference or by trading up in quality this aspiration is not reflected in the UK still wine market. This research will investigate whether this is due to a change in intent, which may have significant implications for the wine industry, or simply a reflection of delayed consumption due to the recent economic climate.

This research will also investigate whether traditional interactions with wine such as with meals, sharing and gifting remain relevant to adult wine consumers in the UK today. It will seek to develop an understanding of where accepted wine related behaviours and cultures have changed and the reason why change may or may not have occurred. In doing this it will be seeking to contribute towards a deeper understand of how the UK wine market is evolving.

3. LONGITUDINAL STUDY VALIDITY

According to White and Arzi (2005, pp138) a longitudinal study is one in which “*two or more measures or observations of a comparable form are made of the same individuals or entities over a period of at least one year*”. Wond and Macauley (2011) suggest that it is an embedded study which extends over a period of time, number of years. Both however suggest that much of its value lies in its temporal nature which enables the researcher to develop a richer understanding of how change is occurring in relation to the phenomenon being studied. In addition it enables the significance of events, actions or beliefs which may have originally appeared to be insignificant to be reviewed and visa versa.

They both also agree that these types of study are rare because of the commitment required in time by both the researcher and the participants; by the physical need for the researcher to keep all the original data over a long period of time so that it can be revisited as the research progresses and because familiarity between the researcher and the participants, in this case the link person for each focus group, may influence or bias the outcomes. In this instance the issue of familiarisation with the researcher is not considered to be an issue since there is both a significant age and geographical distance between the researcher and the participants which has meant that very little interaction has taken place in the intervening years. Familiarisation with or rejection of the subject, social interaction with wine, is the subject of the research therefore this is considered to be a benefit to the study. It is however accepted that, as with other methods which rely on several iterations (such as the Delphi Technique), there will be

some attrition of the participants and that unlike other iterative studies, in this study new participants cannot be brought in simply to increase numbers.

This study uses White and Arzi's (2005) definition of a longitudinal study since in this instance the same participants are asked about the same subject after a period of years in which their relationship with the subject (wine) is likely to have changed because of natural maturation in relation to alcohol and wine usage plus other internal, personal, and external, market, impacts upon their lifestyle.

4. METHOD

The original seven focus groups ranged in size from six to nine participants with an overall gender balance representative of the UK wine consuming population. Five of these focus groups were friendship groups; two were based on work groups. Six of the focus groups had a demographic profile reflecting AB social groups, which is normal in much self selecting wine research. To test the validity of the findings across a wider population one focus group was also held in which participants came from social groups D and E. The focus groups were set up using snowballing techniques where a suitable link person was identified by the author; the link person then invited the rest of the participants. All the friendship groups were held in the link persons' home, the two work based groups were held on their work premises at the end of the working day. This helped to replicate, as far as is possible in a research setting, a naturalistic setting in which wine might be discussed, sitting around in a familiar setting with a peer group of some sort. The focus groups were held in the autumn of 2008 across the UK although primarily in the south and south-east since most wine is purchased in these regions of the UK; see Charters et al (2011) and Ritchie (2011) for full details.

Since the aim of this research is to establish how the original participants interaction with wine has evolved over time the method selected for this research was to repeat as closely as possible the earlier study by reconvening those focus groups which could be reconvened with the same participants. These are the five friendship groups. In each instance the original link person was happy to reconvene their focus group although only 60% of the previous participants were still in touch with the link and willing to participate in this second study. However, as previously discussed there is always some attrition in longitudinal studies so this is not considered to be overly detrimental to this project. The same subjects were covered in the same format although the emphasis and tense differed.

Since the focus groups were planned for the summer and autumn of 2015 to accommodate the participants it was not possible at the time of submission of this paper to give the exact demographic detail of the participants nor of any issues raised in conducting them. This will be addressed in publications arising from the completed study.

5. ANTICIPATED OUTCOME THEMES

In the 2008 study various themes emerged which suggested that Gen Y may be interacting with wine differently from their parents in some ways and in a similar fashion in others (Ritchie, 2011). A key theme, which reflects an almost universal interaction with wine, was that as wine is so integral to the meal experience as they started to participate more proactively in public meal occasions, formal (e.g. work related) and informal (casual meals with friends) in the home and outside, they would 'grow into wine' and it was likely to become a beverage of choice. This behaviour would be supported in the informal

environment by moving into partnerships and sharing; as one male participant explained, you can't share a pint of beer but can and will share a bottle of wine. In the formal public environment most, as Ritchie (2009) has suggested, had expected to become confident in understanding and even initiating rituals such as ordering the appropriate wine with a meal. These activities would have been learnt via normal socialisation and intergenerational learning such as participating in a meal with their parents or older relatives; to what extent this cultural behaviour has been adopted will form part of the current research.

However, the participants also discussed behaviours which did not reference that of earlier generations. In the 2008 study many of the participants were either working part-time or had recently finished working in the hospitality industry as part of fairly common early employment, pre career, type work. They highlighted two issues in particular which challenged other accepted research particularly in relation to purchasing situations. The first issue raised was that the Gen Y participants were very happy to buy from supermarkets even for their, rare, gifting occasions. They found supermarkets to be familiar, convenient and easy to use, using them as Nordfalt (2009) has suggested as pantries stocked ready for any planned or unplanned event which arose. Specialist off licences on the other hand they found intimidating, expensive and inconveniently located and saw no reason why they would ever want to use them. This was despite much previous research showing that wine for special occasions was habitually sourced from specialist outlets by older adults. Gen Y believed that you might have to talk to the staff in specialist outlets in order to be able to buy what you wanted; they would be embarrassed by having to ask older staff, but didn't want to ask staff their age as they knew how little they themselves knew about wine. The second issue raised related to the on-trade where many had seen and participated in bad practise, often encouraged by management, such as pouring the wines they had been asked to promote instead of the wine requested by customers in a bar if the customers were a bit drunk. This activity was encouraged by their management because the wine being promoted made more profit for the bar.

As a result of these actual experience the Gen Y participants didn't trust staff the same age as themselves in on or off-trade situations and didn't want to ask older staff. Since much research shows that it is trust and interaction between customers and staff which encourages customers to move off the bottom line and trade up this research will investigate whether this was an attitude of youth and inexperience or the perceptions still remain influencing current behaviour.

Finally, in the 2008 research interaction with sparkling wines and champagne was discussed. It was the UK cohort who were most able to and habitually did clearly distinguish between sparkling wine and champagne; what they were, upon what type of occasion they could be consumed and by whom, male or female (Charters et al 2011; Velikova et al, 2015). As has been discussed still wine consumption is falling slightly in the UK but this is offset by the rise in sparkling wines, started by cava and now led by prosecco. This research will investigate whether this move towards sparkling wine consumption has impacted upon the intention to trade up in still wines and what role sparkling wine currently plays in their lives.

As previously stated this paper is a work in progress but it is intended that the results will shed light on how interaction with wine in the UK is evolving with all the implications that this may have for academia and the wine trade.

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Benefits convincing wine consumers - Developing a unique selling proposition for Georgian wines based on focus group analysis

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Abstract:

Purpose: Although the 500 endemic grape varieties and a 8000 year old traditional wine making culture makes Georgia a cradle of wine, for German wine consumers Georgian wines remain either unknown or are considered to be of poor quality. As the trends of behaviour of German wine consumers have changed to being more environmentally-friendly and seeking authenticity, and because Georgian wines could correspond to these trends, this paper aims to examine the attitudes of German wine consumers towards Georgian wines through explicit communication of these benefits.

Design/methodology: A qualitative research method was adopted, and focus group discussions including wine tasting session were carried out.

Findings: We found that Georgian wines have the potential to meet the demands of sustainable lifestyle wine consumers. The ancient traditional Georgian winemaking method of wine fermentation and ageing in so-called qvevri provides strong evidence to German consumers to reinforce perceptions of Georgian wine as an authentic and natural product. The research has confirmed that Georgian wines convey positive social and emotional value and that quality standards have been accepted by consumers. When choosing appropriate channels for the promotion of Georgian wines and emphasizing the relevant benefits that German consumers are seeking, it can be seen that Georgian wines have a great potential to be perceived as premium products.

Practical implications: The findings of this study can be adopted and used for the development of an effective marketing concept for Georgian wine in export markets

Keywords: Wine Consumption, Georgian wine, Consumer Behaviour, qvevri-wine

INTRODUCTION

As the biggest wine importer in the world, Germany presents a challenging environment for Georgian wines (BMEL, 2015). Because of their novelty they are mainly known only among wine connoisseurs in Germany and in addition there is no effective country branding strategy promoting Georgian wines in export markets. One would be wrong in thinking of Georgian wines as newcomers on the German and international wine markets, since around 500 endemic varieties of grapes and an ancient traditional wine making culture over the past 8000 years shows Georgia to be a cradle of wine production (Anderson, 2013). Wine fermentation and ageing in so-called *qvevri* (an egg-shaped clay vessel) buried in the earth is evidence of the world's oldest wine making method (Kharbedia, 2015). The *qvevri* phenomenon was made part of UNESCO's Intangible Cultural Heritage List in 2013 (UNESCO, 2013). During the Soviet era, Georgia was the major wine supplier for the Russian and former CIS-country markets. After the Russian embargo in 2006, Georgian wine companies began to penetrate western European markets without having any experience in the development of international marketing strategies (Ghvanidze, 2012). Despite this, exports were extended to western and eastern European countries as well as to China, Japan and the USA (NSO, 2015).

German wine consumers have become tolerant of wines from other countries, and secondly, wine consumers have started to think in a more environment-friendly way and to look for authentic products which promise added value (Klohr et al., 2012). As for Georgian wines, they offer both a unique traditional wine-making background and organic production. For example, in accordance with certain rules and traditions, the wine made in *qvevri* does not contain any chemicals or additives (Kharashvili, 2014; Kharbedia, 2015).

In this context the following study aims to find out: a) the overall perception of Georgian wines; b) if German wine consumers consider Georgian wines as sustainable and authentic; and c) the most suitable promotional channels to communicate the above mentioned benefits to German consumers. In order to obtain insightful results, this study has adopted a qualitative research method. The first part of the paper reviews relevant literature about changes in wine consumer behaviour affected by the environmental awareness of wine consumers and their desire for authentic products. The next chapter describes the methods of the empirical research, and in the final part of the paper we present and summarise the findings and discuss the practical implications.

1. LITERATURE REVIEW

1.1. German Wine Consumer behaviour

Researchers argue that there is a tendency among customers in Germany to purchase high quality products with premium prices; this has played a significant role in food purchasing processes in the past and is clearly increasing (Hoffmann, 2014). As wine is becoming a luxury product and is often bought for specific occasions, German consumers attempt to avoid risk by accepting high prices but also anticipate getting special value by paying more (Klohr et al, 2012). The fact that more and more German consumers buy eco-friendly wines means that their increased concerns about environmental issues have an impact on their wine

consumption behaviour as well (Klohr et al., 2014). Klohr et al. (2014) found that *connoisseurs* in Germany with high involvement in wine appreciation and lifestyles related to sustainability drink wine with higher frequency and buy more expensive wines that they perceive to be of high quality. Also *concerned non-experts* consider characteristics of sustainability in their purchasing behaviour (Klohr et al., 2014). Even if it seems that German consumers have differing understandings of sustainability which generally involve not only environmental aspects and anticipated responsiveness of the producer to the needs of society, but also the economical feasibility of implementing these activities (Poitras and Donald, 2006), *sustainable connoisseurs* and *concerned non-experts* together represent about half of the total wine consumers in Germany; they therefore need to be considered significantly in the marketing process of sustainable wine (Klohr et al., 2014).

Another key factor influencing German consumer behaviour is the demand for individual product characteristics (Klohr et al., 2012). This has become crucial because of globalisation, where traditional cultural boundaries become blurred and things appear more and more similar to each other (Smith and Skalnik, 1995). The concept of regionalisation as a complement of internationalisation is gaining importance (Schade and Reuter, 2001). Customers understand *regional foods* as being high-value, speciality or handcrafted products closely linked to tradition and authenticity (Kuznesof et al., 1997). In the wine context that means not only the identity of the region in terms of grape varieties or typical taste, but also the adoption of specific craftsman's knowledge and traditional winemaking techniques (Diaz-Bone, 2005). Consumers recognizing this benefit are willing to pay more to obtain value added premium wines (Klohr et al., 2012).

1.2. Position of Georgian Wines on the German Market

In her research about the country-of-origin effect of Georgian wine on German consumers, Ghvanidze (2012) identified four consumer segments. Among these consumer segments, image oriented wine connoisseurs perceived Georgian wine most positively relative to the other consumer segments such as experimental, conservative and disinterested wine drinkers. Participants in Ghvanidze's (2012) online survey were mostly male, highly-educated and highly involved wine consumers. The study indicates that German consumers do not consider Georgian wine to be a high quality product, and this was linked to negative perceptions of Georgia as an economically weak country with political instability. Despite the perceived image of Georgia as being a hospitable country with an interesting and unique landscape, Georgian wine did not convey social and emotional values to respondents, and consequently consumers are not willing to pay a premium price for Georgian wines (Ghvanidze, 2012).

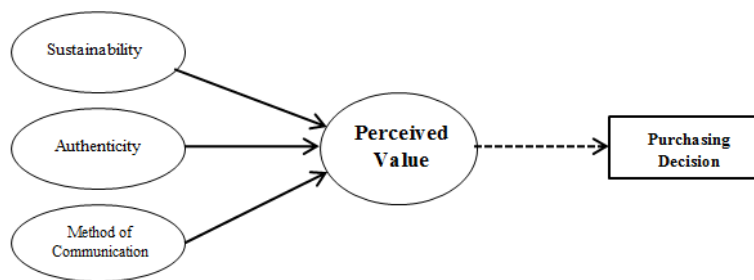
Segmentation of the German wine market and the marketing activities suggested by the Georgian Wine Association (GWA, 2011) do not seem to significantly strengthen the quality perception of highly-involved German wine consumers. On the one hand target groups such as experienced wine consumer, looking for new, different and exclusive products and the well aware ethnic market consisting of emigrants from former Soviet countries do not really include consumers who have no or limited experience but have an interest in drinking premium wines. On the other hand, the suggested strategy of GWA to export low priced bulk

wine and its sale in supermarkets for low prices could evoke the feeling of disposing of low-quality wine (Anderson, 2013), which could result in brand damage to other products under the country umbrella brand *Georgian Wine* (Khitarishvili et al., 2015; Eyler, 2005). In summary, previous activities in the wine promotion sector are insufficient and require further efforts (Kharaisvili et al., 2014) in order to build the image of Georgian wine as a high quality product on the German wine market.

2. METHODOLOGY

A theoretical model of wine consumer behaviour was developed (Figure 1). The model indicates that *sustainability* and *authenticity* have an impact on perceived quality that supports the positive purchasing decision. Additionally, we added the third dimension *method of communication* to the model as we intended to find out which promotional activities would better help German consumers to perceive Georgian wine as a premium product. In order to validate the theoretical model, a qualitative research approach was applied, allowing us to understand, describe and explain social relationships through the consideration of individual perspectives (Flick, 2007). A qualitative research method enables psychological exploration in order to gain a deeper insight into consumer behavior and consumer perceptions (Kitzinger, 1995). Because wine is associated with positive feelings and emotions, we utilised focus group discussions in order to allow respondents to express their feelings, beliefs and emotions open-mindedly, on the basis of both previous knowledge and experience gained during wine-tasting (Strauss und Corbin, 2008). Such subjective “live” interactions and information exchanges between researchers and participants requires flexibility and spontaneous action of researchers that is only permissible in qualitative studies, where data elaboration and analysis are based on non-standard qualitative survey methods (Flick, 2007). We decided to gather rich, experiential data through focus group discussions that supported the qualitative research benefits described above (Threlfall, 1999). In order to assist group members in expressing their thoughts and feelings about Georgian wine, the use of wine tasting sessions as a projective technique was integrated. This method can generate insightful data and reveal both the uncertainty that can influence consumers’ product evaluation and the multiple evaluation pathways that occur while tasting food and beverage (Pettigrew and Charters, 2008). In this way we gained an exceptional opportunity to experience first reactions and capture honest opinions about Georgian wines from focus group interview participants.

Figure 1: Wine Consumer Behaviour Model



For group discussions, we focused not only on wine connoisseurs but also included *aspirational/experimental and enjoyment wine drinkers* (Hall and Winchester, 2001; Ghvanidze, 2012). The common characteristic of all of them was an interest in wine drinking, openness to wines from other countries, lifestyle and willingness to pay for premium products (Bruwer et al., 2002), all of which are relevant to Georgian wines. According to the study by Ghvanidze (2012), experimental wine drinkers are the most appropriate consumer segment for Georgian wine. On the basis of the above conditions, thirteen highly educated wine drinkers ranging in age from 25-62 with a regular income were chosen. The grouping was made at random in three parts. Because of the small groups and through specifically designed questions, all respondents could actively participate. In order to gain accurate results, the discussions were structured around three main topics: three types of wine were tasted (white dry, red semidry and white *qvevri* wine), the selection of which was based on consumer-preferred references in a German online shop for Georgian wines.

Each focus group took one and a half hours on average. All three sessions were audiotaped, transcribed and analysed according to the deductive category application method of content analysis of Mayring (Groeben and Rustemeyer, 2002). The qualitative step of analysis consisted of the interpretation of recorded communication by assigning particular text passages to research questions put into categories (Mayring, 2000). This should not be confused with the methodology of the grounded theory of Strauss and Corbin (2008), where the categories are developed out of the collected data during theoretical sampling. Even though the content analysis involves a high level of subjectivity, we tried to work closer to original wordings. Only single-person analysis was conducted. This is the first time such a survey has been conducted in regard to Georgian wine on the German market.

3. FINDINGS

Through the focus group discussions, we captured dynamic and interesting assessments of individuals' attitudes, perceptions and opinions when examining: a) the overall perception of Georgian wines; b) if German wine consumers consider Georgian wines as sustainable and authentic; and c) the most suitable promotional channels to communicate the above mentioned benefits to German consumers.

Social and environmental responsibility in the production process

When talking about working conditions at Georgian wineries, all participants assumed that in general, because of low living standards and high unemployment in Georgia employees are perhaps not paid well, but because staff may have been recruited among neighbours, friends or relatives, a good relationship between employers and employees was expected.

“[It is] difficult to say, but I would say it [working conditions] is just like in Europe, although it is also different within Europe.” (Kati, 25)

“I assume children work there.” (Kitty, 34)

However, other participants thought that if children support their family voluntarily without neglecting their schooling, this should not be considered child labour. When it came to environmentally friendly activities and production, nearly everybody answered that because this is associated with considerable additional expenses, Georgian winemakers would not be able to have enough financial resources and capacities to apply additional eco-friendly production methods. An interesting approach was provided by one female participant:

“I would say that grapes in Georgia are healthier than in European countries because of the climate and terroir; in Germany for example, vintners have to use pesticides and chemical fertilizers.” (Coni, 62)

Most female group members indicated that they had recently bought more and more organic wines because they experience no headache the next day, and in addition have a clear conscience by supporting environmentally friendly production.

“If wine tastes good I would drink it, but for me how the [wine] production background plays an important role, and how the relationship with employees is...and how sustainable the whole [process] is. If I knew that everything went well and the family [business] worked hard, it [wine] would automatically taste much better to me.” (Miriam, 31)

Even though some of the participants disagreed with this approach, stating that sometimes signals as “organic” etc. mislead consumers to experience “good taste” and to automatically generate “good conscience”, all of them agree that the background information on wine production would somehow influence their purchasing decision.

Exceptional wine making method

After having tasted *qvevri* wine, all participants were enthusiastic about its specific taste and orange, honey-like colour. They were delighted when the researcher provided them with detailed information about the Georgian traditional winemaking method.

“The most fascinating thing is that it [qvevri wine] has been produced in a very specific way, and everyone wants to have something special.” (Martin, 38)

“When you know the history [of wine] it automatically changes the taste.” (Thomas, 47)

Because of the exclusivity of *qvevri* wine, everyone suggested that it was good idea to buy it for a present. In addition to the high price (above 13 EUR per bottle), the very specific taste was the reason why not all participants would like to buy it very often.

“I think that for my own consumption I would not pay so much, but for family events or dinners with friends I would like to buy it [qvevri wine].” (Isabella, 38)

“Well...I would buy it [qvevri wine] to impress others...as a present in any case...but it tastes good to me as well.” (Kati, 25)

All participants were fascinated that despite the fact that these unique wines, made by the oldest natural winemaking method in the world and with craftsmen’s traditions, comes from Georgia, a country that they had not heard a lot about;

“All of these things [qvevri, traditional wine-making process, wineries, people] there [in Georgia] impress me very much. I think I would have a stronger appetite for drinking this wine when being there.” (Kitty, 34)

“We would travel to Georgia with great pleasure, but not only because of the wines. This is of course very interesting (...) but in general, we are not familiar with this country [and therefore would like to learn more about it].” (Nina, 38)

Perceptions of Georgian wine

Most of the focus group participants thought that mainly small sized, family-run companies produce wines in Georgia, and therefore the wines are of a high quality. Participants confirmed that Georgian wines provide strong competition to other well-known wines through their history and variety of taste.

“I have realized how good the Georgian wines are. We have tasted three wines and all of them impressed me. And yes, I find the bottle packaging and the labels [of the presented wines] very attractive.” (Isabella, 38)

“When drinking traditionally produced wine, I have the feeling that it is authentic and natural. Then I think about health, and that makes me feel better.” (Nina, 38)

“I am not really a wine connoisseur and don’t drink much wine, but I am so interested in the history [of Georgian wines], that I would buy them with pleasure.” (Martin, 38)

Everyone affirmed that they would certainly recommend Georgian wines to others.

Desired communication channels for Georgian wines

Generally, all participants preferred to obtain information about Georgian wines in wine stores and at merchants who provide wine tasting as an option. Other additional promotions such advertising, events or newspaper articles about Georgia and its wines with taglines stating - “wine history begins in Georgia” were strongly desired.

“They have to say: we invented wine [the oldest production method] and that is why we are the best...[because of the high prices they have to say] we have the best wines and therefore they are expensive.” (Nina, 38)

Participants with more interest in details preferred comments of sommeliers and connoisseurs in the blogs. Others said that they would like to share their opinions on Facebook and follow group discussions about Georgian wines there. Suggestions on food and wine pairings are one of the important things that all participants said that they would like to get.

4. DISCUSSION AND MANAGERIAL IMPLICATIONS

In this research we adopted two relevant aspects of German wine consumer behaviour in order to examine quality perceptions of Georgian wines based on qualitative research. Firstly, we addressed the social and environmental responsibility of Georgian wineries as main indicators of the perceived quality of Georgian wine. Secondly, we focussed on characteristics of Georgian wine such as authenticity and the traditional handcrafted winemaking methods in order to identify how these characteristics affect perceptions of Georgian wine. Based on focus group discussions, we found that because of the authentic and natural features of Georgian wines, consumers perceive them as a healthy product, made through organic wine making methods by companies with social responsibility. Georgian wines generate interest in their history and production methods among consumers, so therefore producers and exporters should clearly outline and communicate explicit attributes in this respect. In addition, this would help to eliminate some consumers' assumptions about Georgian wines still being sweet, low quality alcohol beverage as it usually was promoted in the Soviet Era.

It is strongly recommended to concentrate on the unique Georgian winemaking methods as the unique selling proposition (USP) when positioning Georgian wines on the German market. As focus group participants emphasised that they would enjoy drinking Georgian wines with friends and family as well as giving them as presents to impress others, we conclude that Georgian wines indeed convey social and emotional value, which is not in accordance with findings of Ghvanidze (2012). In contrast, the perceived quality of Georgian wines identified in our current research also appears different to the findings of Ghvanidze. A positive overall assessment of tasted wines and a willingness to buy them is closely linked with the assumption that Georgian wine quality is acceptable for German wine consumers. However, rigorous quality control measures must be carried out on an ongoing basis. Finally, we identified the most suitable promotional channels and strategies for marketing, which partially correspond to the research results of Szolnoki et al. (2014). Because of high demand on direct experience before purchasing Georgian wines, merchants and specialized stores should focus especially on wine tasting events. To attract the attention of wine consumers, an advertising slogan such as “wine history begins in Georgia” should be implemented. By choosing appropriate channels for the promotion of Georgian wines and emphasising the relevant benefits that German consumers are seeking, Georgian wines have a great potential to be perceived as premium products.

In future studies the qualitative research method can be undertaken by measuring knowledge of German wine consumers about Georgian wines as well as by survey based recruiting wine connoisseurs prior to conducting focus group discussions. In further qualitative research the intrinsic and extrinsic attributes of Georgian wine can be investigated which need to be explored. Even though this research includes some limitations concerning the research design, the findings can be adopted and used for the development of an effective marketing concept for Georgian wine in export markets.

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Characteristics, Preferences, and Purchase Drivers of Hispanic Wine Consumers in the U.S.

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Abstract:

Purpose - The study examines Hispanic consumers' attitudes and interests related to wine consumption and develops a profile of the U.S. Hispanic wine consumer. The findings will assist the industry with marketing strategies and help to effectively target this consumer segment.

Design/methodology/approach - The project utilized a mixed-method research design by incorporating both qualitative (focus groups) and quantitative (consumer survey) methods.

Findings - The results suggest that Hispanic wine consumers drink wine fairly frequently; prefer red wine, but also indicate strong preferences to sweeter wines. Hispanic consumers perceive wine as a drink to be consumed at home, rather than in a restaurant or a bar. Price was named as the top purchase driver, followed by personal preferences and family/friend's recommendations. The core cultural values of family, food, and social interaction are critical factors in developing an interest in wine amongst Hispanic consumers. Acculturation levels and generational status also play an important role.

Practical implications - The results clearly indicate that a generalized marketing approach is unlikely to be useful to reach the Hispanic wine market. It is imperative to target this emerging consumer market based on its specific needs. Special attention should be addressed to younger, more acculturated consumers, as they are the primary consumers of wine, and also advocates for wine for their parents and other groups of consumers.

Keywords: Hispanic wine consumers; emerging consumer markets; situational ethnicity; product ethnicity

1. INTRODUCTION

Globalisation of the wine industry has boosted competition in the oversaturated wine market. As a result, producers worldwide seek new opportunities for their businesses, including examinations of new consumer segments. The current study focuses on one such emerging yet sizeable market of consumers - Hispanic wine consumers in the United States. As the nation's largest minority group of 50 million people, Hispanics are the fastest growing ethnic group in the U.S. {U.S. Census Bureau, 2010 #678}. Increased collective spending power of \$1.2 trillion {Seling Center for Economic Growth, 2012 #693} accompany this growth, adding to the market's appeal.

Traditionally, wine has not been considered as a particularly appealing product for Hispanic consumers. Nevertheless, documented evidence suggests that Hispanic adults have recently been developing a taste for wine. For example, the percent of U.S. Hispanics who expressed preference for domestic table wine was 12% in 1998. This percentage jumped to 22% in 2003 {Jung, 2005 #572}. A study of Texas residents' attitudes towards local wines found that 13.6 % of respondents in a random sample of wine consumers identified their ethnicity as Hispanic or Latino {Kolyesnikova, 2008 #674}. When an identical follow-up study was conducted five years later, the number of Hispanic wine consumers in a similar random sample jumped to almost 17% (Texas Wine Marketing Research 2012). The Wine Market Council {, 2005 #694} conducted a survey asking respondents if they were drinking more, less, or the same amount of wine as the year before. While amongst whites self-reported wine consumption frequency increased by 11%, it rose by 31% amongst Hispanics.

Despite the growing interest in wine amongst Hispanic consumers, the industry has been slow in recognizing recent shifts in consumer demographics and thus, the potential to expand its traditional consumer base. Empirical research on wine consumption preferences of U.S. Hispanics is also scarce and includes only a limited number of exploratory studies. The proposed research aims to fill a gap in the existing body of knowledge on Hispanic wine consumers. Specifically, the study develops a profile of the U.S. Hispanic wine consumer to assist the industry with marketing strategies to effectively target this consumer segment.

2. CONTEXT

2.1. Ethnicity

Ethnicity has been found to be an important factor influencing wine consumption. Hussain, Cholette, and Castald {, 2007 #571} suggested that whites and non-whites should not be assumed to have the same attitudes and preferences towards wine consumption. This leads to a need to examine factors that influence Hispanic consumer wine purchases, as well as predominant attitudes, opinions, and interest of the Hispanic consumer relating to wine consumption.

Although consumer behaviour research often considers ethnicity as an important factor to identify differences amongst diverse demographic groups, ethnicity per se is rarely the primary focus of research, thus offering only supplementary perspectives on the topics under

investigation. The originality of the current research is that it takes ethnicity as the point in case and approaches it not only as a demographic variable, but also conceptually – through the prism of situational and product ethnicity concepts.

Specifically, we take the concept of acculturation as a general referent for consumer-based examination of the Hispanic market. Acculturation and assimilation are related concepts in that they both refer to the process of adaptation to a new environment. Assimilation perceives immigrants or other members of minority populations leaving behind traditional customs, values and behaviours in order to conform to those of the host society. It is a social change in which cultures of origin are abandoned in favour of the host culture. Acculturation, on the other hand, is a different form of adaptation. While adapting, people are able to incorporate values and social practices of the host culture while retaining elements of the culture of origin {Gans, 2007 #687}. The marketing concepts of *situational* and *product ethnicities*, which constitute the conceptual basis for the current study, are rooted in these analogues.

2.2. Situational ethnicity

Situational ethnicity is a concept grounded in acculturation {Okamura, 1981 #688; Padilla, 1985 #689}. It posits that people's behavioural manifestations of their identity vary according to various social contexts. These contextual influences are especially relevant for members of minority cultures and/or those of mixed race/ethnicity as they tend to inhabit more complex social environments than mono-cultural individuals. This creates the ability to express their identity appropriately in different social settings {Stayman, 1989 #707; Zmud, 1992 #706}.

For example, a Hispanic female sales professional is likely to express her ethnic identity quite differently across different situational settings - when at a business dinner with her non-Hispanic colleagues; at a girls-night-out party with English-speaking girlfriends; or celebrating a traditional holiday with her Spanish-speaking in-laws. It is likely that her choice of food and beverages (perhaps including wine) would differ as well at each of these social settings. This research is interested whether acculturation – and by extension situational ethnicity – play a role in Hispanic consumers' choices of wine.

2.3. Product ethnicity

Product ethnicity is another concept associated with acculturation that links culture and product consumption. By examining Hispanic consumers' evaluations of four different products (laundry detergent, coffee, televisions and automobiles), Faber, O'Guinn & McCarty {, 1987 #690} determined that levels of acculturation influence product attribute evaluation, especially for the durable goods. Research on product ethnicity has focused on consumer stereotypical associations between products and countries-of-origin, based on their perceptions of the country's know-how and reputation relative to the design, manufacturing, or branding of particular goods {Usunier, 2007 #691}. For example, tequila is typically associated with Mexico, vodka with Russia, and rum with the Dominican Republic, while France and Italy more strongly associated with wine.

However, wine would not generally be perceived as a product that is regularly consumed by Hispanics. We argue that this common perception could be the principal reason for the largely untapped Hispanic wine market in the U.S. This research aims to begin the process of building a body of knowledge on the Hispanic wine market and to identify prime factors that determine attitudes, opinions, motivations, and purchase drivers of the Hispanic wine consumer.

3. NEED STATEMENT AND STUDY SITE

The need to investigate the Hispanic market is particularly relevant to certain regions. U.S. Census Bureau {, 2010 #678} reports that 75% of the total Hispanic population living in the U.S. reside in eight states: California, Texas, Florida, New York, Illinois, Arizona, New Jersey, and Colorado. Interestingly, six of these states (California, Florida, New York, New Jersey, Texas, and Illinois) are the states with the largest wine consumption that cumulatively account for 47.8% of the total U.S. wine consumption {Beverage Information Group, 2012 #679}.

The current research used the state of Texas as the study site. Texas is a state with a large and rapidly growing Hispanic population (37.6% of total Texas population, according to the U.S. Census Bureau, 2010). Texas was also considered an appropriate region for this study because of the dynamic development of its wine industry. Within a relatively short time period after the industry emergence in the late 1970's, the number of Texas wineries increased dramatically - from five in the early 1980's to over 300 in 2014. The Texas wine industry contributes \$1.88 billion to the state's economy, with an estimated retail value of Texas wine at \$134.1 million (MKF Research LLC, 2014).

4. PURPOSE

The current study investigates wine consumption needs, interests, and purchasing behaviour of Hispanic consumers. Particularly, the research aims to: (1) examine predominant factors that contribute to the development of Hispanic consumer interests in wine; (2) investigate preferences and wine consumer behaviour patterns of Hispanic consumers; and (3) identify factors that influence Hispanic consumer wine purchases. The ultimate goal of the project is to compile a profile of the Hispanic wine consumer that would help the industry to effectively target these consumers.

5. RESEARCH QUESTIONS

To achieve the objectives defined above, the following research questions were advanced:

RQ₁: How do Hispanic consumers develop their interest in wine?

RQ₂: What are the preferences and wine consumer behaviour of Hispanic consumers?

RQ₃: What are the main wine purchase drivers of Hispanic consumers?

6. METHOD

6.1. Research design

To achieve a comprehensive overview of the consumer market under investigation, the project utilized a mixed-method research design by incorporating both qualitative (focus groups) and quantitative (consumer survey) research methods. The focus groups were employed to get a better understanding of the attitudes, opinions, and interests related to wine consumption amongst Hispanic consumers; while the survey was used to obtain a more structured, quantitative profile of this market segment.

6.2. Data Collection

6.2.1. Focus Groups

The focus groups were conducted in a conference room designed specifically for focus group research and equipped with video and audio recording capabilities and a one-way mirror for observation by researchers. A professional moderator conducted the discussions and debriefing sessions. Three focus group sessions with Hispanic wine consumers were conducted: two in English (for predominantly English-speaking consumers of Hispanic origin), and one in Spanish (for predominantly Spanish-speaking consumers of Hispanic origin). Each focus group comprised seven to ten participants. The total sample consisted of 26 participants. At the completion of the three focus groups, saturation of responses had been achieved. No new ideas or categories emerged and adding more focus groups would have been likely to produce repetition of themes. Therefore, a total number of three focus groups was deemed sufficient for the purposes of this exploratory study.

6.2.2. Consumer Survey

Quantitative data on Hispanic wine consumers were collected through in-person intercepts at retail stores that predominately target Hispanic consumers. A systematic sampling method was applied where every 3rd consumer (regardless of ethnicity) was approached. A very small portion of the completed surveys filled out by consumers who did not identify themselves as being of the Hispanic or Latino origin (in the ethnicity question) were excluded from the analysis. Trained bilingual data collectors personally distributed pen-and-paper questionnaires to customers as they were leaving the store. A small token of appreciation (a \$10 gift card to the store where the data were collected) was offered as an incentive to participate in the study.

6.3. Instrument

For the focus groups, using a theme guide approach, a discussion guide was developed to ensure a practical structure for the focus group sequence. The discussion guide was divided into several broad themes to obtain information about various attitudes and interests related to wine consumption.

A survey was then designed to include items that are aimed at compiling a more structured profile of the Hispanic wine consumers – namely, wine preferences; wine consumption behaviour; wine purchasing behaviour; and socio-demographic characteristics. Identical questionnaires were available in English and in Spanish. Respondents could choose the language of the survey based on their preferred language of communication. Two-thirds of the sample chose the English version and one-third preferred to fill out the survey in Spanish. A total of 414 valid surveys were collected and used for analysis.

7. FINDINGS AND DISCUSSION

7.1. Focus Group Findings

The focus group discussions were utilized to collect a concentrated set of opinions on Hispanic consumer attitudes and interests related to wine consumption. These were subjective opinions that were unlikely to be captured by a structured survey, which only captures a ‘snapshot’ of data. Thus, focus groups were considered the most advantageous method for collecting information on these themes. One particular theme reported in the current study includes the development of consumer interests in wine (RQ₁). In order to appeal to Hispanic wine consumers, the industry needs to know how existing consumers developed their interests in wine and focus on targeting those sources.

Family, which is a very strong influence in the Hispanic culture, played a significant role here. Virtually all participants indicated that their interest in wine stemmed from family. For younger participants, their parents introduced them to wine. These findings are similar to other studies on younger (non-Hispanic) consumer socialisation with wine {Velikova, 2011 #746}. Early experiences with wine were found to be influenced by family - most likely parents - across various geographic and cultural settings. What’s interesting in the current study is that older participants also indicated that their interest in wine originated from their family, but for them the influential factors were their children, who are more adapted and more acculturated. It is likely that this new generation of grown-up children draw information from broader sources and social networks than older generations. Members of the younger generation, thus, become advocates for wine, and because of strong family connections in the Hispanic culture, their passion for wine is passed up to older generations.

For many focus group participants, interest in wine resulted from their interest in cooking. Food plays an important role in the Hispanic culture. However, there is a general perception that Mexican food does not pair well with wine (Lackey Shaffer, 2005). In the focus groups, when asked about wine and food pairing, no one associated wine with Mexican or other Latin American cuisine. Rather, associations were made with steak, pasta, seafood, or Mediterranean cuisine. Given the social importance of food in the Hispanic culture, the wine industry needs to examine ways to emphasize and market wine as a complement to meals.

7.2. Consumer Survey Findings

7.2.1. Sample Description

The socio-demographic characteristics tested were gender, education, and income. The sample was almost equally divided between males and females. Respondents of various age groups - ranging from 21 to 84 years old - participated in the study. Interestingly, the data were skewed towards younger participants, with one-third of the sample being younger than 30 years old; and cumulatively, almost 60% of the sample was younger than 40 years old. These survey statistics support the focus group findings in that younger Hispanics constitute the major force of Hispanic wine consumers.

Respondents had higher levels of education than the general U.S. population. Over forty percent of the sample had a bachelor college degree or higher, whereas the U.S. Census Bureau {, 2010 #678} reports that a total of 29.9% of the U.S. population graduated from college or have an advanced graduate degree. Moreover, among the entire Hispanic population in the U.S., only 13.9% has earned an undergraduate degree, whereas 13.2% of respondents reported having a graduate degree. Likewise, the sample had higher income levels, with almost one-third earning more than \$60,000 a year.

7.2.2. Preferences and Wine Consumption Behaviour

RQ₂ examined preferences and wine consumer behaviour patterns of Hispanic consumers. Although Hispanic consumers traditionally are known to favour beer and tequila over wine, the results of the current study show an equal split between wine and beer as most often consumed alcoholic beverages, followed by spirits. This, in part, can be explained by the fact that frequency of wine consumption was used as a screening question at the data collection points. Respondents who indicated that they do not drink wine at all or drink it very rarely, were not included in the sample.

The majority (68.2%) of those respondents who participated in the study reported that they consume wine at least once a week or even more frequently. Six percent reported daily wine consumption. Slightly over half of the sample reported preferences for red wine, followed by preferences for white and rosé wines. More respondents prefer dry wines and fewer prefer sweet wines. Table 1 provides a detailed overview of Hispanic consumer wine preferences and wine consumption behaviour.

To further investigate wine consumption behaviour, participants were also asked about situations where they would most likely choose to drink wine over other beverages. The findings show that the vast majority of Hispanic consumers perceive wine as a drink to be consumed at home (own or friend's/relative's), rather than in a restaurant or a bar. Even for special occasion situations or romantic dinners, a relatively small percent of respondents chose wine as a preferred beverage in those situations.

Table 1. U.S. Hispanic Consumer Wine Consumption Behaviour ($N = 414$)

Characteristic	Percent
Which alcoholic beverage do you consume most often?	
Beer	31.6
Wine	31.4
Spirits	20.8
Combination of several	16.2
How often do you consume wine?	
Daily	6.0
Several times a week	29.8
Once a week	32.4
About once a month	31.7
What type of wine is your favourite?	
Red wine	52.7
White wine	27.4
Rosé / Blush wine	11.7
Equal preference	7.0
Other	1.2
Do you prefer wine that is dry or sweet?	
Sweet	40.5
Dry	59.5

7.2.3. Wine Purchase Drivers

RQ₃ investigated wine purchase drivers of Hispanic consumers. Participants were presented with a list of factors (compiled from previous literature on wine consumption) and asked to select the three most important factors that determine their wine purchases. Price was named among the top three in 70% of cases, followed by an equal split between personal preference (41.1%) and family/friend's recommendation (41%). Retail display and media advertising for wine were found to be the least important factors.

8. CONCLUSIONS AND IMPLICATIONS

The current study offers a profile of the Hispanic wine consumer as a younger, more acculturated second-generation consumer, who drinks wine fairly frequently, with preferences for red wine, but also indicating strong preferences for sweeter wines. Wine is perceived as a drink to be consumed at home, rather than in a restaurant or a bar. Price is the top purchase driver, followed by personal preferences and family/friend's recommendations. The core cultural values of family, food, and social interaction are critical factors in developing an interest in wine amongst Hispanic consumers. Acculturation levels and generational status also play significant roles in wine consumption amongst Hispanic consumers.

A generalized marketing approach is unlikely to be useful to reach the Hispanic wine market. It is imperative to target this new consumer segment based on its specific needs. Special attention should be addressed to younger, more acculturated consumers, as they are not only the primary consumers of wine, but also advocates for wine for their parents and other groups of consumers. The industry should consider targeting these second-generation, bilingual, bicultural consumers who tend to draw from a broader array of cultural influences.

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Consumer Knowledge and Preferences for Wine amongst Visitors to Burgundy

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Abstract:

Purpose - The study aims to develop a profile of Burgundy tourists and to examine visitor attitudes towards the wines of the region, with the specific emphasis on the effect of visitor product knowledge on the evaluation of Burgundy wines.

Design/methodology/approach - The samples consisted of Burgundy tourists from the Anglophone countries. Consumer survey was utilized for data collection. The survey was distributed both on-site (to current visitors) and on-line (to past visitors).

Findings - Burgundy tourists were found to be older (average age 48) and extremely well educated. The primary purpose of visit was holiday/vacation for the majority. However, a moderate number of visitors have come explicitly to visit wineries. Product knowledge level has an impact on the evaluation of the local wines. More knowledgeable visitors think Burgundy wines are world class, but of limited variety and tend to be overpriced. While the least knowledgeable group were mostly first-time visitors, a relatively high percentage in the somewhat knowledgeable group indicated this was their second visit to Burgundy.

Practical implications - Burgundy local authorities and the wine industry benefit from the profiling information on their visitors. The results contribute to the understanding on how to target tourists with different levels of wine knowledge. The industry also needs to make the least knowledgeable visitors' experiences in Burgundy educational and enjoyable, which in turn may spark their interest in wine and intent to revisit the region.

Keywords: Burgundy; wine tourists; subjective knowledge; perceptions of wines

1. INTRODUCTION

Burgundy is a key French tourist destination, renowned for its history, food, and undoubtedly wine. Increasingly the local authorities want to employ wine as leverage for tourism. Thus, it now appears relevant to investigate wine tourism in this region. In part, wine tourism in Burgundy is one example of the wider and under-researched European offer as a whole. Additionally, this research investigation allows us to explore how tourists feel about that specific offer – their expectations, motivations and perceptions, which is evidently important if a successful tourism proposition is to be sustained.

The geographical context for this research is the Côte d'Or in Burgundy. For many connoisseurs, the Côte d'Or is what they automatically think of when they consider Burgundy. The region is a narrow wine producing area (less than 15 km wide and 60 km in length), which extends southwest from Dijon, the administrative centre of the region. The two most important wine towns in the region are Beaune and Nuits St Georges. These are the focal points for wine tourism. Most villages along the route produce wine, and thus are the home to small domaines. As is common in Europe, wine tourism has not been formally planned here, but evolved from wine producers' commercial activities. Additionally, as in other European wine making regions, a number of producers who sell wine at their cellar doors would deny the notion that they are engaged in wine tourism; instead – they say that they merely sell wine to visitors. Recognizing the importance (or the mere existence) of wine tourism as a critical means to make Burgundy wines more accessible and understandable to a wider audience builds the foundation for the proposed study.

2. CONCEPTUAL CONTEXT

2.1. Profiling Wine Tourists

Researchers have long been approaching wine tourism as a form of consumer behaviour, where tourists interested in wine purposefully travel to wine destinations. Studies on profiling wine tourists offer various approaches for the examination of behaviour and characteristics of wine tourists. Because the current research focuses on the examination of tourist attitudes to wine (general attitudes and attitudes to Burgundy wines in particular) and their product knowledge, it takes a three-dimensional model suggested by Charters and Ali-Knight {, 2002 #30} as the framework for the proposed study. The three dimensions are: (a) purpose of visit; (b) general tourist motivation; and (c) relationship to other tourist activities. For the purposes of this conference paper, profiling of Burgundy wine tourists will be based the first two dimensions, as well as socio-demographic characteristics. The third broader proposition on the relationship to other activities in the region will be discussed in a separate publication.

With regards to detailing wine tourist characteristics, wine knowledge is taken as the focal point of analysis in the current study. Tourists naturally differ in their levels of product knowledge. Research shows that these differences largely determine tourist behaviour. The

importance of product knowledge for wine tourism research is discussed in more detail in the following section.

2.2. Wine Knowledge

The wine market presents consumers with a vast variety of heterogeneous products. Today's consumers are faced with an overwhelming range of information on grape varieties, appellations, vintages, and wine quality ratings. With the wine market being so multifaceted, product knowledge is an important factor dictating the decision-making processes undergone in consumer minds.

The significance of product knowledge in wine purchasing decisions has been studied extensively {e.g., \Dodd, 2005 #43;Gluckman, 1990 #211;Viot, 2012 #812;Aurier, 1999 #516;Viot, 2012 #812;Mueller, 2008 #568}. Previous research has found that highly knowledgeable consumers are capable of recalling significantly more information and therefore, make better purchasing decisions than less knowledgeable consumers {Alba, 1983 #27}. Spawton {, 1991 #13} noted that because of the perceived complexity of wine, in many situations consumers' purchasing decisions are based on either their knowledge about wine or on previous experience with it. Dodd's et al. {, 2005 #43} study on the effect of wine knowledge on sources of information used by consumers suggested that prior experience with the product forms the basis for consumer's knowledge. Knowledge, in turn, is related to different sources of information consumers rely upon.

Equally, it is now well established in the literature that product knowledge is a significant factor in motivations and experiences of wine tourists, either directly {Charters, 2002 #30} or mediated via the dimension of involvement {Getz, 2006 #968}. For example, it has been noted by Charters and Ali-Knight {, 2002 #30} that Australian consumers seek further knowledge when they visit a wine region. For more knowledgeable wine tourists, their motivation to visit a region correlates with their product knowledge, which becomes a key factor in their desire to taste, learn and buy wine. The less knowledgeable, conversely, are less focused on tasting, and more on tours and the overall experience of being in the region. Famularo, Bruwer and Li {, 2010 #969} point out that increasing knowledge has a clear relationship with the image of wine regions and that, in turn, has an impact on a consumer willingness to buy wine from the region. Thus in order to target various visitor segments effectively, it is imperative for the industry to know how tourists with different levels of knowledge perceive the region and the local wines.

2.3. Burgundy Wine Tourists

According to a personal communication given by the Bureau Interprofessionnel des Vins de Bourgogne (BIVB) to one of the authors, 30 million bottles of wine were sold at the domaines in Burgundy during 2011, representing 15% of total production. Beyond the obvious financial gains of the direct sales, cellar door visitations contribute to the development of a strong regional brand image. Thus, it is critical for the local authorities and the industry to have a good understanding of who the visitors are, what motivates them to visit the region and the cellar doors, and what their perceptions of Burgundy wines are.

Documented evidence on Burgundy tourists is scarce and includes only a few trade reports. According one such report conducted by ATOUT France {, 2010 #970} , Burgundy wine

tourists tend to be mature with an average age of 48, generally men, affluent and from outside the region, with 43% being foreign tourists. They tend to claim three main motives for visiting the region: to discover the wines and vineyards (44%); the discovery of food, regional produce and local gastronomy (27%); and the exploration of the region's cultural heritage (21%). However, beyond these bare statistics little is known about the profile and expectations of visitors to the region. This study aims to fill this gap in knowledge.

3. PURPOSE

The current study aims to develop a profile of Burgundy wine tourists and to examine visitor attitudes towards Burgundy wines.

4. RESEARCH QUESTIONS

To achieve the objective defined above, the following research questions were advanced:

RQ₁: What is the profile of the Burgundy wine tourist?

RQ₂: What are the visitor attitudes towards Burgundy wines?

RQ₃: Are there any differences in these attitudes amongst visitors with different levels of wine knowledge?

5. METHOD

5.1. Research Design and Data Collection

A trade report by ATOUT France { , 2010 #970} revealed that tourists from the Anglophone countries represent a significant proportion of foreign tourists in Burgundy (e.g., over 15% from the UK/Ireland and almost 10% Americans). Given the significance of this group, the current study focused on this population of tourists to Burgundy. For a balanced perspective, the study incorporated two methods to recruit subjects – on-site and on-line.

On-site, the data were collected via pen-and-paper surveys distributed to English-speaking tourists at the most popular tourist sites in Burgundy. Preliminary screening of the responses indicated that the sample included people with various degrees of interest in wine. However, since wine is the major appeal of Burgundy, it was important to include subjects with more distinct interests in wine. These people visit the region for professional purposes mainly, but participate in tourist activities as well. Although this population comprises a lesser proportion of visitors to Burgundy, it is a very important visitor segment for the region, thus it was necessary to include them in the sample.

To make sure that these visitors are purposefully reached, an identical survey was developed in Qualtrics. The URL link was distributed via an invitation email and social media announcements to a database of professional contacts who have visited Burgundy in the past. Literature shows that on-line surveys using panel approaches usually attract more knowledgeable, viewpoint-orientated samples than face-to-face surveys {Duffy, 2005 #952}. To control for the past visitation provision, the first question in the survey asked if and when

the respondents visited Burgundy. A skipping logic was built in where participants who did not visit Burgundy were automatically redirected to a thank-you message at the end of the survey.

At the time of the current manuscript submission, the study was still undergoing additional data collection. To date, 100 on-site and 35 on-line surveys have been completed. Thus, the analysis for the current paper is based on the sample of 135 obtained usable responses. The available data provides preliminary insights on the topic under investigation.

5.2. Measures

The survey contained several content areas, three of which are relevant to the current study. The first part included questions on the purpose of visit to Burgundy; tour group size and composition; general wine preferences and consumption behaviour; along with the socio-demographic characteristics of the sampled population. These characteristics comprise the basis for a profile of Burgundy wine tourists (RQ₁).

The second part was geared toward assessing consumer preferences and perceptions of Burgundy wines (RQ₂). Specific measures included perceptions of Burgundy wines as ‘*world class wines*’; and ‘*offering a wide range of wine styles*’; along with preferences (‘*I prefer Burgundy wines to others*’) and perception of wine prices (varying from ‘*very under-priced*’ to ‘*very over-priced*’). These measures were worded as a set of statements to which participants could express their levels of agreement on a 7-point Likert scale anchored between 1 (strongly agree) and 7 (strongly disagree), thus the lower value indicated a higher agreement with the statement.

In order to answer RQ₃, visitors’ subjective self-assessed knowledge was measured. Respondents were asked to evaluate their wine knowledge based on the suggested categories – *new to wine*; *know a little about wine*; *somewhat knowledgeable about wine*; *very knowledgeable*; and *expert or professional*.

6. FINDINGS

6.1. Profile of Burgundy Tourists (RQ₁)

The analysis of the socio-demographic characteristics indicated that the sample was almost equally split between males (50.4%) and females (49.6%). The visitors were highly educated, with 41.8% reporting that they have earned bachelor’s degrees and additional 45.2% have earned post-graduate degrees. As has been reported in numerous wine consumer behaviour studies, wine consumers in general (and wine tourists in particular) tend to be more educated than the general population. However, the educational levels reported by the Burgundy tourists are significantly higher than what has been reported previously in wine consumer studies.

The average age of the respondents was 48 years old, ranging from 19 to 80 years old. The majority of Burgundy tourists are visitors from the US (52.2%), followed the UK (22.5%), Australia (14.4%), Canada (8.1%), and New Zealand (2.8%). Twenty per cent work in the wine industry or on behalf of it.

One the profiling model dimensions, the vast majority (77%) chose ‘holiday/vacation’ as the primary purpose of their visit to Burgundy. Other reasons included visiting family and/or friends (11.1%), business and study or temporary work (5.2% equally). Interestingly, 17% of the respondents indicated that ‘visiting wineries’ was the primary purpose of their visit to Burgundy. Evidently, an adequate number of wine tourists arrive to Burgundy with a sole focus on tasting the region’s wines.

Seventy percent were first-time visitors. Amongst repeat visitors, most people visited the region twice. Visitors travel mostly in smaller groups, with over half traveling with a spouse or a partner. About 30% travel with friends or with family. Only a small proportion of the sample (5.2%) travel solo. Ten percent of the visitors travel with children.

The analysis of the respondents’ wine consumption behaviour and preferences revealed that the vast majority of the sample (71.9%) drink wine at least several times a week. Two-thirds of the sample indicated preferences for dry red wine.

6.2. Perceptions and Attitudes towards Burgundy Wines (RQ₂ and RQ₃)

For a proportional comparative analysis amongst visitors with various degrees of wine knowledge, the sample was split into three groups: (a) new to wine or know a little (41.5%); (b) somewhat knowledgeable (30.4%); and (c) very knowledgeable/expert (27.4%).

One-way ANOVA was employed to evaluate visitors’ attitudes towards Burgundy wines. The three groups of different levels of wine knowledge served as three levels of the independent variable. The dependent variables were the mean scores on the perceptions of prices (specifically, whether or not Burgundy wines are priced at too high a level) and attitudes statements. The ANOVA results are presented in Tables 1 and 2. Means with different subscripts differ significantly at $p < .05$ in the Student-Newman-Keuls difference comparison.

Table 1. Visitor Perceptions of Burgundy Wines Prices

	Overall, what do you think of Burgundy wines prices?
New to wine or know a little	3.19 _a
Somewhat knowledgeable about wine	3.45 _a
Very knowledgeable or expert	3.74 _b
	<i>F</i> 8.13
	<i>Sig.</i> .001

Note: * $p < .01$ The mean values represent scores on a five-point Likert scale anchored between 1 (*very under-priced*) and 5 (*very over-priced*).

Table 2. Visitor Attitudes towards Burgundy wines

	Burgundy wines are world class	I prefer Burgundy wines to others	Burgundy offers a wide range of wine styles
New to wine or know a little	1.63 _a	3.23 _a	1.94 _a
Somewhat knowledgeable about wine	1.42 _a	2.36 _a	2.58 _a
Very knowledgeable or expert	1.14 _b	2.16 _b	3.03 _b
	<i>F</i>	3.25	5.86
	<i>Sig.</i>	.042	.004
			5.25
			.045

Note: * $p < .01$ The mean values represent scores on a seven-point Likert scale anchored between 1 (*strongly agree*) and 7 (*strongly disagree*).

In terms of demographic differences, the majority of very knowledgeable/expert respondents were males (70.3% versus 29.7% females); and conversely, the least knowledgeable group was represented by more females (64.3% versus 35.7% males). The ‘somewhat knowledgeable’ group was more equally split between males and females (53.7% and 46.3%, respectively). The most knowledgeable visitors were also found to be significantly younger (average age 41 years old) than less knowledgeable groups, $F(2,132) = 4.24, p = .016$.

First-time visitors were the least knowledgeable group. Professionals/experts visited Burgundy many times, for business purposes mainly. Interestingly, 36% in the ‘somewhat knowledgeable’ group indicated this was their second visit to Burgundy. These are consumers who possess more than basic knowledge about wine and who chose to come back to Burgundy. It is possible that it was their first visit to Burgundy that sparked their interest in wine, which then developed into getting more education about wine and also resulted in repeat visitations to the region. The industry and the local authorities then need not to underestimate the least knowledgeable visitors. Instead, it is important to make their experiences in Burgundy educational and enjoyable to trigger their interest in wine as a product in general and intent to revisit Burgundy in particular.

7. DISCUSSION

This study, focusing only on English-speaking visitors (thus only about 30% of all visitors to Burgundy) tends to confirm some of the existing demographic knowledge about wine tourists in region. Burgundy tourists are older and extremely well educated. However, some other key points have emerged from the data. Unlike the previous information given by BIVB, there is an almost equal split in males and females. A high percentage have come in part for business or study, and 17% stated explicitly that wine is the primary reason for their visit.

These are also clearly a knowledgeable group of visitors, mostly males in this group, and younger than less knowledgeable consumers.

As the results clearly indicate, the product knowledge level has an impact on the evaluation of the wines of Burgundy, and in a paradoxical fashion. More knowledgeable visitors think Burgundy wines are world class, but of limited variety and tend to be overpriced. Very knowledgeable consumers are also the most loyal group as they tend to prefer Burgundy wines to others more than the other two less knowledgeable groups. This offers a clear paradox. The most knowledgeable consumers think that the range of wines is limited – yet they still prefer them to other styles and are most positive about their quality. We can postulate that knowledge that the wines are only dry, and made from one red and one white variety, limits overall stylistic variation, but nevertheless the stylistic focus is a favourite of this segment. Equally, a wide knowledge of what is available worldwide reveals that the wines, for their quality level, are expensive – yet again the people with that knowledge still choose to drink them in preference to others that are available.

The most knowledgeable are clearly drawn to the wines of the region, they are perhaps one of their preferred types of wines. Yet they remain clear-sighted about their pricing, which they find comparatively high. The fact that they wish to explore the region, and drink the wines remains positive for local producers – but it also presents an inherent weakness. What happens when this knowledgeable group – who clearly feel experienced in the whole world of wine – decide that the wines of Oregon, or Central Otago, or another region, are in fact equally world class? At that point the perceived price levels could act against the region.

8. IMPLICATIONS

This exploratory study offers preliminary findings on the profile of Burgundy wine tourists, including their purpose to visit and perceptions of Burgundy wines. At a practical level, the local authorities and the industry will benefit from more information on visitors to the region. Results of the current study will also contribute to the understanding on how to target wine tourists with different levels of wine knowledge. At a theoretical level, in terms of expanding our understanding of how consumers relate to a specific (in this case wine-focused) destination, there is much, which can be gleaned from the current study. Specifically, in this study we set out to measure not just the demographics (including tour group size and composition), but also the deeper motivation for the visit to Burgundy, general wine preferences and consumption behaviour and the overall perception of the wines of the region. Crucially, as part of this investigation, was also the understanding of how the level of knowledge of visitors interacts with their perceptions of the wines of the area.

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Melting Pot or Blended Wine: Does Ethnicity Still Matter in Understanding Consumer Wine Behavior?

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Abstract:

Purpose - The purpose of the study was to explore US wine consumer preferences and behaviour based on the four ethnic backgrounds of White, Hispanic, Asian, and African American. This is relevant because in the US certain segments are growing faster than others, such as the Hispanic segment, yet there is very little information on their wine consumption behavior, with most wine research and marketing in the US focusing on the White segment.

Design/methodology/approach - An online survey was used to collect data from 1028 US wine consumers using panel data respondents. SPSS was used to analyse the data to determine if there were differences between ethnic segments.

Findings - The statistical findings confirm there are differences between the four US ethnic segments regarding wine preferences and behaviour. The results suggest marketing strategies and tactics that can be used to connect better with these consumer segments, as well as opportunities for additional research.

Keywords: Ethnicity, market segmentation, wine preferences, consumer behavior

1. INTRODUCTION

Linking culture to consumer behavior has been identified as a key to demographic segmentation for many years (Nachum, 1994; Stayman & Deshpande, 1989; Yavas et al., 1992). But recently some US marketing experts (JD Power, 2011) have suggested that demographic targeting regarding ethnic background is outdated because the concept of the “melting pot” has become a reality. This is particularly true with US Millennials, who classify themselves as multi-ethnic with as many as five different ethnic backgrounds (Tseng, 2008).

At the same time, other experts suggest that demographics, such as ethnicity, still impact behavior and must be considered as part of the bigger picture when creating consumer profiles (Carmichael, 2011). This is the especially the case in the US, where certain ethnic groups are growing at a much more rapid pace than others, such as the Hispanic market (US Census, 2010; Nielson, 2012).

When reviewing the impact of consumer demographics on products such as wine, there have been several studies confirming that national culture and ethnicity play a role in wine choice and consumer behavior (Hall et al., 1994; Handly and Lockshin, 1998; D’Hauteville, 2003; Roper Starch, 1999). However, many of these studies are older, and the topic has not been explored as frequently in the past decade.

With this in mind, a research study was designed to examine the impact of ethnicity on wine choice and behavior. The research involved 1042 wine consumers from all 50 US states, with a focus on ethnicity as the dependent variable. Ethnicity as conceptualized in this study reflects both racial and cultural backgrounds. Specifically, we look at White (non-Hispanic), African American, Asian American and Hispanic segments of the US population. Hispanics in the United States can be of any racial background (US Census, 2010), but are defined here by their Latin American or Spanish heritage regardless of race. This study is relevant because the US is now the largest wine market in the world (Wine Institute, 2014), with forecasted growth in all segments, but especially among Hispanics (Lapsley, 2013).

2. REVIEW OF THE LITERATURE

2.1 National Culture and Ethnicity Studies Regarding Wine Consumers

There is ample evidence from cross-national research that culture does shape wine consumption. For example, wine involvement, purchase of imported wines, and environmental concerns differed between European and North American consumers (Mueller et al., 2011). Young consumers in Australia and New Zealand appear to be less price sensitive than US consumers when purchasing sparkling wines (Charters et al., 2011). Italians emphasize matching food and wine more than US and Australian consumers do, and grape varietal matters more to New Zealand consumers than Chinese consumers (Goodman, 2009).

While these cross-national studies did not look specifically at ethnicity within a country, they do attest to the fact that cultural differences can impact wine consumption.

Previous studies confirm that ethnicity do have an impact on wine consumption behavior. A study analyzing ethnic differences in Australia between Greek, Italian, German, and Australian consumers (Hall et al., 1994) showed differences between consumer motivations and drinking occasions based on culture. For example, the Greek consumers reported drinking wine to have fun, whereas the Germans consumed wine to be stylish. A study in Singapore showed that consumers there saw wine as a beverage to be consumed with Western food (Handly and Lockshin, 1998); whereas studies in China confirm that Chinese consumers view wine as prestigious drink (Balestrini and Gamble, 2006).

More disturbing studies show that ethnicity and alcohol can have negative effects. Chartier et al. (2009) examined problem alcohol drinking between African American, White and Hispanic Americans and discovered that ethnicity impacts risk factors for alcohol use in adolescents, especially for African Americans. Potential unethical advertising issues were uncovered in a research study of African American newspapers in America (Cohen, 2011). The researchers discovered that more alcohol and tobacco advertisements were found in these newspapers than general audience newspapers, suggested targeting of African Americans with alcohol and tobacco ads.

An unusual discovery was reported in a recent study by Niesiołowski-Spanò (2015), who found that ethnicity and tendency to drink certain beverages, such as wine, could be used to identify ancient societies. Finally, there are other studies that link national culture to wine via country of origin. Two recent research articles verified that country of origin affects consumers' perception and purchase intentions of wine (Moulard et al., 2015; Spielmann, 2015), but these do not necessarily incorporate the variable of ethnicity.

2.2 Statistics on the US Population by Ethnicity

According to the US Census Population Clock in 2015 there are 321 million Americans. Population projections for the US (Lapsley, 2013; US Census Bureau 2010; Pew Research 2015) indicate that by 2030 Whites will increase from a 2010 level of 246 to 286 million (14% increase), African Americans from 39 to 48 million (19% increase), Asian Americans from 14.4 to 23.5 million (39% increase) and Hispanic Americans from 49.7 to 85.9 million (43% increase).

Currently White Americans, defined as “a person having origins in any of the original peoples of Europe, the Middle East, or North Africa, and/or “people who reported entries such as Caucasian or White (US Census Bureau, 2010, p. 2)”, are the majority and make up around 69% of the population, with African Americans at 11%, Asian Americans around 5%, and Hispanics at 15%. Hispanics, defined as “a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race” (US Census Bureau, 2010, p. 2), are predicted to have the largest growth rate in the US.

Interestingly the definition of ethnic categories within the US has changed dramatically over the years. According to Brown (2015) the US has conducted a census of its population since 1790, but it was not until 1960 that people could select their own race. Before then, the census taker determined race. For example, in 1930, census takers were to select one of the following for race: White, Negro, Mexican, Indian, Chinese, Japanese, Filipino, Hindu or Korean. Today some of these terms are considering insulting and not legal to use. Interestingly it was not until 2000 that Americans were allowed to select more than one race (Brown, 2015).

2.3 US Wine Consumption and Ethnicity

There is not a lot of current or precise information on US wine consumption by ethnic background. A 2013 Gallup Poll showed that 36% of White Americans and 34% of Non-White Americans consume wine (Jones, 2013). In 2010 the Wine Market Council released a segmentation estimating that of those Americans who drink wine at least once a week or more, 84% are White Americans, 5% African American, 7% Asian Americans, and only 4% Hispanic Americans.

2.4 Marketing to Hispanics, Asian-Americans and African-Americans

Marketing researchers in the US have spent considerable time analyzing behaviors and preferences of Americans who are of Hispanics, Asian or African ethnicity. This is especially true with Hispanics because of their large forecasted growth rate. According to *Forbes Magazine*, “Most US-based firms have a significant corporate imperative to attract Hispanic consumers, given their tremendous demographic and economic importance... (They) will be the dominant and in many cases the only driver of domestic CPG sales growth (Llopis, 2013, p. 1).” Nielson (2012) estimates the collective buying power of Hispanics to grow by 50% to \$1.5 trillion by the end of 2015.

According to experts, there are specific tactics required in successfully marketing to the *Hispanic* population. They are still more brand loyal than the general American population, and focused on family and collectivism rather than individualism (Canadian Gov., 2014). They prefer bi-lingual ads verses Spanish only ads, and it is best to use a hyper local strategy with advertising and social media focused on towns and cities, verses mass marketing across the nation using Spanish language (Llopis, 2013). In terms of food and beverage preferences, 1st generation Hispanics prefer traditional tastes and ingredients from their home country, whereas 2nd and 3rd generation Hispanics like good taste but want convenience and will spend more to attain it (Canadian Gov., 2014). They enjoy thirst quenchers and sports drinks, and buy more imported beer than any other ethnic group, though do not drink as much wine (Mintel, 2012). However this is changing as younger Hispanics are beginning to embrace wine.

The *Asian American* market has the fastest rate of growth due to immigration, and also spends 19% more than the other segments (Nielson, 2013). They are more educated than other segments (Pew, 2012) and also make more purchases on the Internet. They prefer to buy well-known brands, and are willing to pay more in order to obtain high quality items

(Nielson, 2013). They do not feel they are discriminated against as much as Hispanics and African-Americans in the US and are more apt to marry with other races (Pew, 2012).

African Americans, on the other hand, do report the sting of discrimination and prefer to only purchase products that include African Americans in the advertising, and/or from businesses owned by African Americans (Nielson, 2014). They are especially swayed by advertising that includes African American musicians or artists, and are apt to use social media and mobile devices to review products (Nielson, 2014). They have the highest poverty levels of the four segments, but this situation is improving slightly along with an increase in education levels (Krogstad, 2015).

3. METHODOLOGY

An online survey was developed to collect information regarding American wine consumer preferences, behaviours, and demographics. It included 35 questions using standard 5-point Likert-type scales, simple rating questions, and short answers. Measures for wine related behaviours were adapted from previous research. Ethnicity was based on the US Census categories, White, Hispanic, Asian, African American and also included Native Americans, Pacific Islanders and Mixed. The survey was beta-tested, and minor revisions were made.

It was launched on Survey Monkey for a period of 2 weeks in spring of 2015. Respondents were obtained from panel data provider, *Survey Sampling International*. Criteria included that they be wine drinkers over the age of 21 and that the sample must include respondents from all 50 states.

A total of 1109 surveys were received but due to low number of responses, Native Americans, Pacific Islanders, and Mixed respondents as well as those not answering the question were not included in the analysis. The final sample for analysis was 1028 surveys, including 673 White, 134 Hispanic, 110 Asian and 111 African American responses. The data were analysed using SPSS, and included descriptive statistics and ANOVAs.

4. RESULTS

In terms of results, wine preferences and behaviour were analysed. *Wine preferences* included style, preferred varietals, and taste preferences. For *style* there were no significant differences between the four ethnic groups regarding a preference for white, rose, fortified and dessert wine, but there were with red and sparkling wines. Hispanics prefer red wines more than Whites ($p = .05$) and African Americans prefer sparkling wine more than Whites ($p = .05$).

However when dissected further into the 12 most popular wine *varietals* in the US, according to Nielson (2014) scan data, there were far more differences, especially amongst the red varietals. Cabernet sauvignon, merlot, pinot noir and zinfandel showed significant differences between all four groups. For example, with cabernet sauvignon, Asians preferred it the most and African Americans the least; however with red zinfandel this trend was

reversed. Varietals which showed no significant difference included chardonnay, pinot grigio and muscat.

In analysing wine *taste preferences*, there were some sharp differences, especially with African Americans who seemed to dislike dry wines and prefer sweet and fruity wines more than other segments (see Table 1). The percentages down the column indicate the percentage of each ethnic group that selected the answer. The percentages across the row can be greater than 100% as respondents were allowed to select as many preferred wine tastes as they wished. The number below the percentage indicates the actual number of respondents in each group that selected the answer. The alphabetical letter at the bottom of the box indicates the other ethnic groups from which the group in question differs. For example, African Americans differed from Asian and Caucasian Americans in that they were less likely to select dry wines, with no sugar as a preferred wine choice. Interestingly Hispanics showed the highest preference for semi-sweet wines. There were no significant differences between taste preferences for savory, smooth and tannic wines.

Table 1: Significant Differences in Preferred Wine Tastes

	Dry (no sugar)	Semi-Sweet	Sweet	Fruity	Savory (less fruit)	Smooth	Tannic	Other	Total
Q32: African-American (A)	15.32% 17 BC	47.75% 53 D	65.77% 73 BCD	66.67% 74 C	26.13% 29	58.56% 65	8.11% 9	0.00% 0	31.13% 320
Q32: Asian (B)	28.18% 31 A	58.18% 64	45.45% 50 A	55.45% 61	20.00% 22	53.64% 59	12.73% 14	0.91% 1	29.38% 302
Q32: Caucasian, not Hispanic (C)	28.53% 192 A	56.46% 380	48.59% 327 A	56.76% 382 A	21.25% 143	54.53% 367	8.77% 59	0.30% 2	180.16% 1,852
Q32: Hispanic (D)	24.63% 33	63.43% 85 A	44.03% 59 A	60.45% 81	19.40% 26	63.43% 85	7.46% 10	0.75% 1	36.96% 380
Total Respondents	273	582	509	598	220	576	92	4	1028

In terms of *wine behaviour*, the topics of motivation, decision-making, and preferred pricing were analysed. Additional constructs for wine knowledge, involvement and variety seeking were included, but not reported here due to space limitations. In terms of *motivations* to drink wine, the results showed that Whites were more apt to drink because they liked the taste of wine, whereas African Americans scored higher for romance, and Asians for health reasons.

For *decision-making* respondents were asked to select all variables they considered when making wine purchases (see Table 2). All segments appear to be in agreement on brand and price as the two most important considerations, and state and region as not as important. However, significant differences appeared with varietal choice and country, which were not

as important to African Americans as the other groups, and with vintage, which was quite important to Asians. Medals, though scoring lower, were more important to Asians and least important to African Americans. Hispanics were more concerned about alcohol level than other groups.

Table 2: Wine Decision-Making

	Brand	Price	Varietal	Country	State	Region (Appellation)	Vintage	Label	Medals	Good Value for Money	Alcohol Level	Organic Wines	Biodynamic Wines
Q32: African-American (A)	72.97% 81	70.27% 78	15.32% 17 BCD	27.03% 30 BD	16.22% 18	16.22% 18	27.93% 31	19.82% 22	6.31% 7 BC	39.64% 44	27.93% 31	8.11% 9	3.60% 4
Q32: Asian (B)	60.91% 67	66.36% 73	40.00% 44 A	40.00% 44 A	22.73% 25	19.09% 21	35.45% 39 CD	24.55% 27	17.27% 19 A	45.45% 50	20.91% 23	10.91% 12	6.36% 7 C
Q32: Caucasian, not Hispanic (C)	67.46% 454	74.89% 504	39.67% 267 A	33.88% 228	21.25% 143	19.47% 131	20.95% 141 B	23.33% 157	12.93% 87 A	37.44% 252	19.76% 133 D	10.85% 73	2.67% 18 B
Q32: Hispanic (D)	69.40% 93	70.15% 94	35.82% 48 A	40.30% 54 A	20.90% 28	26.12% 35	20.90% 28 B	28.36% 38	11.94% 16	46.27% 62	32.09% 43 C	11.94% 16	2.99% 4
Total Respondents	695	749	376	356	214	205	239	244	129	408	230	110	33

In terms of *pricing*, when buying wine to drink at home the most common price point for all segments was \$10 to 15, but when the data were analysed to see which segment spent more than this, 44% of Asians spent more than \$15 per bottle to drink at home followed by 36% of Hispanics, 33% of African Americans and 31% of Whites. At a restaurant the common price points for all segments was \$25 to 35 per bottle, with Asians again spending more than the other segments at 37%. However, it should be noted that 24% of the sample reported they only buy wine by the glass at a restaurant with the most common price for all segments at \$7 to 10. When analysed by segment, 29% of Asians spent more than \$10 for wine by the glass, followed by Hispanics at 25%, African Americans at 23% and Whites at 17%.

5. DISCUSSION, LIMITATIONS AND CONCLUSIONS

The results indicate that American wine consumers may be moving towards the concept of a “melting pot” with similar wine preferences and behaviors on several dimensions; however there are still some marked differences. This research shows that all four ethnic segments are in agreement on preferences for white, rose, fortified and dessert wines, and generally agree on white varietals, but red and sparkling wines signal differences of opinion. Also wine taste preferences vary by ethnic background, with African Americans preferring sweet and/or more fruity wines, Hispanic leaning towards semi-sweet, and Whites and Asians showing a preference for drier style wines.

There were also similarities in wine decision-making and pricing, with all four segments identifying brand and price as the most important decision categories and the average price point of wines to drink at home/restaurant as quite similar. However, differences did appear at a more granular level, as Asians appear to be willing to pay more for wine – supporting the

research on their buying habits (Nielsen, 2013), - whereas Whites report spending less money.

For larger domestic wine brands, this research suggests that national marketing campaigns should emphasize brand and price, but highlight differences in taste profile to match the needs of the different segments, especially with red and sparkling wines. The literature review also emphasizes the need for ads to show a diversity of consumers from all four segments, and to consider using multi-languages such as English, Spanish, and Mandarin on the label. This is a practice that is common in other wine growing regions, but has not yet been adopted much in the US. For smaller wine brands, or national brands that want to focus on a specific region of the us, the concept of “hyper-local marketing” should be considered, because this research highlights more detailed differences between the ethnic segments. For example, if a small winery wants to focus on the African American market in Georgia and Alabama, they should identify taste preferences and varietals in that market, and use advertising that highlights diversity. The fact that sophisticated data mining is now available to profile consumer desires in a specific region makes this type of hyper-local marketing more feasible. Also wineries that are owned or operated by a Hispanic, Asian, or African Americans should emphasize this fact in all communications. Related to this is an opportunity to focus high-quality wine brands on the Asian market that appears to be willing to spend more on prestigious wine.

There are several limitations that suggest opportunities for additional research. The fact that the data was acquired from household panels means it is not truly representative, and therefore cannot be generalized across the US. Ideally a random sample of US wine consumers would be desirable in the future. Conversely, this research provides quantitative data, but does not provide the rich detail that a qualitative study of US wine consumers based on ethnic background would provide. Conducting in-depth interviews with wine consumers from the different ethnic backgrounds to understand more about why they prefer certain styles of wine and their purchasing rationale would be informative.

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How important is the carbon claim in Generation Y Italians' wine choice?

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Abstract:

Purpose - In the last decade, the issue of global warming has led scholars to increase their attention on carbon-related claims. Many studies are devoted to understanding their role on consumer perceptions. However, research experiments usually compare carbon claims with the other social claims, overshadowing their influence on choice. This paper aims to analyse the role of the carbon claim in driving consumer choice, measuring consumer utility and willingness to pay when the carbon claim is conveyed on a wine label, combined with other product attributes.

Design/methodology/approach - The study focuses on Italian Generation Y. It analyses consumers' stated choices of wine applying a Discrete Choice Experiment. Five attributes were identified as the main characteristics of a bottle of wine: label style, brand, guarantee label, back label information and price. Consumers were asked to choose the preferred bottle of red wine to drink during a meeting with friends in 12 choice sets. A structured questionnaire was online submitted through Facebook. The final survey sample consists of 982 respondents. Latent Class Choice Models were applied.

Findings - The seven-class solution was chosen. About 4 young individuals in 10 are driven by the carbon claim in their choice or willing to pay for it. Wineries ability to obtain a premium price from this claim is conditioned by the linkages of this cue with the other product characteristics, like a fashionable wine with a contrasting label, a traditional wine focused on the winemaker, and a popular wine, easy to understand, for an occasional and price sensitive consumer.

Keywords: Carbon Claim, Generation Y, Latent Class Choice Models, Market Segmentation

1. INTRODUCTION

The decision-making process of the consumer is increasingly complex nowadays, because many choice variables come into play. These are not only linked to the manifold intrinsic and extrinsic product characteristics determining the perceived quality of a product, but they are also connected to consumer characteristics, and the consumer's social and psychological sphere has become pivotal when choosing a product.

In this context, on the one hand, a more and more important segment of consumers is increasing its attention to ethical and environmental issues, with a strong impact on food choice (Frewer and van Trijp, 2007). On the other hand, businesses are implementing communication strategies designed to increase their appeal among this segment and communicate their corporate social responsibility.

Social claims attesting the social commitment of a business are increasingly significant for food products, and their impact on consumer perception and choice are the focus of much research. Organic claims are the most analysed social claim in the literature, given the growth in appeal of organic production for consumers in the last decades and its legal recognition at European legislative level.

In the last decade, the issue of global warming has led scholars to increase their attention on carbon-related claims. Much research is devoted to understanding the impact of the carbon footprint or a carbon claim on consumer perceptions, especially in comparison or competition with the other social claims. This paper is focused on the carbon claim and intends to analyse its role in wine consumer choice, when labelled together with the other product attributes on the bottle.

2. LITERATURE REVIEW

Carbon claims, also called 'carbon footprint' or 'carbon zero claim' by scholars (Pomarici and Vecchio, 2014), attest different kinds of businesses' commitment to reduce CO₂ emissions. In recent years, many marketing scholars in all fields and countries have been focusing studies in understanding the impact of such a claim on consumer choice behaviour.

Many studies are focused on food consumption, pointing out the minimal role played by the carbon claim in consumers' choice. Hartikainen et al. (2014) showed that although the term 'product carbon footprint' is familiar to many Finnish consumers', there is a substantial misunderstanding concerning its meaning. They highlighted positive attitudes towards carbon claims, but this information became meaningful only when other purchasing criteria, like price and taste, are satisfied. Sirieix et al. (2013) analysed the impact of social claims on the consumer of fruit and vegetables from the UK, through focus groups. They highlighted little interest in the carbon claim, due to the lack of knowledge about this claim and the issue of global warming by the average consumer. Onozaka and McFadden (2011) analysed US consumers of apples and tomatoes and the impact of social claims on their choice through a discrete choice experiment. They highlighted the negative impact of the carbon claim, which is however mitigated when it is associated to more well-known claims, like the organic one.

Another study by Mueller Loose et al. (2013) analysed the importance of social claims, together with the other packaging attributes, in the choice of oysters by Australian consumers through a discrete choice experiment. In general, social claims appeared to have little importance on choice, and a brand attesting the health benefits of oysters is preferred to the carbon claim. Instead, Vanclay et al. (2011) demonstrated the importance of business commitment in reducing CO₂ emissions for consumers, analysing the impact of the carbon claim at the sales point. They labelled a group of products with carbon claims of different colours, according to the degree of commitment of producers in reducing CO₂ emissions. The experiment involved a shop and many products and brands. Results showed that sales of products labelled with the claim in green, attesting the highest reduction of emissions, increased by 6%, while products labelled in black faced a reduction of 4% in sales.

Concerning wine, Mueller and Remaud (2010) highlighted the little importance of social claims in Australian consumer choices; the role of the carbon claim is overshadowed by the other claims, depressing the utility for some segments of consumers. Mueller and Remaud (2013) tested the impact of many social claims on wine stated choices by consumers from UK, France, Germany, US and Canada, pointing out that on average, the carbon zero claim showed the lowest level of trust and highest level of distrust compared to the other social claims, and this also occurs in the majority of markets. Pomarici and Vecchio (2014) analysed the impact of carbon claim in comparison with ethical and a social brands on Italian Generation Y wine choice, highlighting that older females living in an urban area are more willing to buy a wine labelled with the carbon claim.

The literature analysis reveals some limitations, given that many studies analysing the impact of social claim on consumption choices do not take the other product characteristics into account or consider social claims as mutually exclusive in the choice experiment, leading to an underestimation of the importance of the carbon claim, overshadowed by other most known claims.

3. OBJECTIVES

The purpose of this research is twofold:

- 1) to analyse the role of the carbon claim in driving consumer choice, measuring consumer utility and willingness to pay (WTP) when the carbon claim is conveyed on a wine label, combined with other product attributes;
- 2) to understand if heterogeneity in carbon claim evaluation occurs, and therefore the power of this claim in differentiating the product.

This study focuses on Italian young consumers from 16 to 37 years old, the so-called Generation Y (Bakewell and Mitchell, 2003). The literature highlights their environmental commitment (Lee, 2008). Generation Y is expressing its own cohort dynamics concerning wine preferences, also in a traditional producing and consuming country like Italy (Mueller and Charters, 2011). This can give a useful insight into product assessment by young consumers and into product differentiation practices to be adopted by wineries to meet the expectations of this target.

4. METHODOLOGY

This study analyses consumers' stated choices of wine applying a Discrete Choice Experiment (DCE) (Louviere and Woodworth, 1983).

Different product attributes and levels are combined into hypothetical situations to build a choice scenario, asking consumers to choose the preferred bottle of red wine to drink during a meeting with friends. This scenario represents the preferred wine consumption situation for Generation Y (Mueller and Charters, 2011).

The experiment was built drawing from previous studies applying discrete choice and analysing wine cues in consumer choice (Mueller et al., 2010; Orth and Malkewitz, 2008), and an exploratory in-depth interview amongst a sample of young consumers. Five attributes were identified as the main characteristics of a bottle of wine: label style, brand, guarantee label, back label information and price. Each of them was described through different levels reflecting the Italian market of superpremium and ultrapremium red quality wines: minimal, natural, contrasting or sophisticated labels for label style; indication of winery name, product name, vineyard name or social media domain for brand; carbon claim, Protected Designation of Origin (PDO) or a coalition logo (like 'Famiglie dell'Amarone d'Arte') for guarantee label; indication of some information about *terroir* (soil characteristics, traditionalism of production process, family history and grape typicality) for back label; and four price levels (8.90, 13.90, 18.90 and 23.90 euros/750 ml bottle).

Invented brands and labels were included to avoid distorting the importance of levels and attributes because of the consumer experience.

An orthogonal design was adopted and two blocks composed by 12 choice sets each resulted (Louviere and Woodworth, 1983). Every set consisted of four bottles, graphically represented simulating their display on a wineshop shelf. Some questions about respondents' socio-demographic characteristics and wine consumption behaviour were included in the questionnaire.

The questionnaire was online submitted through the Facebook fanpages of Italian Universities, associations of young people and wine lovers in November 2013. The final survey sample consists of 982 respondents, 52.7% of them are women. Most of them still study (60.6%) and live with their parents (73.3%). Workers cover 47.5% of the sample. For most respondents, wine consumption occurs occasionally.

Latent Class Choice Models were applied (Greene and Hensher, 2003) and the seven-class solution was chosen as the preferred one. Respondents' socio-demographic and behavioural characteristics were included as covariates in the model and their effect was estimated in the seven latent classes.

5. RESULTS

Latent class model estimated the importance of the different attributes (part-worth utilities) and levels for the seven latent classes (LCs). The characteristics of the individuals with highest probability of belonging to each LC have been estimated (Table 1).

The analysis highlighted the heterogeneity of Generation Y Italians' choice. LC1 and LC2 are mainly driven by label style, while other latent classes are price-driven (LC1, LC3 and LC7) and others are more attracted by back label information (LC4 and LC5) or by a guarantee label (LC6). Brands generated some utility especially for LC2, LC5 and LC6.

LC1, the largest segment, is most likely to contain females, whose choice is fashion driven and the carbon claim is important because it contributes by generating product originality.

LC2 is mainly composed by males, with high education, living with parents and is driven by a natural label style and the winemaker brand. A label posting the carbon claim has a negative impact on their choice, because they prefer product origin attested by the PDO brand.

LC3 is mainly composed by low educated females. They aspire to luxury wines and the carbon claim does not meet their needs.

LC4 is composed by low-educated young individuals with little experience of wine. They look for information, and therefore they are interested in the back label. Little importance is played by guarantee label for this class, and the carbon claim does not have impact on its utility.

Consumers in LC5 are traditional wine consumers for many aspects, they were introduced to wine consumption by family, mainly consume wine during meal and buy it in wineries. They look for a brand attesting producer's adherence to an association certifying compliance with specific production rules and winemaking culture, which become more important than the designation of origin itself. The carbon claim seems to have no impact on the choice of this class.

Table 1 - Attribute and level importance for the seven latent classes

Attributes	Part-worth utilities (%)	Level importance*	Characteristics of individuals with the highest belonging probability	Sample share (%)
<i>Latent Class 1: Fashion-driven consumers</i>				
Label style	25.9	+ contrasting; – minimal; – sophisticated	Females	26.2
Price	25.7	+ 13.9 euros; + 18.9 euros; – 23.9 euros		
Back label information	21.4	+ soil; + production process – grape variety; – family history		
Guarantee label	18.6	+ carbon claim ; – coalition brand		
Brand	8.4	+ product; + vineyard		
<i>Latent Class 2: Brand origin-driven consumers</i>				
Label style	47.8	+ natural; – minimal; – sophisticated	Males	17.0
Brand	24.0	+ winery; + product; + vineyard; – social	Well-educated	
Price	15.1	+ 13.9 euros; + 8.9 euros – 18.9 euros; – 23.9 euros	Living with parents	
Guarantee label	8.5	+ PDO; – carbon claim		
Back label information	4.6	– soil		
<i>Latent Class 3: Consumers aspiring to luxury wines</i>				
Price	28.1	+ 23.9 euros; + 18.9 euros; – 8.9 euros	Females	14.7
Back label information	24.9	+ family history; – grape variety; – soil	Low level of education	
Brand	16.6	+ vineyard; + product; + winery; – social		
Label style	15.6	+ natural; – minimal		
Guarantee label	14.8	+ PDO; – carbon claim		
<i>Latent Class 4: Information seeking consumers</i>				
Back label information	61.6	+ production process; – grape variety; – soil	Low level of education	12.8
Price	16.0	+ 13.9 euros; + 18.90 euros; – 8.90 euros; – 23.90 euros	Little wine experience	
Label style	10.8	+ natural; + contrasting; – minimal		
Brand	6.0	– social		

Guarantee label	5.7	+ PDO		
<hr/> <i>Latent Class 5: Typicality-driven consumers</i>				
Back label information	42.7	+ grape variety; – soil	Introduced to wine	11.2
Brand	22.2	+ vineyard; + product; – social	consumption by family	
Price	15.6	+ 13.9 euros; + 8.9 euros; – 23.9 euros	Consumption during meal	
Guarantee label	13.1	+ coalition; – PDO	Purchases by wineries	
Label style	6.5	+ natural		
<hr/> <i>Latent Class 6: Consumers looking for a traditional product</i>				
Guarantee label	38.7	+ PDO; – carbon claim ; – coalition	High level of education	10.2
Brand	22.3	+ product; + winery; – social	Living outside family	
Price	15.3	+ 18.9 euros; + 13.9 euros; – 23.90 euros		
Back label information	11.9	+ production process; – family history		
Label style	11.8	+ natural; – minimal		
<hr/> <i>Latent Class 7: Price-driven consumers</i>				
Price	71.9	+ 8.9 euros; +13.9 euros – 18.9 euros; – 23.9 euros	Very young males High level of education	8.0
Guarantee label	10.2	+ PDO; + carbon claim ; – coalition	Living outside family	
Brand	5.3	– social	Occasional consumers	
Back label information	7.3	– soil	Outside meal	
Label style	5.3	+ natural		

* Only significant levels are included ($p < 0.01$, $p < 0.05$ and $p < 0.10$) in descending order of importance. The symbols + and – respectively indicate the positive and negative effect on consumer utility.

LC6 includes well-educated individuals living outside family. Their choice is driven by the guarantee label, but they seek the warranties provided them by a designation of origin brand, and the carbon claim plays a negative role on their utility.

LC7 is completely price driven, and this could be justified by the dominant socio-economic and behavioural characteristics of people belonging to it: namely very young and well-educated males, living outside family, occasional wine consumers not usually with meals. Among guarantee labels, they prefer the PDO brands. However, positive signals in favour of the carbon claim emerge from this cluster, given the positive relation between utility and this attribute level.

Table 2 shows LCs' WTPs for each attribute level.

Table 2 – Consumer WTP for attribute levels (euros)

Attributes and levels	Latent classes						
	LC1	LC2	LC3	LC4	LC5	LC6	LC7
Label style							
Natural (reference level)							
Sophisticated	- 8.27	- 12.50	- 5.20	- 14.39		- 12.60	- 0.71
Contrasting	+ 21.25	- 9.53			- 1.73	- 22.55	- 0.59
Minimal		- 15.31	- 10.21	- 19.41	- 1.26	- 27.37	- 1.06
Brand							
Vineyard name (reference level)							
Social name	- 9.89	- 6.72	- 10.39	- 12.05	- 5.20	-43.38	- 0.59
Winery name	- 11.35				- 2.37		
Product name				- 7.03		+ 9.33	
Back label information							
Soil (reference level)							
Family history	- 23.68		+ 17.38	+ 55.71	+ 4.73		+ 0.71
Grape variety	- 23.36		+ 3.58	+ 41.32	+ 10.88		+ 1.06
Production process	- 6.00	+ 0.94	+ 8.60	+ 107.41	+ 6.47	+ 21.30	+ 0.71
Guarantee label							
PDO (reference level)							
Carbon claim	+ 15.57	- 2.81	- 10.21	- 10.04	+ 1.58	- 93.14	
Coalition brand	- 6.33		- 5.73	- 7.36	+ 5.05	- 92.99	- 1.06

Given the different sensitivity of the LCs to price, the sample has been divided and seven MNL models have been estimated, setting different relations between price and utility for each LC.

LC1 consumers confirm their attraction toward the carbon brand, being willing to pay more for a bottle presenting such a social claim than for a PDO branded bottle. Despite LC7 showed a preference for the carbon claim, this is not reflected in the analysis of its WTP, confirming its high price sensitivity. Conversely, the results from LC5 suggest a definite WTP of 1.58 euros more for this environmental sustainable claim than for the designation of

origin brand. A positive willingness to pay also for the coalition brand shows the combined utility drawn from these claims. The other latent classes are more willing to pay for a bottle of PDO wine than for a bottle of environmental friendly wine.

6. DISCUSSION

This research highlights the preference context in which the carbon claim acts for wine, characterised by low price sensitivity, in line with the literature about Generation Y consumers, defining them as conspicuous consumers (Noble et al., 2009). The territorial brand has the strongest positive influence among the guarantee labels. PDO brand is preferred by four classes, namely more than half of the sample, with the carbon claim depressing the utility for three of them. This may suggest that wine regions' efforts to produce typical sustainable wines could not often be rewarded with an added value by some consumer segments.

However, a segment of young people influenced by the carbon claim emerges: about 4 young individuals in 10 are driven by this claim in their choice or willing to pay for it, partly confirming previous studies about the sensitiveness of Generation Y to the environmental issues (Lee, 2008).

Three profiles of young individuals potentially interested in a bottle labelled with the carbon claim emerge by this study. In line with findings of Pomarici and Vecchio (2014), for some segments of females, especially the ones attracted by fashion, the carbon claim becomes an important driver both for choice and willingness to pay. The carbon claim also results in significant willingness to pay terms for the most traditional consumer segments. Additionally, in terms of utility, the carbon claim assumes a positive role for the segment most sensitive to price.

Therefore, three consumer profiles can be linked to three different uses of the carbon claim in a product differentiation process:

1. *The carbon claim to enhance a fashion wine*: for a consumer using all the attributes in assessing the modernity of a wine, there is a preference of the carbon claim to the other guarantee labels because it is the most able to meet this expectation;
2. *The carbon claim to support a terroir wine*: for a consumer not using the carbon claim in product assessment, but showing a willingness to pay for it when compared to a PDO wine and in combination with a coalition brand;
3. *The carbon claim to support a pop wine*: for a consumer with little product expectation, the carbon claim and the PDO represent easily perceived cues when choosing a product. However this does not lead to a willingness to pay more for the carbon claim.

7. CONCLUSIONS

This study provides wineries with relevant suggestions in terms of product strategies, to have positive market feedback to their environmental sustainability and corporate social responsibility. It highlights the carbon claim importance for some segments of young consumers, who positively assess it as an alternative to the PDO brand. The emergence of different consumer profiles leads the research to highlight the capacity of the carbon claim in creating product differentiation when it is combined with the other wine attributes positively assessed by consumers. Wineries ability to obtain a premium price is conditioned by the linkages of this cue with the other product characteristics, like an original and contrasting label to attract a consumer looking for fashionable wine, a traditional wine focused on the winemaker for a consumer attracted from the intrinsic typicality of the product, and a popular wine, easy to understand, for an occasional and price sensitive consumer.

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Australian Consumers' Perceptions of Champagne and Other Sparkling Wine: An Exploratory Study*

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Abstract:

Purpose: To provide further insight into Australian consumers' preferences for different sparkling wine styles, including champagne.

Design/methodology/approach: Focus groups – including tastings – were conducted to identify consumers' knowledge of, and preferences for, champagne and other sparkling wine.

Findings: Personal taste was found to influence the choice of a sparkling wine rather than another type of alcoholic beverage, and selection of a particular style of sparkling wine (such as champagne, some other sparkling white, or sparkling red). Country or region of origin, particularly with respect to the product being French, was found to be important across all four focus groups, although often linked to the product being champagne. Brand image and reputation were found to influence purchase decisions across all four focus groups, sometimes linked to consumption occasion. Advice or recommendations, and expert reviews also were found to influence purchase decisions. Consumption occasion also was found to influence purchase decisions across all four groups. Price was found to influence the brand and style of sparkling wine purchased across all four groups. A relatively high price was found to be a barrier for some participants, while other participants were found to avoid sparkling wines below some particular price. Analysis of these findings enabled the development of a preliminary model of buyer behaviour relating to sparkling wine.

Practical implications: Findings suggest that a producer could benefit from marketing a range of sparkling wines to cater to different tastes and different occasions; and confirm the importance of marketers pursuing opportunities to obtain and promote favourable expert reviews for their sparkling wines, and of identifying and promoting regional distinctiveness.

Keywords: Champagne, sparkling wine, consumer perceptions

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BACKGROUND

Sparkling wine constitutes a small but significant proportion of total Australian wine production, with annual production reaching 37 million litres in 2012 (Wine Australia 2012). The Australian sparkling wine product range is diverse, comprising white and pink Moscato, and white, rosé and red sparkling wines, as mono-varietals and blends, and covering a wide price range. However, the relative importance of each style to Australian consumers remains unclear, since there has been little published research focusing on sparkling wine consumers (Charters 2005, Fountain and Fish 2010). There also have been few studies regarding the wine knowledge, generally, of Australian consumers (Johnson and Bastian 2007).

Consumer- and other marketing-related research typically has focused on table wine rather than sparkling wine (e.g., Verdú Jover *et al.* 2004, Charters and Pettigrew 2008), although some studies have focused specifically on champagne (e.g., Charters 2009, Morton *et al.* 2013).

This study aims to provide additional knowledge about consumer behaviour and, specifically, further insight into Australian consumers' preferences for different sparkling wine styles. The study addresses a gap in knowledge regarding champagne and other sparkling wine consumption given that 'little [prior research] examines in detail how the consumer perceives the product, or how the wine is evaluated at consumption' (Charters 2005, p. 54). Additional insight should enable the development of strategies to influence purchasing decisions and, consequently, to increase sales to existing and emerging sparkling wine consumers.

LITERATURE REVIEW

Judica and Perkins (1992) conducted a means-end analysis of consumers' reasons for purchasing sparkling wine, based on in-depth individual interviews of 27 consumers recruited through liquor stores in an affluent college town in the United States. For light users, five attributes ('taste', 'brand name', 'dry taste' or 'sweet taste', 'high price') were found to be linked to a common consequence, 'enjoyable'. Several consequences (of the five attributes plus a sixth, 'low price') were found to be linked to a common higher-level consequence, 'reward'. In turn, reward was found to be linked to several psychological consequences ('sophisticated image', 'socialize better', 'impress others') and end-values ('self-esteem', 'family life', 'accomplishment'). For heavy users, the same six attributes plus 'carbonation' were found to be linked to a more scattered set of consequences, with more connections between factors; end-values comprising those found for light users plus 'belonging'. These researchers also found that, among participants in their study, heavy users typically indicated a willingness to pay a higher price for a dry, high quality sparkling wine because of a belief that dry wines are of a higher quality than sweet wines and, therefore, are more 'sophisticated'; while light users were more likely to consume sweet sparkling wine because of its greater 'likeability' at a lower price. Participants indicated that a special event was the most frequent occasion for consumption of sparkling wine, and most also indicated that price therefore was not a primary concern. Most seemed to have limited brand awareness, and an unwillingness to take a risk with an unknown brand due to the social nature of consumption.

For heavy users, sparkling wine was viewed as a symbol, the ‘sophisticated image’ of a brand being a psychological consequence as important as the ‘reward’ of satisfaction.

In a study of sparkling wine consumers, Mueller (2006, p. 4) identified six consumer segments from cluster analysis of data obtained from 1029 respondents. For ‘Undemanding’ consumers, flavour type and price are the most important attributes when selecting a sparkling wine. For ‘Brand-conscious’ consumers, flavour type and brand are the major attributes. The ‘Ambitious’ segment ‘comprises mostly young, wine-interested consumers with a low subjective product knowledge’, who have difficulty understanding special wine attributes and therefore use country-of-origin as ‘surrogate variables’. For the ‘Region-of-origin conscious’ segment, flavour type, price, brand and regional origin are the most important product attributes. For ‘Vine variety-conscious’ consumers, flavour type, price, brand and vine variety are the most important attributes. The ‘Experts’ segment is unique in identifying ‘all seven product characteristics as almost equally important for their purchase decision for a normal occasion’, also displaying ‘a more than average interest for and subjective knowledge of wine’. Members of this group have ‘the highest average age, education and income’ and purchase from ‘a wide variety of distribution channels’, including directly from winemakers.

Using econometric modelling, Lee and Sumner (2013) estimated the relationships between different factors and the price of French- and United States-produced champagne and other sparkling wine sold within the United States. They found higher *Wine Spectator* tasting scores to be associated with significantly higher prices for all types of sparkling wine. They also found a significant relationship between region and price for US-produced sparkling wine; while the place name ‘Champagne’ was linked to a substantial price premium. However, inappropriate use of the word, ‘Champagne’, on the label of *United States* sparkling wine was found to be associated with a significantly *lower* price relative to other sparkling wine.

Tomić and Cerjak (2014) conducted an online survey of 273 Croatian consumers of sparkling wine, confirming the low frequency of sparkling wine consumption, especially outside the home, and finding intrinsic characteristics (taste, smell) and the price–quality relationship to be more important to consumers than visual appearance, expert reviews and wine awards. They also found that sparkling wine consumption was mainly related to celebrations and special events, with a smaller proportion of consumers drinking sparkling wine as an aperitif.

Within an Australian context, there have been very few studies of consumer preferences regarding sparkling wine, although it has been suggested that many young consumers drink sparkling wine because of its sweetness, with some selecting sparkling wine for special occasions such as romantic dinners (Edwards and Spawton 1990). As part of a larger study, Charters (2005) assessed the engagement of Australian consumers with sparkling wine. This involved focus groups (including tastings of four sparkling wines) and interviews with 60 consumers from across Australia. According to participants, their key motivations were sparkling wine being a ‘symbol of celebration’ and being ‘strongly related to the evocation of

memories' (*ibid.*, p. 57). Some participants – mainly low-involvement consumers – stated that they disliked sparkling wine, primarily due to its taste (e.g., 'too dry') or effervescence.

Fountain and Fish (2010) conducted exploratory research into the experiences and perceptions of young adults relating to sparkling wine. The study involved four focus groups in Christchurch, New Zealand, comprising 31 participants, and three in Melbourne, Australia, comprising 19 participants. The 34 female and 16 male participants were aged from 18 to 28 years. The researchers found that 'wine was not the primary alcoholic beverage' for any male participants, although several claimed to drink more wine than previously and to drink wine rather than other alcoholic beverages in some situations. Conversely, most female participants 'named wine their first, or equal first, alcoholic beverage of choice' (*ibid.*, pp. 3-4)

Ritchie *et al.* (2011) investigated how young adults engage with champagne and other sparkling wine in hospitality establishments in Australia, New Zealand, South Africa, the United Kingdom and the United States. They found that only UK participants were clearly aware of differences between champagne and other sparkling wine. However, while the terms 'champagne' and 'sparkling wine' often were used synonymously in other countries, the term 'champagne' was mainly used to refer to sparkling wine of high quality. Participants perceived two broad types of sparkling wine: high quality product, possibly exclusive and expensive, and 'fun, fizzy, inexpensive wine' (*ibid.*, p. 3).

In summary, there has been limited research regarding consumer engagement, perceptions and preferences relating to sparkling wine. Based on this research, it seems that (1) there are different consumer groups (potentially comprising different market segments) with very different perceptions, preferences and consumption levels, and (2) purchase and consumption of sparkling wine is influenced by occasion and venue. Importantly, there has been no prior attempt to develop a conceptual model of buyer behaviour relating to sparkling wine.

METHODS AND MATERIALS

Focus groups were conducted to investigate consumers' knowledge and preferences relating to champagne and other sparkling wine, consistent with prior studies, such as that of Ritchie *et al.* (2011) regarding the consumption of champagne and sparkling wine by young adults within different hospitality settings, and other studies relating to perceptions of consumers of wine, generally (e.g., Menezes *et al.* 2011). Tastings were included in the group activities to enable discussion of individual preferences regarding champagne and other sparkling wine varieties. This is consistent with the use by Charters (2005) of 'focus tastings' as an extended form of focus groups, aimed at stimulating and enhancing participants' discussion of their ideas. Participants were recruited using a variety of methods, including social networking sites and local distribution of a flyer. They were screened against inclusion criteria comprising regular sparkling wine consumption (i.e., consumption on at least twelve occasions per year) and being of legal drinking age (i.e., at least 18 years of age). Exclusion criteria precluded participation by wine industry professionals. Participants were assigned to one of four focus groups, based on age and gender: males under 35 years of age (n = 10),

males aged 35 or more years of age (n = 10), females under 35 years of age (n = 19), and females aged 35 or more years of age (n = 17). These criteria were employed due to evidence of differences in wine-related attitudes and consumption based on age and gender (Bruwer, Li, Bastian and Alant, 2005), with prior research suggesting 35 years to be an appropriate age-related boundary (Hall, Binney and O'Mahony, 2004). All but two participants had undertaken some post-secondary education, 29 having completed at least an undergraduate degree. Reported family income ranged from below \$25 000 p.a. (since several university students participated in the study) to above \$150 000 p.a., the mean falling within the \$75 000–\$100 000 range.

Two researchers attended each focus group, i.e., a moderator and an assistant. The moderator led the focus group discussion, which included a series of prepared questions pertaining to champagne and sparkling wine production, consumption, preferences, sensory attributes and purchasing behaviour. Group discussions were transcribed by the assistant. The moderator remained neutral and did not attempt to influence participants or bias responses in any way. Consistent with in-depth qualitative research practice, transcriptions of participants' responses were analysed using *NVivo 10* software and thematic analysis (Braun and Clarke 2006).

FINDINGS

Participants identified several factors influencing their decisions to purchase champagne or sparkling wine, the most common being discussed below. While initially discussed separately, most factors tend to have interactions with one or more other factors. The most important inter-relationships are discussed below and illustrated in Figure 1.

Personal taste was found to influence choice of sparkling wine rather than another type of alcoholic beverage, and selection of a particular style of sparkling wine (such as champagne, some other sparkling white, or sparkling red). Selected participant comments identifying this issue, or illustrating some contrasts in personal taste, are provided below.

- 'Everyone's taste is different' (Over-35 female [O35F] participant)
- 'Wines are to personal taste' (Under-35 male [U35M] participant)
- 'I prefer French', 'I don't care [whether French or Australian]' and 'I prefer Australian sparkling red' (Three O35F participants with contrasting views regarding country of origin)
- 'I like Moscato because it's sweet' and '[It's] too sweet [for me]' (Two under-35 female [U35F] participants with contrasting views about Moscato)

Country or region of origin, particularly with respect to the product being French, was found to be an important factor across all four focus groups, although occasionally linked to the product being champagne. It also was found that sparkling wine of French origin was perceived in a very positive manner by many participants. Country of origin also influenced another factor, 'Brand image and reputation'. Selected participant comments relating to this factor are provided below.

- 'I think of French as more yeasty and nutty and earthy' (O35F participant)
- 'French is better quality' (U35F participant)

- ‘More secondary fermentation in French wine so more yeasty characteristics’ (U35M participant)
- ‘Traditional French Champagne is more special’ (U35M participant)
- ‘Region of origin does sometimes [influence choice] – comes under what you’re expecting – you expect a certain quality... reputation is linked’ (U35M participant)
- ‘Region is more important [as an influence on purchase]’ (U35M participant)

Brand image and reputation were found to comprise an important factor influencing purchase decisions across all four focus groups, sometimes linked to consumption occasion. It also was found that this factor is influenced by another, ‘Country or region of origin’. Selected participant comments relating to this factor are provided below.

- ‘Relationship with quality – the brand or label – perception of quality’ (O35F participant)
- ‘I’ll give a bottle of Moët or Bollinger to someone who I think will be impressed with the brand’ (Over-35 male [O35M] participant)
- ‘Brand is important – something you know or something recommended or you’ve had before or seen advertised elsewhere’ (U35F participant)
- ‘Reputation makes a difference – expectations – when you make decisions, your expectation gives you something to base decisions on, as to taste and quality – number one factor’ (U35M participant)

Advice or recommendations, or expert reviews (from a family member, friend, restaurant waiter/waitress or store salesperson; or from a wine expert or journalist) also were found to comprise an important factor influencing purchase decisions. Selected participant comments relating to this factor are provided below.

- ‘I’ve looked up reviews on the Internet, but not asked in the shop’ (U35F participant)
- ‘Sometimes ask for advice – what recommendations are made’ (U35F participant)
- ‘Sometime in the restaurant asking the waiter/waitress is good’ (U35F participant)
- ‘Occasionally read wine reviews – they influence my decisions’ (U35M participant)
- ‘Reviews – Hallidays – use that as a general guide’ (U35M participant)
- ‘Recommendations are important to me’ (U35M participant)

Consumption occasion and company were found to comprise another important factor influencing purchase decisions across all focus groups. Selected participant comments relating to this factor are provided below.

- ‘It’s still a celebratory wine – would prefer a still [wine] as a general rule’ (O35F participant)
- ‘French Champagne is for special occasions – Christening, wedding, birthday, rather than a sparkling wine – it means Formula 1’ (O35M participant)
- ‘Depends on occasion – French Champagne for engagement party or present, or wedding, whereas Australian sparkling for more casual drinking’ (U35F participant)
- ‘Brand [is determined by] occasion as well – if I’m going to boyfriend’s Mum’s place, I’ll take Chandon or Jansz’ (U35F participant)
- ‘Occasion is important’ (U35M participant)

Price was found to influence brand and style of sparkling wine purchased in all four groups. A relatively high price was found to constitute a barrier for some participants, while other

participants were found to avoid sparkling wines below some particular price. In addition, the factors, 'Brand image and reputation' and 'Consumption occasion and company', were found to moderate the effect of price on the purchase decision. Selected participant comments relating to this factor, and the moderation of its effects, are provided below.

'If it's on special – but not Yellowglen, it has to be at least \$15' and 'I will not spend over \$10 – I'll drink Yellowglen' (Two U35F participants with contrasting views)

'Expect to pay more for French' (O35F participant)

'For special occasion, maybe [pay] a bit more... depends on what you're doing and how many people are there.' (O35F participant)

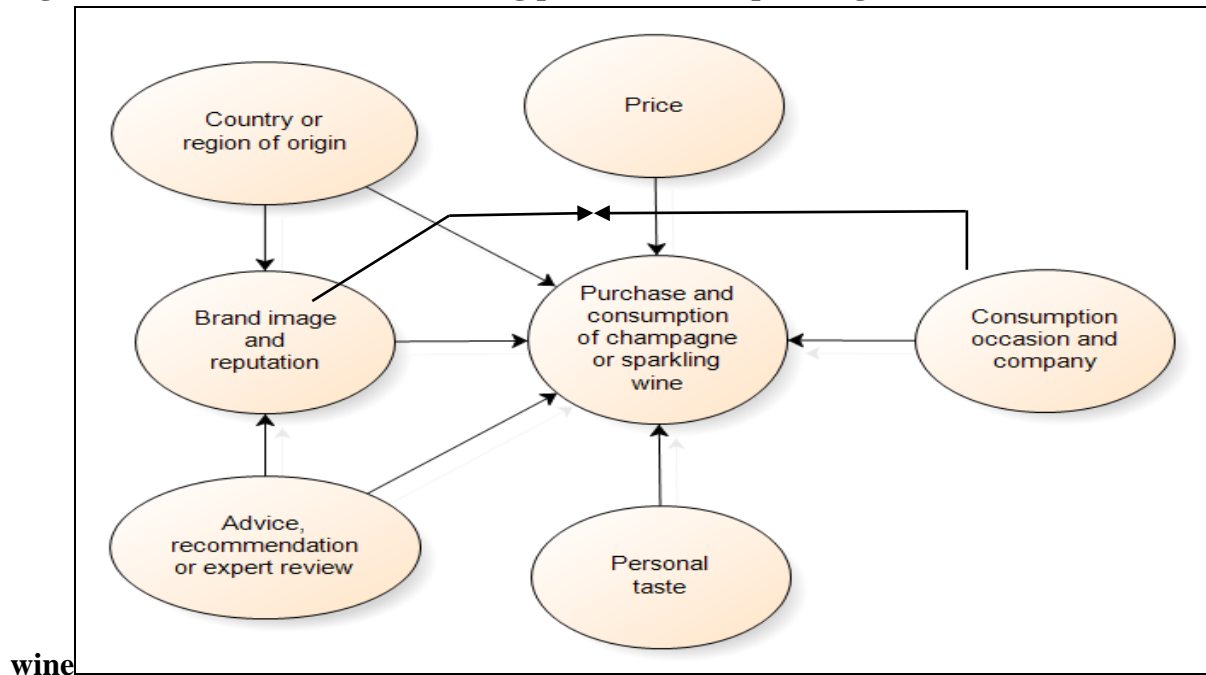
'Price goes with occasion ... if it's just for a Friday night for drinks, then that's a different price than for a birthday or a wedding, birthday or new year's eve or my mother's 80th' (O35M participant)

'Depends on occasion – what are you buying for, is it a big occasion, or is it low key... normally \$30-50 for an occasion. For a casual situation maybe \$20-35... less than special occasion. For gifts \$40-50 – unless it's really special person – my Dad.' (U35M participant)

DISCUSSION

The finding that the purchase of sparkling wine is influenced by personal taste is consistent with sensory evidence that 'taste sensitivity varies greatly among individuals' (Lim *et al.* 2008, p. 493), and views that wine is 'a sensory product' with a 'quasi-aesthetic character', that 'can be judged by objective standards but is also a matter of personal taste' (Charters 2009, p. 286). The finding suggests that a producer could benefit from marketing a range of sparkling wines to cater to different tastes within the market. Findings that advice, recommendations and expert reviews influence purchase behaviour, directly and via the mediator, brand image and reputation, are consistent with the extant literature regarding the influence of word-of-mouth communication on brand image, trust and purchasing behaviour in various product-market settings (e.g., Herr *et al.* 1991, Lin and Lu 2010). The findings also are consistent with those of Friberg and Grönqvist (2012), who measured the effect of expert reviews on wine sales in Sweden based on an analysis of five years of weekly data. Findings that country or region of origin influence purchase behaviour, directly and via the mediator, brand image and reputation, are consistent with those of Pettigrew and Charters (2010), regarding consumption of alcoholic beverages in Hong Kong; and of Shukla (2011) and Yu *et al.* (2013), regarding consumers' purchases of luxury brands in India and the United Kingdom. From a practitioner viewpoint, the findings confirm the importance of wine marketers pursuing opportunities to obtain and promote favourable expert reviews for their sparkling wines and to identify and promote regional distinctiveness. The finding confirming that consumption occasion influences purchase behaviour suggests that marketers require understanding of those preferences and the potential need to offer a variety of sparkling wines for different occasions.

Figure 1: Model of factors influencing preference for sparkling



LIMITATIONS AND FUTURE RESEARCH

Being exploratory, this study involved participants from just one city, each of just four focus groups comprising a small, convenience-based sample. Therefore, generalisability of findings is limited, and no attempt could be made to test the validity of identified relationships or to quantify the strength of relationships. Further research is required to undertake those tasks.

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Danish Consumer Preferences for Wine and the Impact of Involvement

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Abstract:

Purpose - In this paper we aim to explore consumer preferences for wine in the Danish market (both off-premise and on-premise markets). Although several studies have measured consumer preferences for wine, our study contributes to knowledge by investigating a market that does not have big tradition in wine production and wine is imported. In addition, our study explores the impact of involvement on wine preferences.

Design/methodology/approach - Based on a web-based survey, we applied the Best-Worst Scaling (BWS) method to measure the importance of attributes that Danish consumers assign when choosing wine. We further measured consumer level of purchase involvement and we compared their preferences between high and low involvement groups.

Findings - Our results show that Danish wine consumers mainly rely on previous experience with wine. Conversely, alcohol content and marketing actions (e.g. promotions) are not factors that Danish wine consumers rely much on when choosing wine. Wine characteristics are important, but are more prominent among the high involved consumers.

Keywords: Wine, preferences, involvement, Best-Worst Scaling, Denmark

1. INTRODUCTION

Today there is so much diversity in wine styles that it is almost impossible not to find the wine that suits all needs. Understanding what drives consumer preferences for wine, can therefore contribute in better meeting consumer demands in a market that is characterized by high competitiveness and a big number of brands.

Our study explores Danish consumer preferences for wine. Denmark is the country with the third highest consumption of wine in Europe, only behind France and Italy (International Organization of Vine and Wine, 2015). According to the same source, consumption of wine in 2012 was 32.6 liters per capita. Denmark is not a wine producing country and thus this statistic itself makes Denmark an interesting market to look at.

Until today there is not a known study that has explored Danish consumers' preference for wine and therefore our study aims to give insight into this market. In addition, it is of particular importance to understand what drives preferences in consumer markets where wine is only imported and at the same time high in terms of consumption. Finally, our study adopts preference measures used in earlier studies (Goodman, 2009), that allow us to put our findings in an international context providing further understanding on the drives of consumer preference for wine.

2. LITERATURE REVIEW

2.1 Consumer preferences for wine

Consumer preferences for wine has been the focus of several studies in the literature (Casini, Corsi, & Goodman, 2009; Goodman, 2009; Goodman, Lockshin, & Cohen, 2007; Jarvis, Rungie, & Lockshin, 2007). Goodman et al. (2007) and later on Goodman (2009) conducted a cross country comparison of consumer preferences for wine that included countries such as Australia, Israel, Germany, China, Brazil and the UK. Their study reveals that preferences for wine are not universal and differences exist across countries. With regards to the off-premise market, the authors showed that Australia, Germany, Israel and the UK all assess previous experience with wine as the most important reason driving their choice. For German, Italian and French consumers, matching the wine with food was also an important driver. On the other hand, Chinese and Brazilian consumers rate brands as an important product attribute. Additionally, the importance of someone recommending a wine showed to be much more pronounced in Germany than the UK, China and Israel. With regards to the on-premise market, the authors showed that in Australia, Germany and the UK consumers' previous experience with the wine was the most important attribute.

2.1. The impact of involvement on wine preferences

Involvement is the motivational and goal-directed emotional state that determines the personal relevance of a purchase decision to a buyer (Rothschild, 1984). This definition can be translated into an interest, enthusiasm and excitement that consumers manifest towards a product category (Goldsmith & Emmert, 1991), and therefore exerts considerable influence on their decision making process (Laurent & Kapferer, 1985; Quester & Smart, 1996). Several authors have seen involvement as consisting of several facets. For example, Laurent and Kapferer (1985) distinguish involvement into five dimensions: product importance, risk importance, risk probability, sign and pleasure. Lockshin, Spawton, and Macintosh (1997) further distinguish between three different dimensions of involvement: product involvement, brand involvement and purchase involvement. In our study we consider purchase involvement which we relate to the level of concern for, or interest in, the purchase process triggered by the need to consider a particular purchase (Beatty, Homer, & Kahle, 1988).

In relation to wine, consumers with high involvement are influenced more from certain wine characteristics. However, these results are not always universal. For example, Hollebeek, Jaeger, Brodie, and Balemi (2007) found that high involved consumers show importance to region of origin, whereas price is more important for less involved consumers. Quester and Smart (1996) found that involved consumers show more importance to region and wine style, whereas the less involved consumers showed more importance to grape variety.

3. METHODOLOGY

3.1. Measuring consumer preference

We assessed consumer preferences for wine using the Best-Worst Scaling (BWS) method (Marley & Louviere, 2005). BWS has several advantages compared to alternative scaling methods, such as that it is unbiased by individual scale usage and that it allows for comparisons across consumer segments (Cohen, 2009). During a BWS task, participants are asked to indicate the most (best) and least (worst) important attribute from sub-sets of all attributes (Marley & Louviere, 2005). In this study, we asked participants to choose the attribute that most and the attribute that least influenced their choice of wine when buying in wine. We assessed both off-premise (i.e. retail) and on-premise (i.e. restaurant, bar, café) markets.

We adopted the list of attributes from Casini et al. (2009) and used in several other studies (e.g. Chrysochou, Krystallis, Mocanu, & Lewis, 2012; Cohen, 2009; Goodman, 2009; Goodman et al., 2007). This decision was made to ensure content validity and consistency, but also to allow us to compare the study findings with results obtained in other countries. We only made an adjustment in two of the attributes in the on-premise attribute list (“varietal” was replaced with “grape variety” and “available in half bottle (375ml.)” with “a description of how the wine tastes in the menu”). This decision was made to ensure that the attribute list met the context of the market, and thus ensuring face validity. The final list of attributes is shown in Tables 2 (off-premise) and 3 (on-premise).

We combined the 13 attributes of each list into 13 sub-sets of 4 items each using a Balanced Incomplete Block design. This type of design ensures that each attribute appears the same number of times (i.e. four times) across all sub-sets and that within each sub-set each pair of attributes appears only once. The aggregated BWS score was estimated by subtracting the frequency of times that each attribute was chosen as least important from the frequency of times that it was chosen as most important. Therefore, the aggregated BWS score varied from -4 (i.e. four times chosen as least important) to 4 (i.e. four times chosen as most important).

3.2. Questionnaire and data collection

We organized the questionnaire into four sections. In the first section we included questions referring to the participants' wine consumption behavior. In particular, we asked consumers about the frequency of consumption and the number of glasses of wine that they drink on a typical week. In the second section, participants were introduced to the BWS task, first for the off-premise and then for on-premise market. Those participants who never consumed wine were screened out from this section of the survey. Next, participants were asked questions in relation to involvement in wine. To measure involvement we used the scale from Beatty et al. (1988), and more specifically the three items measuring purchase involvement (e.g. I am very concerned about what brands of wine I purchase). Finally, the last section of the questionnaire included questions regarding participants' socio-demographic characteristics.

The questionnaire was translated in Danish. The online survey took place in June 2015 and was administered by a professional market research agency.

4. RESULTS

4.1. Sample characteristics

In total, 339 consumers participated in the survey. From those, 42 (12.4%) never consumed wine and were screened out from the survey. Table 1 presents the demographic characteristics of the sample kept in the analysis (N=297). The sample consists of more females (53.2%), aged between 40-59 years (42.8%), who live in a household of two (46.4%) and earn an average income (41.4%). We tested for differences with consumers who did not consume wine, and we did not find any significant difference. In relation to consumption frequency, 46.1% of the sample consumed wine at least once a week, and drank approximately 3.9 glasses of wine on a typical week.

Table 1: Demographic characteristics of the sample

	N (=297)	%
<i>Gender</i>		
Male	139	46.8
Female	158	53.2
<i>Age groups</i>		
18-39 years	61	20.5
40-59 years	127	42.8
60+ years	109	36.7
<i>Household</i>		
One	86	29.0
Two	138	46.4
More than two	73	24.6
<i>Marital Status</i>		
Married	154	51.9
Single / Not-married	143	48.1
<i>Education</i>		
Low education	154	51.9
High education	143	48.1
<i>Income (DKK)</i>		
Low income: 299,999 and below	101	34.0
Middle income: 300,000 – 599,999	123	41.4
High income: 600,000 and above	73	24.6

The involvement scale was internal consistent ($\alpha=.827$). We then averaged the manifest items of the scale ($M=3.16$; $SD=1.35$) and conducted a medium split. The low involved group accounted for 50.4% of the sample ($M=2.02$; $SD=0.67$), whereas the high involved group for 49.5% of the sample ($M=4.32$; $SD=0.74$).

4.1 Consumer preferences

Table 2 presents results for the off-premise market. “*Tasted the wine previously*” is by far the most important attribute. Characteristics of the wine (e.g. “*Origin*” and “*Grape Variety*”) and “*Information on the back label*” follow next. The least important attributes are “*Alcohol level below 13%*”, “*Promotional display in-store*”, “*An attractive front label*”. Looking at differences between involvement groups, the high involvement group gives more importance on “*Grape variety*” and “*Brand name*”, and less importance on “*Information on the shelf*” and “*Promotional display in-store*”.

Table 2: Attribute importance (off-premise) an differences between involvement groups

Attribute	Mean BWS	SD	Low Involved	High Involved	t (p-value)
Tasted the wine previously	2.31	1.86	2.47	2.16	1.44 (.151)
Origin of the wine	0.69	1.91	0.48	0.90	-1.93 (.055)
Grape variety	0.49	2.09	0.10	0.89	-3.32 (.001)
Information on the back label	0.39	1.67	0.53	0.25	1.46 (.145)
Matching my food	0.27	2.23	0.25	0.30	-0.20 (.839)
Someone recommended it	0.26	1.56	0.20	0.31	-0.62 (.534)
Medal/award	0.08	2.09	0.01	0.16	-0.62 (.537)
Brand name	-0.15	1.55	-0.35	0.05	-2.20 (.028)
I read about it	-0.36	1.51	-0.34	-0.39	0.27 (.786)
Information on the shelf	-0.62	1.78	-0.07	-1.18	5.70 (.000)
An attractive front label	-1.16	1.76	-1.17	-1.15	-0.12 (.908)
Promotional display in-store	-1.32	1.90	-1.01	-1.63	2.87 (.004)
Alcohol level below 13%	-1.85	1.67	-1.99	-1.70	-1.51 (.132)

Table 3 presents results for the on-premise market. “*I have had the wine before and liked it*” is the most important attribute, followed by “*Waiter recommended*”. Characteristics of the wine (e.g. “*Grape variety*” and “*Origin of the wine*”) are less important. Finally, the least important attributes are “*Alcohol level below 13%*” and “*Promotion card on the table*”. Looking at differences between involvement groups, the high involvement group gives more importance on “*Grape variety*”, “*Origin of the wine*” and “*Alcohol level below 13%*”, and less importance on “*Waiter recommended*”, “*Suggested by another at the table*” and “*Suggestion on the menu*”.

Table 3: Attribute importance (on-premise) an differences between involvement groups

Attribute	Mean BWS	SD	Low Involved	High Involved	<i>t</i> (<i>p</i> -value)
I have had the wine before and liked it	1.57	1.79	1.55	1.59	-0.15 (.879)
Waiter recommended	1.22	2.06	1.48	0.96	2.20 (.029)
I matched it to my food	0.95	1.91	0.81	1.09	-1.24 (.216)
Suggested by another at the table	0.51	2.07	0.79	0.22	2.41 (.016)
Grape variety	0.13	2.18	-0.23	0.49	-2.87 (.004)
Suggestion on the menu	0.11	1.43	0.30	-0.08	2.31 (.022)
Available by the glass	0.08	2.17	0.31	-0.15	1.85 (.065)
Try something different	-0.19	1.67	-0.25	-0.13	-0.64 (.523)
Origin of the wine	-0.33	1.99	-0.69	0.05	-3.26 (.001)
A description of how the wine tastes in the menu	-0.45	1.70	-0.27	-0.63	1.87 (.063)
I had read about it, but never tasted	-0.56	1.49	-0.67	-0.45	-1.26 (.208)
Promotion card on the table	-0.93	1.44	-0.95	-0.92	-0.17 (.866)
Alcohol level below 13%	-2.28	1.73	-2.49	-2.07	-2.13 (.034)

4. DISCUSSION

Putting the results together, we can conclude that Danish wine consumers mainly rely on previous experience with wine. Conversely, alcohol content and marketing actions are not factors that Danish wine consumers rely much on when choosing wine. Wine characteristics are also important, but are more prominent among those consumers with higher purchase involvement with wine.

Compared to studies conducted in other countries, our results show that for the off-premise market Danish consumers have equal preferences to consumers in other markets. In fact, “tasted the wine previously” is amongst the two most influential attributes in countries such as Australia, Austria, Brazil, China, France, Germany, Israel, Italy, New Zealand, Taiwan, UK and the United States (Goodman, 2009; Goodman et al., 2007), whereas the alcohol content are the least important ones. For the on-premise market, Danish consumers show also similar characteristics, showing more importance on previous experience with the wine and less importance on alcohol content. One notable difference is that Danish consumers are much more prone to seek suggestions from the waiter than the UK, Germany and Australia (Goodman et al., 2007).

Our results have implications for the Danish market. First of all, Danish consumers do not rely much on marketing actions (e.g. promotions). Therefore, retailers need to find

different means of promoting their wines, such as providing more information about wine style and characteristics. Such strategies would be more effective for consumers with higher purchase involvement. The important role of prior experience requires retailers first not to vary often their offerings, but at the same time offering the opportunity for consumers to taste them. In fact, wine tasting events or promotions are not that common as they are in other markets, especially wine producing ones that offer the opportunity to visit wineries, and thus such strategies should be more widely adopted. In regards to the on-premise market Danish consumers are more prone to seek advice about wine from either another person at the table or from the waiter. This particular finding should provide incentive enough for managers to optimize their waiters with all the right tools to give their customers the best possible experience and advice on the wine they should drink.

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Take Me There, I'll Like the Product More

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Abstract:

Purpose: This paper examines the theory behind telepresence and its application to origin of products. Rather than focusing on wine as a product, we examine the idea of place as influencing product perceptions. For example, does seeing images of Champagne increase a consumer's attitudes toward the sparkling wine from the region? We examine the literature of telepresence, tourism experiences, consumer involvement, and hedonic and utilitarian attitudes toward products and then propose a conceptual model and propositions linking these constructs together.

Design/methodology/approach: This is a conceptual, theoretical paper. The approach consisted of examining past research from a variety of different domains, including: marketing, wine, cognitive psychology, interactive environments, and tourism.

Findings: Our model suggests that the two dimensions of telepresence (vividness and interactivity) each influence hedonic and utilitarian attitudes toward origin products. We also suggest that consumer involvement with travel as well as the richness of data (if telepresence is perceived via a dynamic or static online environment) influence attitudes.

Keywords: Telepresence, origin effects, oenotourism, attitudes

1. INTRODUCTION

The theory of situated cognition shows that one cannot know something until they experience it. Situated cognition theory makes a distinction between having learned about something (knowledge) and having experienced something (knowing). Thus, learning comes from doing, emphasizing action and plays a role in an experience taking place in time and space. Place is a critical feature of all tourism offers and origin products. Before consumers decide whether or not to travel to a novel place, they rely on external knowledge sources (e.g., travel brochures, word-of-mouth, internet, etc.) as well as their personal internal search resources (e.g., memories of actual experience with products related to place). Thus the following questions arise:

- 1) To understand a tourism offer or origin (including terroir-based) products, must a consumer be able to see the place from where it originates?
- 2) Does having a visual experience with a place moderate the hedonic and utilitarian value perceptions of products originating from the place pictured?
- 3) What sort of visual imagery (static versus dynamic) is most effective in communicating the experiences to be had in a place?

These are important marketing questions as globalization allows cultural goods to flow between borders and numerous consumers experience products from and associated with a specific place without even knowing where that place is on a map or what touristic offerings it might possess. Although many consumers around the world have tasted champagne, relatively few would be able to point to Reims on a map of France and many would not associate the city as eponymous with Champagne. Furthermore, in today's modern age, consumers are more than ever likely to surf online for information regarding touristic offerings and products, but regions and product companies cannot successfully promote their offerings without considering an interactive strategy. In web environments where static and dynamic visuals can be used, telepresence is an important consideration, likely to influence how consumers experience products online.

2. TOURISM EXPERIENCES AND TRAVEL INVOLVEMENT

Tourism destinations are viewed as a means to stage authenticity that cannot be found in tourists' every daily life (MacCannell, 1989). The goal of all tourism destinations is to be positioned in the mind of tourists as "experiences" (Richards, 2001; Oh, Fiore and Jeoung 2007). Several authors argue that the central challenge facing tourism destination managers and planners is the design of effective tourism experiences (Ritchie and Hudson, 2009; Kim, Ritchie, and McCormick, 2012). Tourists appreciate more the extraordinary and unique experiences than the ordinary ones {Kim, 2010 #24}. Tourists primarily seek and consume engaging experiences at destinations accompanied by goods and services unique to those destinations. The components of the travel experience that strongly affect individuals, and lead to memorability are the following: hedonism, refreshment, local culture, meaningfulness, knowledge, involvement, and novelty (Kim, Ritchie, and McCormick, 2012). Therefore, these engaging experiences generated by the physical and non-physical offerings of the places involve tourists even more with travel. In particular, enduring travel involvement is defined as the ongoing, ever- changing, unobservable state of motivation, arousal, or interest

toward pleasure travel, evoked by particular stimuli (Rothschild, 1984). A number of tourism studies examine tourists' involvement with travel experience (e.g. Dimanche, Havitz, and Howard, 1993; Gross and Brown, 2006; Ferns and Walls, 2012). Consumers' involvement levels are based on the strength of the relationship of pleasure associated with travel, to individual needs, self-concept or values (Ferns and Walls, 2012). Therefore, travel involvement can be described as the intensity with which travel 'is embedded in and driven by the consumers' value system' (O'Cass and Muller, 1999, p. 402). Moreover, tourists involved with travel enjoy tasting and purchasing traditional and local products because these goods appeal to their desire for authenticity (Sims, 2009) and add value to the overall tourism experience by connecting them to the region and its perceived culture and heritage (Rand, Heath, and Alberts, 2003; Skuras, Dimara, and Petrou, 2006).

3. TELEPRESENCE

Telepresence is defined as the degree to which an environment or communication medium allows one the benefits of experiencing an environment without physically being in that environment (Mollen and Wilson, 2010). This sentiment is made possible by a gathering of technologies and techniques that reproduce a real environment such as photographs and videos (Suh and Lee, 2005). The more a web site contains telepresence-inducing elements, the more a consumer has the impression of subjective knowledge, and thus telepresence is positively correlated with attitudes and intention to purchase (Hopkins et al., 2004). Likewise a high level of experienced telepresence reduces sentiments of purchase risk (Suh and Lee, 2005). Keng and Lin (2006) show that online ads with high telepresence increase recall and recognition of the ad.

The telepresence effect occurs due to heightened involvement, which manifests itself in a hedonically rewarding state of flow (Csikszentmihalyi, 1975; Mollen and Wilson, 2010). Related to involvement, it remains a distinct concept, often modeled as an antecedent to web site engagement (Mollen and Wilson, 2010). Research suggests that flow amplifies sentiments of telepresence, acting as "an intermediate variable between website properties and consumer attitudes and behaviors" (Mollen and Wilson, 2010, p. 921). Thus telepresence acts as an intermediary concept between web site functionalities/stimulus and consumer outcome behaviors. The more a web site engages a consumer, the more sensory and cognitive arousal they are likely to experience, augmenting the sentiment of "being there" (Mollen and Wilson, 2010; Slater, 1999; Witmer and Singer, 1998). However, interactive content on websites are likely to influence attitudes only if telepresence is felt by the website user (Fiore and Jin, 2003). This is especially the case because telepresence, like flow, is a hedonic state and leads to instrumental as well as experiential value (Holbrook and Hirschman, 1982). As demonstrated by Björk (2010), tour operator websites that include emotional content, such as images, result in affective states such as satisfaction, excitement, curiosity and pleasure, and this even when consumers have yet to visit the destination. Thus, it is emotional content on a brand's website that most influences loyalty and purchase intent in the brand's physical store (Mummalaneni, 2005).

4. HEDONIC AND UTILITARIAN EXPERIENTIAL VALUES

Due to the potential affective effects and experiential value resulting from telepresence, an examination of the hedonic and utilitarian benefits of products related to the place where the consumer is being transported is relevant to examine. When consumers make purchases, they are not only looking to satisfy only functional needs, but may also seek to indulge themselves (Babin et al., 1994). Not all products are alike, often differing based on the hedonic and utilitarian benefits they represent (Voss et al., 2003). As per Chitturi et al. (2008), the following definitions are used: “utilitarian benefits refer to the functional, instrumental, and practical benefits of consumption offerings, and hedonic benefits refer to their aesthetic, experiential, and enjoyment-related benefits” (p.49). Thus, perceptions of products, in terms of the benefits they provide, can be classified as fun or functional. Research specifies that joining function with aesthetics can be important in understanding the full scope of consumer attitudes (Voss et al., 2003).

Ultimately, consumption choices made by consumers align with personal goals specific to individual differences: functional features often relate to prevention goals (i.e. “selecting a safe alternative”) and hedonic features often relate to promotion goals (i.e. “being cool”) (Chernev, 2004). Recent research shows that hedonic benefits encourage promotion emotions leading to increased delight, word of mouth, and repurchase intention. In contrast, utilitarian benefits lead to prevention emotions resulting in increased satisfaction, word of mouth, and repurchase intentions. When products meet both the hedonic and functional requirements, consumers are shown to prefer products with more hedonic features (Chitturi et al., 2008).

Past research in the domain of wine has suggested that the origin of a wine interacts with telepresence perceptions, influencing both hedonic and utilitarian value expectations (Babin et al., 2011). However this research examined the explicit or implicit statement of telepresence. The explicit statement included a wine label with the following statement: “No other wine transports the drinker to (the place) like this one.” As such, telepresence was stated rather than experienced. Nonetheless, this research suggests that origin and products emanating from an origin can interact with telepresence.

5. CONCEPTUAL FRAMEWORK

We propose that examining how perceptions of telepresence (i.e., being in a specific place) impact the hedonic and utilitarian perceptions of a place, as well as the experience of products from that place would be extending the current research on tourism, advertising, and consumer behavior as it relates to the wine trade. For example, does seeing images of Champagne (the place) add or take away from the hedonic and/or utilitarian value of champagne (the product). We suggest that perceived telepresence not only influences attitudes toward a place, but transference to products that are place-related.

Previous literature has outlined certain relationships that we would like to extend theoretically, as demonstrated in Figure 1. First we focus on the nature of telepresence and its dimensions, which have not often been tested individually. Telepresence consists of two

dimensions, vividness and interactivity (Laurel, 1991; Steuer, 1992). Vividness includes sensory breadth (number of sensory dimensions presented simultaneously) and sensory depth (the resolution of each sensory dimension) (Steuer, 1992). In a website, rich media tools such as videos, audio, and animation may be considered instruments that increase vividness by enhancing the richness of the experience (Coyle and Thorsen, 2001). On the other hand, interactivity as a functional tool is defined as “the degree to which a communication system can allow one or more end users to communicate alternatively as senders or receivers with one or many other users or communication devices, either in real time or on a store-and-forward basis or to seek and gain access to information on an on-demand basis where the content, timing and sequence of the communication is under control of the end user, as opposed to a broadcast basis” (Fortin and Dholakia, 2005, p. 388). Increased vividness and interactivity increase perceived telepresence (Coyle and Thorsen, 2001; Klein, 2003; Hopkins et al., 2004). Overall perceived telepresence has a direct effect on attitudes to the ad (Hopkins et al., 2004). Yet past research suggests that increased levels of vividness result in higher attitudes toward web sites (Coyle and Thorsen, 2001). Past research on telepresence outlines the direct impact of perceived telepresence on brand attitudes, and ad attitudes (Park and Young, 1986), but does not make the distinction between the types of attitudes, hedonic or utilitarian (Voss et al., 2003). This is surprising as Mollen and Wilson (2010) include instrumental and experiential value as prefacing consumer outcomes. As such, we propose that vividness, because of its sensorially rich content that appeals to multiple senses, creates experiential value and emotions whereas interactivity, as a functional tool, allows the consumer to have a better idea of how the product is made and how that relates to the place. Thus, we expect the following:

P1: Increased vividness has a positive impact on hedonic attitudes toward the place-related product.

P2: Increased interactivity has a positive impact on utilitarian attitudes toward the place-related product.

Media characteristics influence consumer responses such that perceived telepresence in dynamic media environments should result in more positive responses from consumers than perceived telepresence in static media environments (Klein, 2003). Attitudes formed in virtual environments are stronger than in static environments (Klein, 2003) because they are closer to being a direct experience (Fazio and Zanna, 1982; Smith and Swinyard, 1988). As such, we propose:

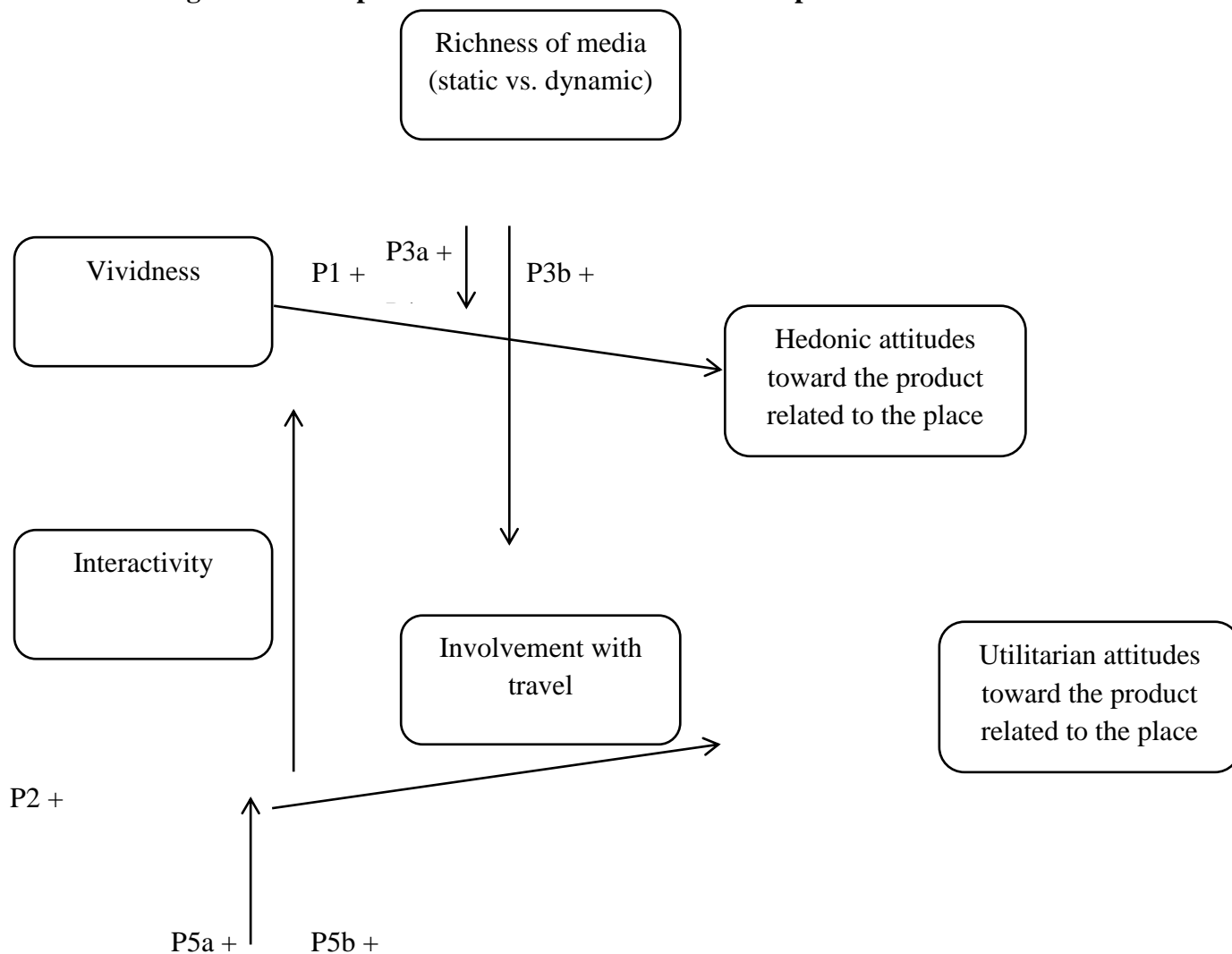
P3: Richness of the media environment moderates effects on the a) hedonic attitudes toward the product and b) the utilitarian attitudes toward the product

P4: Perceived telepresence from a dynamic media environment results in higher hedonic attitudes toward the product than from static environments

Consumer involvement moderates the response between perceived telepresence and attitudes (Li et al., 2001), in particular for online environments (Novak et al., 2000). Media richness, the result of more and more various peripheral cues, impacts the processing of advertising online (Cook and Coupey, 1998). For example, Hopkins et al., (2004) operationalized a very rich media environment as having music, motion, animation, etc. Research has shown that tourists involved with travel use online settings to buy their trips because information quality, system quality, and service quality are present in the online setting. (Wen 2010). Moreover, highly involved tourists appreciate tasting and purchasing regional products because these goods link visitors with the region and its heritage (Rand, Heath, and Alberts, 2003; Skuras, Dimara, and Petrou, 2006). Thus, we suggest that involvement with travel will moderate the influence of perceived telepresence on the attitudes toward the product from the place.

P5: Consumers who are more involved with travel will perceive more a) higher hedonic value expectations (manifesting themselves in hedonic attitudes) and b) higher utilitarian value expectations (manifesting themselves in higher utilitarian attitudes) toward the consumption experiences involving the product from the place than consumers who are less involved with travel.

Figure 1: Conceptual Model of the Influence of Telepresence



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Emotional impact of wine selling websites: An investigation of the online perception of wine web stores

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Abstract:

Purpose - The combination of online wine marketing and web design based on emotions is an important but neglected field of research. In order to get a better understanding of the potential of emotional web design, this preliminary study evaluates to what extent the emotional perception differs between online wine stores.

Design/methodology/approach - In this preliminary study, wine consumers of different German universities evaluated the websites of twelve wineries by rating 48 screenshots using the self-assessment manikin scale (SAM). This study included two analyses of variances (ANOVA) to indicate significant emotional differences between twelve domains and different website sections.

Findings - Websites differ significantly on the rating of felt “dominance” by consumers. This means that users experienced different levels of “being dominant” whilst judging the wineries’ websites. A second application of ANOVA indicates significant differences on felt valence and arousal between the website sections “landing page”, “product list”, and “product detail”. Interestingly, the non-commercial areas of websites were given higher emotional ratings than the web shops itself.

Practical implications - Websites with large images and happy-looking people as well as colourful and simple web design seem to create a stronger feeling of dominance. However, a pure reduction of the internet store on technical aspects and booking efficiency is not recommended.

Keywords: Wine, emotions, e-commerce, web design, self-assessment manikin

1. INTRODUCTION

In recent years, the internet became an omnipresent medium that impacts the way we communicate, gather information and purchase goods. In 2014, the worldwide B2C e-commerce sales rose to about USD 1.316 billion and are expected to increase to USD 2.489 billion by 2018 (eMarketer, 2014). Today, more than 72% of all Germans buy products and services online (IfD Allensbach, 2014). This development of e-commerce applies to a wide range of products, including the distribution of wine. According to the latest market evaluations, almost 32% of all Germans are interested in buying wine online (LZ, 2014). 29% even prefer the online channel over other distribution channels (BMWI, 2015). For this reason, the online sales potential in the wine industry is substantial. Despite this positive development, there is a lack of scientific research in the field of e-commerce as well as in the wine industry itself, especially concerning website elements which evoke emotions of consumers.

The shopping experience during a visit of a web shop can be crucial, because the attractiveness of websites is linked with commercial success (Gahne and Shokrizade, 2014). Therefore, we expect emotional reactions by users when they are surfing on well-designed websites (Wilhelm, 2012). Accordingly, this study tests the emotional impact of wine web shops on users, investigates where significant systematic or merely arbitrary differences are, and tries to gain a deeper knowledge of emotional web design in general. Based on the findings of this preliminary study, the main study will analyse the relationship between emotions and the willingness to pay, focus on sales possibilities and other website usage indicators, which are beneficial for the economic success of an online store.

1.1. Research on Emotions

Since the early 1980s, emotions have often been the subject of empirical studies (Vogel, 2013), including research on the effects in the decision making process (Hill and Gardner, 1987; Loken 2006; Cohen et al., 2008). Emotions affect, among other things, the willingness to take risks (Arkes et al., 1988), impulsive buying behaviour (Weinberg and Gottwald, 1982) and the willingness to pay (Lerner et al., 2004). At that time, emotionality was often a neglected field in marketing with the prejudice, that consumers' buying decisions are based on a pure rational information process (Holbrook and O'Shaughnessy, 1984). Yet, for products that are based upon fulfilling more emotional needs, the traditional view seems to be inappropriate. According to Zaltman (2003), consumers in general do not totally think deliberated, because up to 95 percent of human thinking happens unconsciously. This supports the theory that decisions are not only based on utilitarian motives, but can also be dominated by emotional desires, especially for some types of products and services (Singh, 1999).

Research on emotions is challenging because humans react to stimuli differently and struggle to describe and differentiate their subjective emotions that they have experienced. The research on emotion itself offers a large number of diverse and contradictory conceptions of emotions (Kleinginna and Kleinginna, 1981; Damasio, 2008; Rossiter, 2001). For this study,

we refer to the definition by Plutchik (1984): “an emotion is an inferred complex sequence of reactions to a stimulus, and includes cognitive evaluations, subjective changes, autonomic and neural arousal, impulses to action, and behaviour designed to have an effect upon the stimulus that initiated the complex sequence.”

1.2. Self-assessment-manikin

According to the investigations of Russell (1980) and Lang, Bradley and Cuthbert (1990), emotions can be summarised in three basic dimensions described as a feeling of *arousal*, *valence* (pleasure), and *dominance*. In order to measure the subjective emotional effect of a website, we use the self-assessment manikin (SAM) scale by Bradley and Lang (1994) in the following study. In general, self-reports are common in research on emotions and serve as a primary method for ascertaining emotion and mood. The SAM scale is used as a well-approved method for measuring emotional responses (Morris, 1995). Although the scale is not new, it is applied in numerous recent studies like Lueken et al. (2014), Suess and Rahman (2015), and Bublatzky et al. (2014). To overcome the textual difficulties in semantic differentials (Mehrabian and Russell, 1974), Bradley and Lang (1994) designed a picture-oriented instrument to assess the three dimensions *valence*, *arousal*, and *dominance* directly by a set of graphical and nonverbal manikins (see figure 1). The first row shows the icons for the evaluation of the dimension *valence* using a set of five smiley faces from “sad” to “happy”. The icons for the evaluation of the dimension *arousal* are represented in the second row starting with a “calm” manikin and continuous decreasing pictures which end as an “explosion” shape at the highest level of *arousal*. The third row for the dimension *dominance* contains five manikins with various characters’ sizes, beginning with a very small to an “out-of-the-border” manikin.

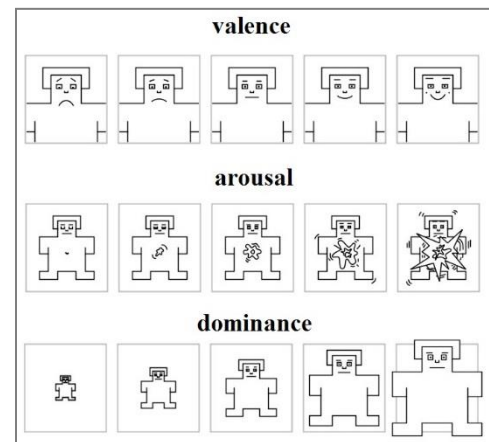


Figure 1: The Self-Assessment Manikin (SAM) used to rate the affective dimensions of valence, arousal, and dominance (Bradley and Lang 1994).

2. METHODS

For this study, we apply the SAM scale in the context of wine and e-commerce. As a first hypothesis, we assume that the rated emotionality of the selected domains differs significantly on valence ($H_{1.1}$) arousal ($H_{1.2}$), and on dominance ($H_{1.3}$). As a second hypothesis, we assume that four selected website sections differ significantly regarding valence ($H_{2.1}$), arousal ($H_{2.2}$), and dominance ($H_{2.3}$). In our approach, the hypotheses will be tested through the use of two analyses of variances (ANOVA).

Students and faculty staff from various courses of study at four universities in Germany took part in a ca. 45 min. computer assisted study between April and June 2015. As a criterion for exclusion, participants had to be wine consumers. Overall, twelve domains of German wineries were tested. An entire website was represented by four screenshots. The screenshots

were assigned to specific website sections: “*landing page*”, “*who we are*”, “*product list*”, and “*product detail*” (see figure 2). The first two sections represent the non-shop-area. They practically give a first overview about the winery, the owner, and the range of products. The other two website sections belong to the shop-area, where products can be purchased. All screenshots were rated successively on the three self-assessment manikin scales *valence*, *arousal*, and *dominance*.

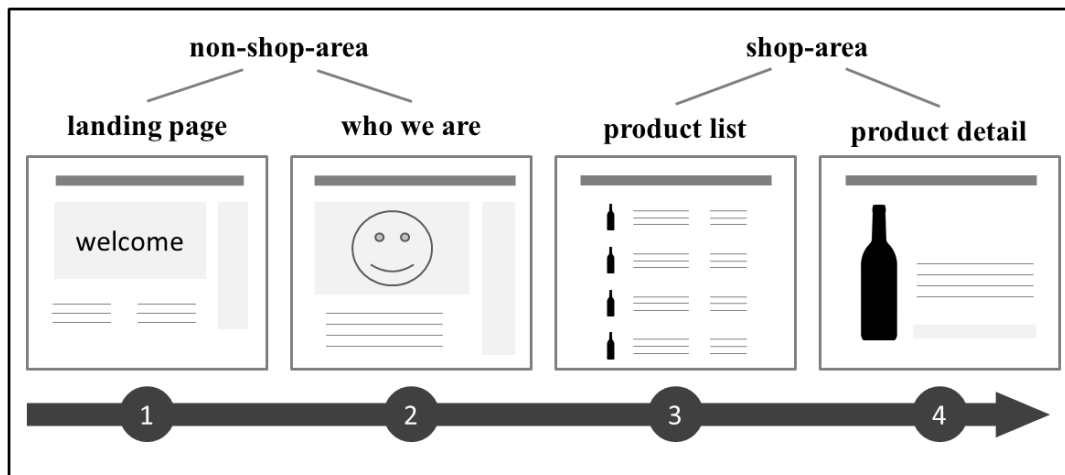


Figure 2: The four sections of screenshots and their sequence during the experiment.

3. RESULTS

Data was obtained from 147 participants of the survey. 14 participants declared that they “never drink wine” and were therefore excluded. Thus, the remaining sample consisted of 133 cases which took part in the experiment. 67 participants were male and 66 were female. Their age ranged from 18 to 66 years ($M = 29.78$, $SD = 10.20$).

Firstly, we conducted a one-way ANOVA to analyse significant differences between the emotional impacts on the selected websites. A one-way ANOVA between the **domains** (independent variable) and their ratings of *valence*, *arousal*, and *dominance* (dependent variable) at the $p < .05$ level was performed. There was no significant effect between the websites on *valence*, $F(11,36) = 1,120$, $p = .375$, and *arousal*, $F(11,36) = 1,877$, $p = .077$. Yet, the analysis revealed a significant difference of the websites’ *dominance* $F(11,36) = 2.475$, $p = .020$. Post hoc comparisons using the Tukey HSD test indicated that the mean score for domain number four ($M = 3.14$, $SD = .22$) was significantly different from the first domain ($M = 2.77$, $SD = .14$) and between domain number three ($M = 2.78$, $SD = .09$). Accordingly, hypotheses $H_{1.1}$, $H_{1.2}$ were rejected and $H_{1.3}$ was confirmed.

A second one-way ANOVA analysed differences between the four **website sections** (“landing page” etc.) of each domain and their ratings on *valence*, *arousal*, and *dominance* at the $p < .05$ level. The website section had no significant effect on the variance of SAM’s *dominance* level $F(3,44) = 1,237$, $p = .308$. But there was a significant effect for *valence* $F(3,44) = 4.971$, $p = .005$ and for *arousal* $F(3,44) = 3.634$, $p = .020$. Post hoc comparisons using the Tukey HSD test showed that the dimension *valence* of the “*landing page*”

($M = 3.56$, $SD = .34$) was significantly different from “*product list*” ($M = 3.04$, $SD = .38$) and “*product detail*” ($M = 3.05$, $SD = .29$). The post hoc analysis also revealed that the section “*landing page*” ($M = 2.77$, $SD = .36$) had a greater *arousal* impact than the section “*product detail*” ($M = 2.39$, $SD = .22$). Therefore, hypotheses $H_{2.1}$ and $H_{2.3}$ could be confirmed, whereas $H_{2.3}$ was rejected.

4. DISCUSSION

A comparison among the twelve different websites (domains) of the wineries shows a difference on the SAM dimension *dominance*. This is the case for the website of the first, third and fourth winery. The highly ranked fourth website had a clear, powerful design with striking colourful elements. A large proportion of the visible screenshot area is covered with images showing celebrating people with food and only small text elements. Products in the shop are presented extensively, without frills and with high quality. In contrast, the lowest rated winemaker website in this dimension is prosaic and pale coloured. The images tended to be very small and are spread randomly on the display, showing employees who look seriously in front of a dark and empty room. The third domain is also poorly rated regarding to the SAM criterion *dominance*. Here, the observers of the website see dark colours, small pictures and plenty of text. The main navigation bar is overloaded and divided the visible range horizontally in the middle. While the web design of the “*landing page*” is rated “average”, the web shop looks outdated. The observers read a lot of text and see tiny, unpretentious product images and a tabular list of wines with many screen splitting frames. These statements are confirmed by the average ratio between text and picture elements on the screenshot. The fourth website (with high ratings on “felt dominance”) has only 14.4% written content, 35.6% image elements and 50% other website elements on average, whereas website one (18.8% text, 35.6% images, 45.6% other) and website three (25.9% text, 15.9% images, 58.2% other) have more areas covered with words and in part less with photos – which could be an indicator for emotional web design too. The comparison of the high versus the low rated websites shows which elements of web design can cause feelings of domination, so users experience a feeling of personal strength or superiority.

However, it seems that online shops are less capable of having the same emotional impact than non-shop-areas. Only three of twelve websites did not decline in emotionality between the “*landing page*” and the online store of the observed screenshots. Contrary, to the non-commercial web areas, the online store has a more technical understanding of the purchase process because its main purpose is basically selling products. It makes sense to build the display area as organised as possible, in terms of navigation, filtering, comparing and product listing. Those familiar “must-have-features” ensure simplified handling, efficient navigation and a better shopping experience, but simultaneously limit the emotional design of a web shop.

The analysis among the four screenshot sections on our examined domains indicates that the SAM dimensions *arousal* and *valence* scored higher in the category “*landing page*” than in the categories “*product list*” and “*product detail*”. In general, shop area screenshots use less space for pictures and focus more on text boxes and listings in tabular form to create a lower feeling of joy and excitement. However, in some cases the web design is inconsistent

between the general website and its shop, so users might have assumed to look at websites from different winemakers. Overall, “*landing page*” screenshots have larger images, more striking headlines, less text elements and minor empty space. Some wineries try to sell their wines by telling their personal story. Personal facts could add emotional value and generate user attraction. Users are therefore able to identify themselves better with the winemakers as they were able to sympathise with the people around the winery and to share similar values.

4.1. Practical implications

This evaluation emphasizes that web stores with a purely functional focus and without an emotional perspective, can misguide. Especially for emotional products like wine, sterile web pages can lower the positive customer’s perception. According to our psychological evaluation, online stores should not only be reduced on technical aspects, but should also be carefully designed to create an exciting or pleasant atmosphere. Large, high quality images showing happy people or inspiring moments like a panoramic view of the vineyard have the potential to create an emotional impact on consumers. Colourless or text-heavy web design causes the opposite effect. The structure should be clear and easy to pick up, without using prosaic tables. The entire website should have a homogeneous and consistent appearance – from the landing page until the end of the shopping experience. These results go along with the conclusion of Childers et. al. (2001), who claimed that images, colours, animations, sound, music, humour, games, etc. contribute to a better shopping experience and help to create a more pleasant ambience. Winemakers’ online stores should not only win the customer’s mind, but also their hearts.

4.2. Limitations and need for further research

The limitations to our research are the basis for subsequent studies to enhance our knowledge regarding online retailing success factors and interactive online shopping experience. Instead of rating static screenshots, the participants could rate the website after “real browsing”. This would be more complex, but offers a more authentic valuation basis - because some “look and feel” elements of an interactive medium may also have an emotional impact. Another limitation is the non-representative sample and the domain selection that we used for our study. We selected only twelve websites of wineries from a particular niche product (wine), in a single country (Germany), and for a single primary intended benefit (shopping). In addition, this experiment involved a disproportionate number of young students, who were wine consumers as well. The outcomes of our study can therefore not be seen as fully representative and needs to be confirmed with a larger amount of participants of all age groups and with a broader selection of websites. In further studies, the relationship between “emotional shopping” and its financial impact for shop owners and winemakers should be further examined. Therefore, we need stronger evidence how web design characteristics affect purchase behaviour and other usage indicators. In addition, it would be interesting to gather more information on users about their rational evaluation of the websites, their purchase interests, demographics and psychographics in order to get a better picture among different preferences of consumer groups. Finally, the methodology of the SAM scale as a self-reporting tool is associated with limitations such as a time delay between the felt emotion and consumers’ reported emotions. This can lead to a softer degree of the indicated emotion.

To determine these complex emotions in several situations further research could perform repeated measurements which can analyse stimuli to various moments. Moreover, the application of implicit measurements such as electromyography or facial scanning software would help to get deeper insights of consumers' emotional reactions regarding web design.

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How to Engage Wine Customers Online and Offline? An Exploratory Study

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Abstract:

Purpose: Due to the rising popularity of customer engagement (CE), this exploratory study aimed to provide a first understanding of potential marketing tools for CE online and offline.

Design/methodology/approach: The research constituted a pre-study to propose an experimental approach in order to assess how these tools impact CE. To achieve the research goal, we applied a mixed-methods approach combining qualitative and quantitative market research methods. We interviewed seven marketing experts in order to identify effective CE tools. In addition, we drew upon a self-administered online survey, to which 345 German wine consumers responded, in order to investigate their preferences regarding CE tools used by wineries.

Findings: Qualitative and quantitative results revealed that from an marketing expert's as well as from a customer's point of view, offline CE tools were regarded to dominate online tools. Experts further claimed the presence of an experience, the interactive and personal components as well as the awareness of the target group to be fundamental for effective CE tools.

Practical implications: Regarding the German wine market, practitioners are recommended to rather focus on offline tools when attempting to engage customers. In addition, they are demanded to put higher efforts in mobile platforms. When dealing with CE tools in detail, the advised aspects of experts should be taken into account.

Keywords: Customer engagement, engagement tools, relationship marketing

1. INTRODUCTION

This pre-study builds on the challenge of a rising interactive nature of customer relationships faced by wineries. Given the increasing use of the Internet by wine consumers, they do not only have a vast amount of readily available information as well as a wider choice of products and services. They also have direct channels to interact with companies and their peers (Deighton and Kornfeld, 2009). Customers have become connected (MSI 2006) and have taken an active role in the dialogue with companies across industries (Sawhney et al., 2005). These changes have resulted in a new field of research in the last decade: Customer Engagement (CE). Vivek et al. (2012) define CE as “an individual’s intensity of participation in and connection with an organisation’s offerings or organisational activities”. While having shed light on its conceptualisation (e.g., Bowden, 2009; Brodie et al., 2011a, b), empirical efforts have been neglected in marketing research (Hollebeek et al., 2014). This gap was highlighted by the Marketing Science Institute (MSI) in 2014 by setting one research priority on the question: “how do social media and other marketing activities create engagement?”. We aim to approach this by identifying potential marketing tools to engage with the customer, which is the central research objective. The pre-study constitutes a preliminary step to further analyse how these tools impact CE.

Increased efforts in CE might be an opportunity for wineries in the digital era, which challenges the wine industry in particular. Not only empowered customers constitute a competitive challenge. But also the increasing virtualisation of products and services contrasts the fact that wine is classified as an experience good (Storchmann, 2012). In addition, the relative complexity of the product, compared to other consumption goods, causes barriers for customer management, especially online (Cohen et al., 2012). Hence, efforts in service quality and the reputation of a winery become most important (Bresolles and Durrieu, 2010). Enforcing CE which is claimed to impact marketing constructs such as satisfaction, loyalty (Bowden, 2009) or the effectiveness of advertising (Wang, 2006) might be one approach. While CE has been strongly related to online environments thus far, we claim that efforts in research and practice have to be extended to offline environments (see also Brodie et al., 2011b).

We begin with a literature review on CE, by presenting its theoretical embedment, conceptualisation and status quo of empirical research regarding its tools. Following this, we provide first results of marketing expert’s and customer’s perspective on potential tools of CE online and offline. We conclude with a brief discussion of the results, its limitations and we infer future research areas.

2. LITERATURE REVIEW

Originating from organisational behaviour research, especially in the context of work and role engagement (Kahn, 1990; Saks, 2006), the concept ‘engagement’ has not yet been fully approached in marketing research. However, in marketing theory the construct CE can be attributed to relationship marketing research by adding experience and interactive aspects to the relationship with existing and potential customers (Prahalad and Ramaswamy, 2004; Vivek et al., 2012). Linked to this, marketing academics emphasise that interaction is not restricted to the relationship between customers and companies. It might be any combination such as customer’s engagement in offerings, activities and the actual exchange amongst customers (Hollebeek et al., 2014; van Doorn et al., 2010). Over the last decade marketing research has contributed in particular to the conceptualisation of CE (antecedents, dimensions, consequences, measures etc.). However a review of related marketing literature shows that a common understanding of the construct has not yet been reached.

While having initially referred to behaviours, both positive or negative, that exceed purchase (Bowden, 2009; Kumar et al., 2010; van Doorn et al., 2010; Verhoef et al., 2010), several researchers have extended the scope to cognitive, emotional and social dynamics (Brodie et al., 2011b; Hollebeek, 2011; Vivek et al., 2012). Moreover, engagement is regarded as a motivational state that is either temporary or ongoing with changing engagement levels over time (van Doorn et al., 2010). This raises the question how this state can be achieved by wineries and therefore builds the starting point for the underlying research.

Efforts in analysing marketing tools engaging the customer are still underrepresented in CE discipline. Vivek et al. (2012) for instance, assessed in a qualitative study “activities” and “offerings” to be the main tools that can be customer- or company-initiated. What both tools have in common is assigning the customer an active role, allowing him or her to participate in the experience or interaction. “Activities” go beyond offerings when referring to skill and new product development as well as to creative events with the possibility to socialise or even with an innovative character. These can also include Branded Marketing Events (BMEs), of which the impact on CE was examined by Altschwager et al. (2014) in the context of wine business.

To further explore the marketing tools triggering CE while referring to the wine business, we set the focus on online versus offline environments for the following elaborations.

3. CURRENT RESEARCH

3.1. Study 1 – The Marketing Expert Perspective

We conducted two independent studies, we present below our qualitative findings.

3.1.1. Design, Method and Procedure

To gain a comprehensive understanding of CE tools, we conducted semi-structured, in-depth interviews in the last quarter of 2014. The selection qualification criteria were expertise marketing with a focus on wine marketing or on CE, or both. We reached out to 11 marketing

experts via email or phone, seven of whom agreed to an interview. The interviewees, each holding a leading position in its field, were categorised on their focus areas of wine marketing (3 consultants, 1 event marketer and author); marketing research with foci on interactive technologies (1 manager customer care) and on wine (1 researcher in consumer behaviour); as well as B2B marketing in online and offline services dealing with customer engagement tools (1 director product marketing). They range in age between 32 to 51 years and in work experience in marketing between four to 24 years.

The average interview lasted 45 minutes, and was conducted by Skype or face-to-face, which were then digitally transcribed and transferred to MAXQDA. Methods of content analysis included coding and keyword search in order to establish certain categories and subcategories by following the standards of grounded theory (Corbin and Strauss, 2015).

Given the exploratory nature of the study and the semi-structure, we engaged around five broad areas of interest to the interviewees instead of posing a series of specific questions. We did let emerge the central theme of the paper in interviewing respondents about topics such as the status quo of customer management (1), the impact of new media on customer management (2) and their personal definition of customer engagement (3). For the purposes of the research objective, we focus on the following two areas: potential tools to engage with the customer (4), from an online as well as from an offline perspective (5).

3.1.2. Results

From the content analysis it can be implied that certain frame conditions have to be considered when dealing with CE. Calder et al. (2009) assert that experience is the basis for engagement. Supported by statements from six out of seven experts, this view rather underlines a hedonic nature. To the contrary, utilitarian characteristics are rather regarded as prerequisite. Moreover, across almost all interviews the importance of the interactive character of CE-tools was highlighted.

Enforced activities should allow customers to interact amongst each other with the superordinate goal of a networking brand community, where they engage in evaluation, optimisation and development of winery's products, services and campaigns. Besides the actual experience, three experts claimed the importance of a personal dimension. People behind the brand must step forward to interact with customers, in particular the winery's owner him- or herself. Four of the experts further agreed on the aspect that target groups merit attention. Thereby, two experts stated the relationship intensity to be decisive for this type of tools.



Figure 1: tools of customer engagement, online and offline.

The seven marketing experts placed their focus mainly on offline tools in the context of wine (Figure 1). This is different from the ‘brand communities’ that are predominantly in online environments so far (Brodie et al., 2011b; Sawhney et al., 2005; Wirtz et al., 2013). Furthermore, co-creation constituted a relevant tool, but again in the offline context. One wine marketing expert stated that the concept co-creation in wine marketing would not be in forms of co-production of the product itself, but rather in terms of collecting feedback in general or in the creation of wine labels.

Offline “events” still seemed to be one of the most important tools for wine marketing CE. These are not restricted to wineries and they can include fairs or wine feasts in central areas with regional customers. “Newsletters” were also acknowledged as an inherent CE tool that can be online or print, depending on the target group. Print medium was considered state of the art when working with the premium and ultra-premium sector, whereas electronic newsletters should rather be applied for general updates throughout the year. Referring to content, keywords such as “the importance of visualisation and authenticity” occurred repeatedly.

The former was also of particular relevance when mentioning online tools such as “video marketing”. Online, proactive activities like “follow-up actions”, including informing the customer when their favourite wine is available again, or recommending other wines, were stated.

Efforts in “mobile tools” were regarded by the majority of experts as highly important because traffic nowadays comes mainly from mobile devices. But five wine marketing experts regarded the potential of mobile tools for the wine business as critical, because a high proportion of wineries are still not providing a functioning mobile website. Nevertheless, QR-Codes placed on wine bottles, enabling the customer to evaluate the product, to register online, to gain incentives or information where to buy the wine, were regarded as useful by five experts. Controversially, when it comes to ‘apps’ as CE-tool, two experts considered them as an important interface while two others had an opposite view.

3.2. Study 2 – The Customer Perspective

To look at CE from a customer’s point of view, our second study investigates, in a quantitative manner via an online survey, potential tools for CE.

3.2.1. Design, Method and Procedure

A total of 345 German wine consumers participated in a self-administered, online survey that was distributed via e-mail lists of three universities in South Germany. We targeted all fields of study in the first quarter of 2014 to investigate the consumer's likelihood to engage in CE-tools, comprising certain activities and offerings, in wineries. In order to identify these tools, nearly 200 winery's websites and Facebook pages were investigated based on a random selection of German wineries from the wineries' list of the German Wine Institute website. They were then analysed for tools with an interactive and innovative character. 43 marketing tools were derived, from which three researchers selected the top ten tools according to the degree of interaction and innovation. In addition, more general questions were posed regarding sociodemographic characteristics; their wine and social media behaviour.

3.2.2. Results

The survey respondents were equally split at 50% female, and 50% male, the mean age was between 20-29 years. Almost 40% of respondents consumed wine more than once per week and they bought their wine mostly in wineries or supermarkets. Measured through subjective wine knowledge (Flynn and Goldsmith, 1999) and wine involvement (Lockshin et al., 1997) by using two and three items (five-point scale), 37% of the respondents rated their affinity with wine as high. In contrast, 46% of participants showed low involvement in social media, again assessed via three items measured on a five-point scale (Lockshin et al., 1997).

The initial set of CE-tools constituted ten items. In order to reduce data, we conducted an exploratory factor analysis resulting in a two-factor solution. KMO and Bartlett's test proved the sample to be adequate for factor analysis (KMO=0.840, $p=0.000$). Factor one indicated online characteristics. It had six items comprising of "sharing information about the product and service" (0.79), "exchanging favourite recipes with customers" (0.77), "a video diary of the winery" (0.71) as well as "an online wine tasting" (0.58). We assumed the items "wine education app" (0.47) and "mobile website" (0.70) to be part of a third factor, but found that they can also be loaded on factor one. This might be due to the fact that these tools are stronger related to the online environment. Furthermore factor two contained four items, namely "creation of a vintage with the wine producer" (0.82), "developing mixed drinks based on wine" (0.73), "personalisation of wine labels" (0.66) and "wine evaluation" (0.58). We attribute offline characteristics to factor two. Reliability of the two factors was supported by Cronbach's alpha accounting 0.80 for factor one, 0.72 for factor two.

Based on the two-factor solution we first compared the likelihood of consumers to engage online and offline. We found that wine consumers are more likely to engage in offline compared to online activities. This tendency to favour offline engagement tools is illustrated in Figure 2. While almost 50% were likely to engage in offline activities, only 17% of wine consumers would potentially engage in online tools.

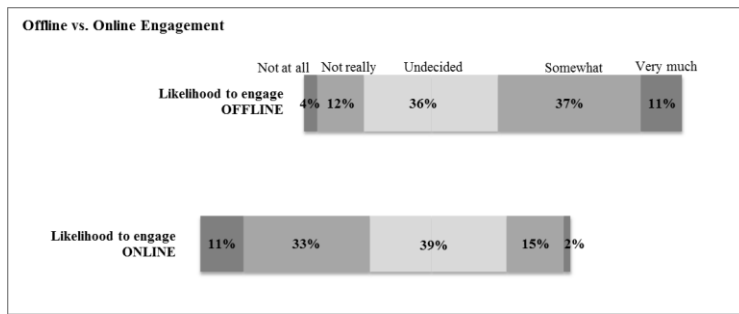


Figure 2: comparison of the likelihood to engage in online and offline tools, n=345

This tendency is further reinforced when we look at the activities in detail (Figure 3). Out of ten activities, the top five CE tools were selected for comparison, amongst we only found one online variable, the “app”. It has to be added, that an “app” can be only characterised as an online tool by its origin and dependence, but functions can also be accessed offline. In contrast all four offline tools were favoured by respondents. The highest-ranked activity was “to evaluate new vintages”, of which 57% would be likely to engage in.

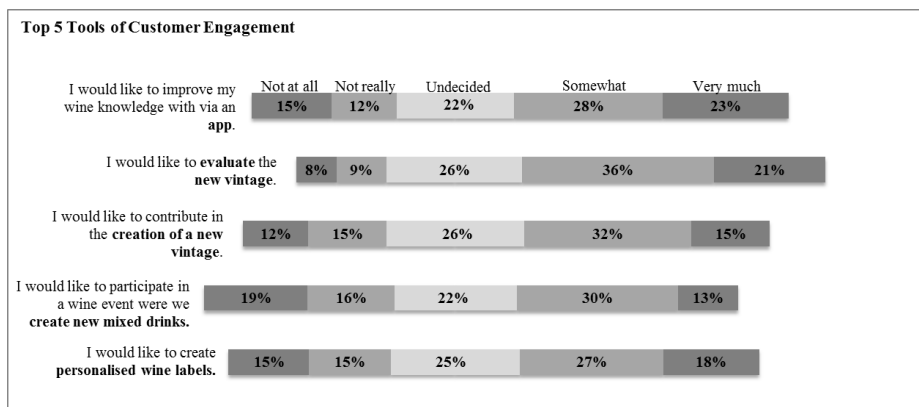


Figure 3: top five tools of customer engagement.

4. DISCUSSION, LIMITATIONS AND IMPLICATIONS

CE has gained great relevance, both in research and in marketing practice. Hence, the performed analysis aimed to examine tools for CE from a marketing expert’s and a customer’s point of view while referring to the online and offline environment. Although consumers nowadays use both online and offline CE channels to interact amongst each other as well as with companies, in the context of wine marketing, we find a distinct preference for offline activities.

In order to enable effective tools for CE, marketing experts regarded certain conditions to be pivotal. These are experience and interaction, and linked to this, the personal levels of CE. Moreover, the target group should be predefined. Interviewees rather referred to CE in the offline context, where they perceive events and brand communities to be most important. In particular they see potential for interfaces linking offline and online activities - mobile tools for instance. Wineries in general were criticised for the lack of ensuring appropriate mobile websites.

Regarding the customer's point of view, they also showed a stronger likelihood to engage in offline activities. Respondents would be most likely to engage in the evaluation of new vintages. There was further a consensus between marketing experts and customers concerning the need for mobile tools, as the second preferred tool was an edutainment app for wine.

Referring to the limitations, we must add that respondents had lower involvement with social media and that the online survey was limited to German wine consumers. The pre-study was also limited to the product wine so far. We recommend that future studies should extend the scope to cross-cultural approaches as well as to other product categories. Following studies should consider consumers who can relate to the offline and the online market. Furthermore, future studies should aim to gain a deeper understanding of the enlisted marketing tools and how these create engagement (MSI, 2014).

While this exploratory study constituted a pre-study to identify tools to initiate CE, the paper should persuade the need for further research in this domain, especially on an experimental basis. To conclude, due to the identification of engagement tools, we can now investigate their impact on CE as well as on financial indicators and certain marketing constructs.

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The impact of celebrity endorsement on wine brands' likeability and purchase intention: A Chinese perspective

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Abstract:

Purpose: Using a celebrity to draw consumer's attention is a widely use marketing strategy in China, and many studies have proved the positive effect of celebrity endorsement. However, little research has been conducted with regards to examining the celebrity endorsement effects on a wine product using a local (Chinese) and foreign (USA) celebrity.

Design/methodology/approach: 4-fictitious scenario manipulating the nationality of the celebrity and the country-of-origin of the wine were created in order to measure respondents' perceptions of the celebrity and their attitudes and purchase intention toward the advertised products. A regression analysis is conducted to evaluate the impact celebrity endorsement has on the brands' likeability and purchase intention.

Findings: Physical attractiveness is the principle factor influencing positively brand attitude and purchase intention. In the meantime, trustworthiness and expertise also contribute positively to brand attitude and purchase intention.

Practical implications: If the target is about increasing brand likability, a well-liked celebrity can be used. If the marketing objective is about increasing purchase intention, a celebrity demonstrating physical attractiveness with perceived expertise-in-wine would likely win all.

Keywords: Celebrity, endorsement, China, wine

1. INTRODUCTION

The general belief among advertisers is that brand communication messages delivered by celebrities generate a higher appeal, attention and recall than those executed by non-celebrities (Friedman and Friedman, 1979; Kamins, 1990; McCracken, 1989, Chan et al., 2008, Hung et al., 2011). In the meantime, endorsers having strong creditability source factors, such as expertise, trustworthiness, and attractiveness, can significantly affect consumer purchase intention (Ohanian, 1991). Nowadays, celebrities are frequently used to promote alcoholic products, in the UK (Atkinson et al. 2014) as in many other countries including China: recent examples include Yao Ming (a worldwide renowned Chinese NBA player), who launched his own wine label “Yao Family Wines” in November 2011; and Jackie Chan (a famous Hong Kong movie star) has newly signed up a joint venture agreement with Kweichow Moutai Group to launch “Jackie Chan’s Classical Collection of Moutai” in April 2012.

Foreseeing wine marketers and wine brand owners dedicate much efforts to understand Chinese wine consumer’s purchasing preferences, and strive for the key factors influencing their buying decision. Due to the rise of celebrity cultures, celebrity endorsement in advertising has widely existed as a widespread strategy of marketing communication in China. There are several studies fulfilling Chinese wine consumption patterns in general, though what we know about the perception and purchase intention on Chinese wine consumers towards a celebrity endorsement on wine products is very little. The main aim of this study is to investigate the extent celebrity endorsement would influence Chinese wine consumers towards wine brands’ attitude and purchase intent. Following a brief overview of the Chinese wine market, we present the two theoretical models used in this investigation. The research design follows, and then the key findings.

2. LITERATURE REVIEW

2.1. Overview of the Chinese wine market

China has 4000 years of history in wine making. Despite this history, wine production and consumption in China has grown very recently. If most Chinese drink Chinese wines, the upper-middle classes are the major imported-wine drinker that stands for about 18.9 million of people in China (Wine Intelligence, 2011). Chinese wine drinkers believe that drinking wine is good for their health (thanks to the Chinese government who promoted wine as a healthy beverage in 2006 and 2007), particularly red wine. Wine became very quickly a symbol of a desirable urban lifestyle, which shows sophistication, vitality and social status in China. Wine drinkers consume premium or expensive wine in order to play wine-smart and to show off their western-cultural intelligence, exhibit their wealth by being able to afford the abnormal and impress their friends. Premium drinking practices are active elements in individual and group identifications, particularly in the social arenas. Wine consumption in China is not solely a personal drinking purpose, it also involved largely at a social level (Li et al., 2011): buying gifts to important friends, associates and valued customers at various occasions, festivals and events. Chinese consumers are more sensitive to foreign brands and it’s important that the brand should be associated with prestige even which correspond with high premium cost. The origin of wines is often perceived as an

indicator of quality (Balestrini and Gamble, 2006). Numbers of researches and studies support a strong perception of origin and the presentation of origin information in a retail environment can have great influence against wine consumers (Hu et al, 2008) particularly that wine as being an “experience good” product (Roth and Romeo 1992; Huber and McCann 1982; Elliot and Cameron 1994). Interestingly, the literature notes that Chinese consumers not only display a preference towards foreign brands/products because of the perceived quality, but also prefer foreign advertising to local advertising (Kwok, Uncles and Huang, 2006; Tai and Pae, 2002).

2.2. The Source Attractiveness Model

Attractiveness includes various attributes such as intellectual skill, personality properties, lifestyle or athletic prowess that consumers might perceive in a celebrity endorser (Erdogan, 1999). Likeability is the “affection for the source as a result of the source’s physical appearance and behaviour” (McGuire, 1985, 239). In that perspective, celebrities need to be at least well known and admired in the public eye (Belch & Belch 2001). Erdogan (1999) provides a good summary of this phenomenon: attractive celebrity endorsers can enhance attitude towards advertisement, the brand or the product. But results about behavioural intentions are not consistent and therefore no generalization can be made. Many researchers reveal that consumers have a tendency to form positive stereotypes about attractive individuals. Compared to their unattractive counterparts, physically attractive communicators (celebrities) are more successful at changing beliefs (Baker and Churchill, 1977). It is therefore important to test the validity of the Source Attractiveness Model in the current study. This leads to the first hypothesis H1: The greater the attractiveness of the endorser the greater the likeability of the brand (a) and its purchase intention (b).

2.3. The Source Credibility Model

“Source credibility” is used commonly to entail the communicator’s positive attributes that affect the recipient’s acceptance of a message. (Ohanian, 1990). Furthermore, the source needs to be trustworthy, believability, honestly and ethically founded (Belch & Belch, 2001). Choosing an appropriate celebrity to endorse a product or brand is often done successfully when the endorser and brand share similar characteristics (Till & Busler, 1998). An extensive body of literatures has explained that a source which is highly credible have been found to be more persuasive and believable than less credible models (Atkin & Block, 1983; Erdogan, 1999). The same is reflected in the source credibility model, which contends that the effectiveness of a message displayed depends on a perceived level of trustworthiness and expertise of the endorser (Erdogan, 1999; Ohanian, 1991). McCracken (1989) defines expertise as the endorsers’ perceived capability to state convincing statements. An endorser exhibiting expertise and reliability is credible and, to that extent, persuasive. Endorsers are perceived as experts if they have great knowledge and experience about the product and the necessary skills regarding the endorsed item (Erdogan, 1999). Trustworthiness is the degree of confidence in the communicator’s intent to communicate the assertions he/she considers most valid and consists of honesty, integrity and believability (Ohanian 1991). Hence, it is hypothesized: H2: The greater the trustworthiness of the endorser the greater the likeability of the brand (a) and its purchase intention (b); H3: The greater the expertise of the endorser the greater the likeability of the brand (a) and its purchase intention (b)

3. RESEARCH PROTOCOL

3.1. Research design

The objective is to measure the impact a celebrity would have on the likeability and purchase intention of a brand. A 4-fictitious scenario (Table 1) was designed and addressed to respondents. The nationality of the celebrity and the country-of-origin were manipulated in order to measure respondents' perceptions of the attitudes towards the advertised products.

Table 1. Experimental design framework

	Chinese-Celebrity + Imported (US) Wine product	US-Celebrity + Domestic (Chinese) Wine product	US-Celebrity + Imported (US) Wine product
			

Respondents would first be asked to rate their attitude toward the brand based on their perception towards the scenario-ad by the 7-point scale, and then to rate the endorser characteristics using a 5-point likert-scales (attractiveness, trustworthiness and expertise-in-wine); then finally the respondents would be asked to rate their purchase intention based on the standard Juster-scale.

3.2. Endorsers, Products and Advertisement

For the persistence and to avoid pre-judgments, all endorsers are adhered to be recognized actors/actresses, sharing similar background, image and style. To endorse a general trustworthiness image, the authors carefully screen out the young spectrum and focus on actor aged between 50 to 58 years old. In order to eliminate the preference (or bias) in prejudice and/or duplication on profession setting and identity, the choice of celebrity model-image would all be actors who is popular among Chinese society and has no associational effect to alcoholic brand in the real world. Based on a preliminary study (not presented here), Ren Da-Wah and Nicholas Cage have been selected. Both are recognized in their profession as award-winnings actors.

Two fictitious wine brands were produced for this study. To avoid personal preference (or bias), a single varietal wine was selected. Cabernet Sauvignon is one of the world's most widely recognized red wine grape varieties. Two products, differing only on their country-of-origin should features the same grape varietal (Cabernet Sauvignon) and shared a similar packaging (label design), would be used to analyze the impact of different endorser types: 1)

Domestic Product – Heavenly Made Vineyard 天上品葡萄园 (Shandong, China); 2)
Imported Product – Sunshine Valley Vineyard 阳光谷葡萄园 (California, USA).

Four fictitious color images were developed for this study (see Table 1). Each wine product would be advertised by one endorser type individually. The communication tool used was a print advertisement, due to its simplicity and easiness to incorporate in an online questionnaire. Product's brand logo, packaging, and color tone were adopted on a similar design touch while only emphasis on the difference of its country-of-origin. The overall design for the advertisements would be identically the same except on the endorser and endorser quotes. Handling for the advertisement images were equal on all four scenarios – to highlight the difference on the endorser type and the product's country-of-origin. The endorser quotes were made to enhance the advertising message for the respondents in the purpose of measure the endorser effect. Similarly the model images, same cautions would be applied carefully on the presentation of these “quotes”. An overall approach of simple, straightforward, same but identically different prints layout was retained.

3.3. Data collection and analysis

The authors have chosen a China web-based survey system company to host and manage the survey administration. The company claims that they have a powerful database support engines that currently have over 2.6 million sample sources. These 4-scenario ads, together with the pre-set questionnaires, were posted online for 21 days to select randomly and achieve a sample size of 2000 respondents. In consideration with the study objectives, the authors decided to conduct the survey in single language: Chinese. The sampling frame is Chinese online user, and, in order to obtain an exhaustive nationally representative sample, no prior screening has been set forth. A total of 2041 respondents formed by the four-scenario groups (S1, n=525; S2, n=501; S3, n=509; S4, n=506) participated in the survey. In the meantime, 46 under age respondents were taken out. Further 126 cases were removed from the database for the non-wine-drinker and ineffective cases due from missing values. The final sample includes 1869 respondents. To test hypothesis 1 to 3, descriptive analysis, ANOVA and regression analysis were conducted. “Attractiveness”, “Trustworthiness” and perceived “Expertise in wine” are the three independent variables whereas attitudes toward the brand (likeability) and purchase intent are the dependent variables. Analysis were conducted using SPSS software.

4. RESULTS

4.1. Characteristics of the sample

The final sample of 1869 respondents includes 53% of male and 47% of female, all have drink wine at least once in their life. People who responded to the survey are located in various provinces of China (34 in total), including Hong Kong and Macau. 1309 respondents (69.89%) are aged between 26 and 40. Male respondents with income between 8001-15000 yuan represent the highest sample size at 348 cases (18.6%) whilst highest sample size on female respondents are 297 cases (15.84%) with income range between 3001-5000 yuan. They jointly represent a sample size of 645 constituting 34.44% of the sampling. About 64% of the respondents declared ‘liking’ or ‘liking a lot’ wine.

4.2. Results

Hypotheses H1a, H2a, H3a use attitudes towards the brand as dependent variable. The first result shows that the attractiveness of the endorser (Beta=0.229 and $p \geq 0.001$) has the strongest relationship contribution to the dependent variable (see Table 2), followed by the perceived expertise (Beta=0.110 and $p \geq 0.001$). “Attractiveness” and “Perceived expertise in wine” have both a significant impact towards the “Brand likability”. Trustworthiness has the lowest impact (beta=0.062). Hence, hypothesis H1a, H2a and H3a are supported with the findings. The results suggest a positive strong association between perceived “Attractiveness”, “Trustworthiness” and perceived “Expertise-in-wine” of celebrity endorsement with brand likability.

Table 2: Statistical analysis of hypotheses H1a, H2a, H3a

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	521.494	3	173.831	79.899	.000 ^b
Residual	4066.296	1869	2.176		
Total	4587.791	1872			

a. Dependent Variable: Negative to positive

b. Predictors: (Constant), Expertise in wine of CE, Attractiveness of CE, Trustworthiness of CE

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.731	.220		7.861	.000
Attractiveness of CE	.502	.080	.229	8.323	.000
Trustworthiness of CE	.131	.063	.062	2.079	.038
Expertise in wine of CE	.201	.048	.110	4.202	.000

a. Dependent Variable: Negative to positive

Hypotheses H1b, H2b, H3b use the purchase intention towards the brand as dependent variable. Results indicate that all three independent variables have a significant impact on the dependent variable (Table 3).

Table 3: Statistical analysis of hypotheses H1b, H2b, H3b

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.514 ^a	.264	.263	2.116

a. Predictors: (Constant), Expertise in wine of CE, Attractiveness of CE, Trustworthiness of CE

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3007.784	3	1002.595	223.903	.000 ^b
Residual	8369.006	1869	4.478		
Total	11376.790	1872			

a. Dependent Variable: Purchase intention

b. Predictors: (Constant), Expertise in wine of CE, Attractiveness of CE, Trustworthiness of CE

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.505	.316		-4.763	.000
Attractiveness of CE	.812	.087	.235	9.377	.000
Trustworthiness of CE	.701	.090	.211	7.767	.000
Expertise in wine of CE	.505	.089	.175	7.380	.000

a. Dependent Variable: Purchase intention

Perceived “Attractiveness”, again, has the strongest positive association with purchase intent among the three independent variables (Beta=0.235), followed by perceived “Trustworthiness” (Beta=0.211) and perceived “Expertise-in-wine” (Beta=0.175). Therefore, hypotheses H1b, H2b and H3b are all supported. It means that the greater the perceived “attractiveness”, “trustworthiness” and perceived “expertise-in-wine”, the greater the purchase intention. Additionally, perceived attractiveness of the celebrity endorser remains the highest factor between trustworthiness and perceived expertise-in-wine, impacting the purchase intention of Chinese wine consumers.

5. DISCUSSION and CONCLUSIONS

Celebrity’s physical attractiveness is perceived as the most prominent factor compares to trustworthiness and perceived expertise. As such, attractive celebrity can elicits more favourable attitudes towards the advertisements in both brand attitude and purchase intention in a Chinese wine market perspective. Source credibility has been proposed as an important antecedent to attitudes toward an advertisement and ultimately, advertising effectiveness, whereas physical attractiveness is liked more and has a positive impact on opinion change and product evaluations. Trustworthiness was not established as a significant determinant of respondent’s intention to purchase since advertising viewers do not have a high level of trustworthiness towards celebrities in paid commercials.

For marketing managers, and concerning the efficacy of celebrity endorsement, it seems more important to identify the marketing targets. If the target is about increasing brand likability, a well-liked celebrity should come foremost before considering perceived expertise and trustworthiness aspects. If the marketing objective is about increasing purchase intention, a celebrity demonstrating physical attractiveness with perceived expertise-in-wine would likely win all. Additional analyses suggest that if promotions were to be made on an imported brand, collaboration with an attractive local (Chinese) celebrity would be a good choice as this would elicit more favourable attitudes towards the advertisement; and at the same time, the local celebrity would benefit from a favourable image.

The findings indicate that neither local nor foreign celebrity has made significantly influence on brand attitude and purchase intentions towards a domestic advertised brand. COO factor still constitutes an important or dominant role comprehend by the wine consumers in China. Considering the growth of domestic supply in the past few years, wine productions in quality has been improved and leads to increments on local consumptions, different findings might then be seen in the future.

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Learning wine thanks to powerful MOOC emulation

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Abstract:

Purpose - MOOCs (Massive Open Online Courses) have gained popularity for e-learning purposes. Effectiveness depends on platform interface design and management which should create student cohesiveness and optimize collaboration.

Design/methodology/approach - A MOOC prototype is developed and E-learning applications pilot-tested for one semester with French business school graduate students.

Findings - Students use a mobile supported e-learning environment and report their experiences through writing a synthesis, building a Content Management System (CMS) and elaboration of a content curation system.

Practical implications - Students evaluate learning experience using a self-determination scale to measure the effectiveness of a prototype MOOC to learn wine marketing basics.

Keywords: MOOC, wine, social learning, mobile learning, self-determination

1. INTRODUCTION

The “Learning For All” movement is stimulating active debates in the education space around the world (Pelet *et al.*, 2015). In this crowded area, schools are competing to become leaders in viticulture and winemaking education. Current and future professionals across a wide range of disciplines worldwide want to study wine, increasingly using MOOCs, while pursuing first-hand experience in the wine industry. The reasons to use a MOOC vary and include 1) cutting costs, 2) having control of time 3) obtaining credit within a university or in business 4) building a social network rapidly. As the wine industry continues to grow and transform, MOOCs on wine represent an emerging way of learning and have the potential to become a global leader in research and education about the business of wine.

Since the emergence of diverse online supports, MOOCs can be very interactive and allow students who are not sitting in the physical class, which is a large part of instruction and testing in current non-university certificate programs, to experience a dynamic presentation. Further, aligning university credit with a MOOC keeps students focused on completion. In the European Union, students pursue MOOC courses through ECTS (European Credits Transfer System), which validates courses for degree credits. MOOCs are also credit-worthy in other international academic degree programs. In the wine industry, there are multiple examples of online supports for MOOC and e-learning through social media, RSS feeds, video, discussion, podcasts and testing examples in wine marketing that engage the learner through interactivity. While some offer industry accreditation, few include university credit. (See Appendix A for a review).

With wine as a fast-growing industry, as well as a social pleasure, there is an important need for specialized classes on wine at the bachelor and master levels for students who want to be part of the wine industry (viticulture, enology, sales and marketing, business administration, logistics, economics, law, science etc.). Such classes also appeal to stakeholders in the wine industry and wine lovers seeking continuing education. With the wide range of wine programs available, we don't know if the students get better results because of their work or their own-learning capacity when they are alone or just because some online programs might be of better quality. In order to better understand this phenomenon, a survey will begin in September/October 2015 based on a MOOC that is in progress.

Even if some wine regions “urgently need to improve the business and management skills of its professionals at the background of profound changes impacting the global higher education industry” according to Zalan & Lewis (2014), academic references are relatively scarce.

This paper questions what needs to be taken into consideration to build and implement a new learning environment, like a MOOC, leading to creating and expanding the pool of professionals in the wine ecosystem. In order to discover the interest for such a learning format, a MOOC on the marketing of wine has been realized, integrating the main assets of a MOOC (social media, RSS feeds...). In order to evaluate whether learners have appreciated the way they have learned through the MOOC, the Self-Determination Theory (SDT) has

been initiated. It is a motivation theory concerned with supporting our natural or intrinsic tendencies to behave in effective and healthy ways (SDT, 2015).

This article gives an overview of the development and application of MOOCs. It integrates social media and curation tools as a hot topic in e-learning with the use of electronic devices and free Internet tools. The paper focuses on learning as a collaborative process embracing one of the primary characteristics of MOOCs: collaborative development and constructivist learning situations. Constructivist learning is based on students' active participation in problem-solving and critical thinking regarding a learning activity which they find relevant and engaging. They are "constructing" their own knowledge by testing ideas and approaches based on their prior knowledge and experience, applying these to a new situation, and integrating the new knowledge gained with pre-existing intellectual constructs (Usero, 2012).

Collaborative learning has gained a worldwide role in educational strategies. Computer-supported collaborative learning (CSCL) is a pedagogical approach within learning that takes place via social interaction using a computer or through the Internet (Zheng *et al.*, 2014). Many emerging technologies offer new ways of teaching and learning, such as ubiquitous learning technologies, gesture-based computing, augmented reality technology, and learning analytics. Indeed, collaborative learning aims to promote students' individual cognition, group cognition and community cognition through the use of appealing, easy-to-use and instantaneous tools, which are making learners more experiential, interactive, social, multitaskers, structured, relevant, and technology immersed (Zheng *et al.*, 2014).

Accompanying CSCL, e-learning is a notion that is a pertinent factor in today's education (Pelet & Papadopoulou, 2013 and Pelet, 2013). Eurostat data from 2012 consistently suggests that mobile devices will be increasingly used in educational institutions. We are in the process of hybridization as disruptive, ubiquitous technologies continue to forge new models of popular education. The instruction of the masses via e-learning is essentially "knocking down the walls" of university campuses (Lewin, 2012).

In response to the crucial problem of high tuition fees (Bowen, 2012), a technological shift towards digital learning environments is a partial solution. MOOCs, which are part of a global open education initiative or a for-profit education model, may be a catalyst in the process of re-imagining higher education or re-enchanting e-learning. There is, however, substantial criticism and skepticism concerning their low completion rates and their unsustainable current structures.

2. REVIEW OF LITERATURE

2.1. MOOCs: PRESENTATION AND DEFINITION

MOOCs can be defined as aggregate classes from multiple organizations, universities and schools, offered on a single digital platform and delivered to thousands of recipients simultaneously. There are many courses on a wide array of themes and topics available on MOOCs, most of them for free or at a very low cost. MOOCs offer two approaches to instructional design: 1) peer-review, group collaborations through "crowd sourcing" or 2)

automated feedback and self-assessments (Kop, 2011). One of the problems encountered by students is the rather limited possibility of interacting with other students (Rivard, 2013a) and the lack of a teacher-student relationship.

2.2. E-LEARNING

Design of an e-learning platform is of paramount importance for influencing learner interaction and behavior as well as the overall success of the learning experience. Shapira & Youtie (2001) state that teachers can use technology to encourage or force students to prepare for class and use the contact hours to co-construct knowledge rather than to deliver it.

2.3. MOBILE LEARNING (M-LEARNING)

Wireless mobile devices should be considered complementary to portable computers. The reasoning behind this logic is simple, wireless mobile devices are excellent tools for collaborative learning on the go, but their smaller screen sizes and type displays make them less effective tools for prolonged educational sessions. It is the natural evolution for institutions that have already integrated e-learning into their educational practices.

Wireless communication is in the process of transforming learning environments and allowing students to optimize their down time. One of the most interesting aspects of M-learning is that users have the capacity to make documentations while they are in the field thus bridging the gap between theoretical and practical knowledge (Setaro, 2001; Stone et al., 2002). The M-Learning environment offers interactive settings in which students can communicate synchronously or asynchronously without temporal-spatial boundaries. Interactive social tools have broken the barrier between the academic and private spheres, and learners have higher retention rates when they enjoy taking part in the online *learning game* (Pelet 2013). The potential for integrating this technology into learning environments intensifies despite limitations of handheld devices. Studies reveal that students are generally satisfied with M-Learning systems and consider them as a potentially useful learning tool of the future (Motiwalla, 2007).

2.4. SOCIAL MEDIA AND E-LEARNING

Universities are expanding their e-learning capabilities to serve larger populations of students whose expectations embrace modern technology and who expect, perhaps even demand, a modernized educational experience built on the latest technology and 'social networks', according to Liebowitz and Frank (2011). Social networks such as Facebook have potentially positive benefits to teaching and learning, particularly with the development of educational micro-communities (Bosch, 2009). Certain studies show that the integration of micro-blogging into the educative experience successfully promoted active and continual feedback from students (Pelet & Papadopoulou, 2013).

As traditional teaching approaches hybridize towards digital integration, educational systems will continuously adapt courses to student behavior and use of social media outside the class.

In the cycle of expansive learning, the discovery of new technological usages leads to the development of new capacities that foster lifelong learning.

The digital age has fostered new relationships between teachers and learners: rather than passively and traditionally digesting and memorizing information, students are interested in education that corresponds with individualized information needs (Peters, 2007). Social media applications represent a form of emerging social constructivist e-learning tools (Cochrane, 2006): The consumption of social media has become an informal learning habit in the cycle of expansive learning. With a little organizational structure, social media applications can easily evolve towards becoming venues where formal educative processes take place.

2.5. SELF-DETERMINATION THEORY

In Self-Determination Theory, Deci & Ryan (1985, 2000) distinguish different types of motivation based on the different reasons or goals that give rise to an action. The most basic distinction is between intrinsic motivation, which refers to doing something because it is inherently interesting or enjoyable, and extrinsic motivation, which refers to doing something because it leads to a separable outcome. Over three decades of research has shown that the quality of experience and performance can be very different when one is behaving for intrinsic versus extrinsic reasons. Intrinsic motivation has emerged as an important phenomenon for educators because it results in high-quality learning and creativity; it is especially important to detail the factors and forces that engender versus undermine it (Amabile *et al.*, 1976). The latest developments about extrinsic motivation highlight that extrinsic motivation is argued to vary considerably in its relative autonomy and thus can either reflect external control or true self-regulation. Understanding these different types of extrinsic motivation, and what fosters each of them, is an important issue for educators who cannot always rely on intrinsic motivation to foster learning (Ryan & Deci, 2000).

3. METHODOLOGY

In order to measure the efficiency of the MOOC, a MOOC on wine marketing has been created on a Wordpress platform, linked to social media and other widgets enabling the student to know exactly what he/she is doing and time remaining before submitting his work. The learner can chat with his peers and consult the literature as well as read any comments made by colleagues on the platform. It is available here: <http://kmcms.net/moocwine>.

A link to a questionnaire containing the self-esteem measures is available, once the course is conducted, in order to assess the quality of the course, as well as variables embedded in the questionnaire. The questionnaire that will be used contains the following:

Perceived autonomy Support enables to know how people have felt about the experience and the relationship with instructors. Example:

My instructor made sure I really understood the goals of the course and what I need to do

1	2	3	4	5	6	7
Strongly disagree			Nor agree, nor disagree			Strongly agree

Treatment Self-Regulation Questionnaire (TSRQ) assesses the degree to which a person’s motivation for a particular behavior or set of behaviors is relatively autonomous or self determined. This scale has 15 items: six that assess autonomous motivation, six that assess controlled motivation, and three that assess a motivation. It enables easy comparison of different reasons for doing something and to measure how each sentence is true.

4. RESULTS OF THE EXPLORATORY STUDY

Results will be presented during the conference but we can already posit that the fact that CMS supported by mobile devices is a pertinent factor in the success of this educational initiative. Its ubiquitous form and the responsive design of the websites offer an easy-to-read interface which facilitates the memorization of content. It also enables students to find and share information, ask questions and get responses easily, without temporal-spatial barriers.

Our post-course survey provides results on student satisfaction and overall experience using the MOOC interface and its social media components. As shown in Table 1, students overall gave positive feedback based on previous research conducted by Pelet *et al.*, (2015). The highest satisfaction was related to ease-of-use and learning compared to other courses. Results indicated that 58% of the students who participated in this digital educational setting agreed or strongly agreed that it was an accessible form of pedagogy and that it was a satisfactory experience. Student productivity was enhanced due to the flexible nature of the courses. We will compare the results of this new research to the ones obtained with previous research.

Table 1: Questions/answers related to the student's satisfaction and overall experience using the MOOC interface and its social media components

Student feedback	N	Mean *	Std. Dev	Min	Max
Did this form of teaching appear accessible for you	19	3.7	0.7	3	5
Documents submitted and teaching materials were satisfactory	19	3.1	1.1	2	5
The number of exercises and illustrative examples supporting the course was sufficient	19	2.7	1.1	1	5
Do you feel that the workload was reasonable	19	3.7	0.9	2	5
According to you, your level of involvement in this course (homework, participation...) was enough	19	3.9	1.0	2	5
Do you consider that your prerequisites were sufficient	19	2.9	1.0	2	5
Ease of use and learning compared to other courses	19	4.0	0.9	2	5
Was the course adequate in relation to professional practice	19	3.9	0.6	3	5
Was this form of learning accessible for you	19	3.7	0.7	3	5
In general, did you find this form of education satisfactory	19	3.7	0.9	2	5

*1 = strongly disagree to 5 = strongly agree

5. DISCUSSION AND CONCLUSIONS

This paper presented an exploratory analysis around the use of a MOOC for learning wine marketing and M-Learning with strong implementation of social media content creation tools in the context of university business school courses. As social media usage increases, we find that it is in the best interests of students to integrate M-Learning situations into traditional higher education. Our study shows that the use of a mobile supported MOOC facilitated mobile knowledge management, and created a flexible and effective learning environment.

Students who were more fluent in the operation of the various development mechanisms provided support to the others as tech-savvy “technological stewards”. This type of leader-oriented behavior is typical in the digital learning environment; it empowered students with a sense of gratification and motivation while fostering a sense of a united academic micro-community. Paradoxically, students developed autonomous working habits, as well as community oriented collaborative working skills.

In the continuously evolving educational sphere of the 21st century, institutions and educators are in a situation where they must adapt to the widespread use of ICT and unbound themselves from the constraints of strict traditional education. Social media and mobile Internet technologies reinforce the potential for effective communication. The computer-mediated setting facilitates the creation of visual representations of information, reducing cognitive workload required by learners to understand knowledge in a more expedient manner. The implementation of digitized learning is reciprocally beneficial to teachers as evaluation processes become increasingly automated and visual. It's a win-win situation! Furthermore, only efficient universities will survive: MOOCS can be a tool dedicated to the optimization of the physical size of a campus or in other words to limit physical expansion, which could highly contribute to the increase of the profitability and from a sustainable point of view, avoid building new facilities while increasing the number of students.

6. FUTURE RESEARCH

Future research will be very interesting for educators and thought leaders who are intrigued by MOOCs, but who have not committed to implementing them in their own educational curriculums. Future research will help to shed light on the uncertainties surrounding MOOCs and embrace their potential to be a transformative educational innovation of the 21st century.

Results from this exploratory study demonstrate that success can be achieved with the use of MOOCs in combination with social media constructivist tools (i.e. website development and content curation applications) in a mobile-supported format. Additional research is to be conducted with the objective of identifying motivating factors behind student commitments and overall success in e-learning and M-learning environments. Future research will also strengthen the external validity of our preliminary results, which indicated a successful outcome with the use of social media constructivist tools for the purpose of knowledge management in a mobile supported MOOC scenario.

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APPENDIX A

Sample: Certificate, Institution	MOOC/e-Learning	URL
<i>Internationally recognized</i>		
INTL/UK_Wine & Spirit Education Trust http://www.wset.co.uk	Yes	http://www.wsetschool.com/which-course/online-2
INTL/UK_Institute of Masters of Wine http://www.mastersofwine.org		
<i>Universities</i>		
AU_University of Adelaide http://www.agwine.adelaide.edu.au	No	
AU_University of Melbourne http://www.unimelb.edu.au/	Yes	https://www.coursera.org/unimelb
AU_Charles Sturt University http://www.csu.edu.au	Yes	http://www.csu.edu.au/distance-education
CA_Brock University http://www.brocku.ca/ccovi	No	
CA_George Brown College http://coned.georgebrown.ca	Yes	http://coned.georgebrown.ca/courses-and-certificates/distance-education/
DE_Geisenheim University http://www.hs-geisenheim.de/	No	
FR_Bordeaux University / ISVV http://www.oenologie.u-bordeaux2.fr/	No	

FR_Burgundy School of Wine & Spirits Business http://www.swsb.eu	No	
FR_Kedge Business School http://www.kedgebs.com	No	
FR_University of Montpellier http://www.univ-montp1.fr	No	
NZ_Eastern Institute of Technology http://www.eit.ac.nz 501	Yes	http://eitonline.eit.ac.nz/course/index.php
UK_Plumpton College http://www.plumpton.ac.uk	No	
UK_Royal Agricultural University http://www.rau.ac.uk	No	
US_University of California Davis http://wineserver.ucdavis.edu	No	
US_University of California Fresno http://www.fresnostate.edu/jcast	No	
US_Cornell University http://www.nysaes.cornell.edu/	No	
US_Sonoma State University Wine Business Institute http://www.sonoma.edu/sbe/winebiz	No	
US_Johnson & Wales University http://www.jwu.edu.edu	Yes	https://online.jwu.edu/

*Source: <http://www.jancisrobinson.com/learn/wine-courses>

**Wine and website loyalty:
A model of sales promotion and service attributes**

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Abstract:

Purpose - This paper examines the relationship between feelings toward buying wine on mobile phones and m-commerce website loyalty by examining a) the mediating role of sales promotion and b) the moderating role of service attributes of the m-commerce websites.

Design/methodology/approach - The study comprised a questionnaire among 2754 responses from six countries (France, Germany, Greece, South Africa, United States and Canada). Non-probability criterion-based purposive sampling was used, screening for legal drinking age and ownership of a smartphone.

Findings - Results show that sales promotion mediates the relationship between feelings towards buying wine on mobile phones and m-commerce website loyalty

Practical implications - Wine producers and retailers should consider the use of sales promotion to enhance sales and loyalty to m-commerce websites.

Keywords: M-commerce, wine, loyalty, affective states

1. INTRODUCTION

With more than 139 million results produced by Google when the words "purchase" and "wine" are searched together, it is clear there is enormous competition for wine producers or retailers on the Internet. According to eMarketer (2015), total retail sales are growing slowly but steadily in the US. Although e-commerce is growing more quickly than offline sales, e-commerce is expected to rise only slightly as a share of the total, from 7.2% this year to 9.8% by 2019. Mobile e-commerce is an even smaller proportion, accounting for a tiny 1.6% of all retail, and by 2019, its share is projected to be only 2.7% of the total. Understanding consumers' perceptions of mobile commerce and the factors that might positively and negatively affect these perceptions is thus important for wine marketers.

The subject of the mobile interface connecting the user to an online store (e.g. smartphones or tablets), remains an important subject that has not been adequately addressed. Usage growth of mobile devices, specifically of smartphones is favouring the surge in mobile shopping (Lenhart *et al.*, 2011). Lee *et al.* (2015) propose that factors such as mobile phone simplicity and interactivity are enhancing the user experience, leading to positive perceptions about using a mobile phone for m-commerce. Some recent research has focused on the adoption, acceptance and use of m-commerce; the utilitarian and hedonic factors that might influence it (Li *et al.*, 2012); and its customer satisfaction (Choi *et al.*, 2008; Trevinal & Stenger, 2014). Lee *et al.* (2015) also examined customers' positive involvement as a precursor to website loyalty where distrust mediates customer perceptions of various web features in the process of building customer loyalty.

This paper examines the relationship between feelings toward buying wine on mobile phones and loyalty toward the wine producer/retailers' m-commerce websites. Specifically, the study proposes that sales promotion mediates the relationship between feelings toward buying wine on mobile phones and loyalty toward m-commerce websites and that the indirect effect of sales promotion is dependent on service attributes of the wine producer/retailer's m-commerce website. The study is organised as follows. First we conceptualise online sales promotion, service delivery attributes of m-commerce websites, the affective state of buying wine on mobile phones and m-commerce website loyalty. We then develop the theoretical model and hypotheses. The moderated-mediation model is then tested using 2754 responses from six countries. Finally, results and analysis are interpreted and discussed, then the theoretical contribution and practical implications of the study are discussed.

2. DEVELOPMENT OF THE THEORETICAL FRAMEWORK

This section starts with a discussion of the key constructs being investigated i.e. online sales promotion, feelings towards buying wine on mobile phones, m-commerce website loyalty and service attributes on websites, and then develops the theoretical model.

ONLINE SALES PROMOTION

Online wine sales currently represent less than 5% of total wine sales in developed countries (Higgins *et al.*, 2014), although growth in online sales is expected. In a study across numerous industries the most frequently used online advertising methods were email ads, social media and webpages (Leeflang *et al.*, 2014). Of the various promotional tools, online ads have been found to have a significant positive effect on sales (Peng *et al.*, 2014). In the US wine industry specifically, Thach *et al.* (2014) found that online newsletters, social media, and electronic word-of-mouth were the most important online sales promotions. Online sales promotion offers practical advantages (temporal and spatial), financial advantages (through comparing prices), and hedonic ways of consuming (Eroglu *et al.*, 2001). Thus, positive feelings towards buying wine via mobile phones could be stronger when there sales promotion is present on the sellers' website.

FEELINGS TOWARD MOBILE-WINE PURCHASING

When people are feeling positive, they tend to have more favourable expectations for the future (Masters & Wyndol, 1976). We expect that if consumers have positive feelings about buying wine using mobile then they are more likely to make purchases from a wine firm or seller's website. This is consistent with Wu *et al.*'s (2008) study suggesting that emotions are a significant predictor of purchase intention.

M-COMMERCE WEBSITE LOYALTY

Previous research has suggested that customer loyalty should be the consequence of perceived value, customer satisfaction, trust and habit (Lin & Wang, 2006). Online loyalty or e-loyalty has been defined as a consumer's intention to buy from a website or to visit it again (Cyr *et al.*, 2006; Flavián *et al.*, 2006; Yoon *et al.*, 2008). Buying intentions therefore, provide a measure of attitudinal loyalty, defined as the level of customer's psychological attachment, willingness to recommend the service provider and engage in positive word-of-mouth (WOM) communications (Kaur & Soch, 2013). It follows then that satisfied customers who are members of a wine group or have liked a wine fan page, for example, would be willing to engage in WOM communications. This type of loyalty includes a degree of dispositional commitment associated with repeat purchase behaviour (Chaudhuri & Holbrook, 2001).

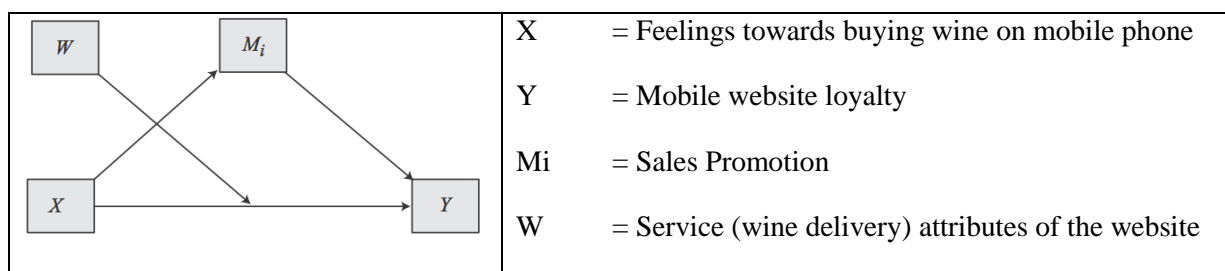
Service attributes of wine website

In our conceptualisation, we have taken into account that wine is heavy, fragile and difficult to deliver, requiring special care from transporting companies. It is important for e-commerce orders to attain on-time delivery to maintain customer trust and satisfaction (Pelet *et al.* 2015). Bressolles & Durrieu (2011) suggest that the main components of e-service quality are information, ease of use, and the design, reliability and security of the website. Consistent with these components, we conceptualise that the service delivery attributes of a wine e-

commerce website include follow-up communication, on-time delivery, tracking service and low delivery charges.

We developed a moderated mediation model that examines sales promotion as the mediating mechanism and service attributes of the website as a moderating variable with regards to the effect of feelings toward mobile wine buying on m-commerce website loyalty. The three most commonly used measures of emotions are: pleasure, arousal and dominance (PAD) (Sørensen, 2008; Koufaris, 2002), which are normally related to the environmental stimuli component in m-commerce (Kaikkonen, 2012). We have drawn on Mehrabian and Russell's (1974) PAD theory to substantiate our moderated mediated model of wine purchase via mobile phones and websites and to develop our hypotheses.

Figure 1: Research Model



Based on the theoretical model and suggestions from relevant literature we state that:

H1: Sales promotional efforts do not mediate the relationship between feelings towards buying wine via mobile phone and m-commerce website loyalty

H2: Online service (wine delivery) attributes of the website do not moderate the strength of the mediated relationship between feelings towards buying wine on mobile phones and m-commerce websites via marketing and promotional efforts.

3. RESEARCH METHOD

3.1. Sample and Data collection

This research involved 2,754 respondents from six countries (France, Germany, Greece, South Africa, United States and Canada). Data was collected using both personal and online questionnaires. Non-probability, criterion-based purposive sampling was used because it allowed the researchers to intentionally select participants who have experience with the central phenomenon being explored (Hair *et al.* 2009). In this study the central phenomenon under investigation is experience with wine websites. The sample was initially screened for legal drinking age and ownership of a smartphone for online access. The recruitment criteria included whether participants were members of a wine club or liked a fan page dedicated to wine. The sample included a large number of students as they are active Internet and mobile users, comprising 42.7% of total participants.

3.2. Survey Instrument

To measure the feelings with regards to buying wine using a mobile phone, we adapted Mehrabian and Russell's (1974) PAD scale. Participants responded to items assessing their feelings, using bi-polar items with anchors including harmful/beneficial, unpleasant/pleasant, bad/good, worthless/valuable, and unenjoyable/enjoyable on a five-point semantic differential scale, where 1 represented "negative feelings" and 5 "positive feelings". We used the PAD scale due to its continual high reliability (Valdez & Mehrabian, 1994).

Researches have indicated different intentions to revisit the website. The first one is how usability defines the promptness of how the system could be used (Davis, 1989), and how user friendly, easily navigated and organized it is (Parasuraman *et al.*, 2005). In our conceptualisation, m-commerce website loyalty is the extent to which an m-commerce website provides the required information, perceived usefulness, ease of use and the extent to which a visitor has the behavioral tendency to regularly visit it. This construct is measured with four items using a 5-point Likert type scale, where 1 refers to "strongly disagree" and 5 to "strongly agree". The construct contains items: I know which website I should visit to get the information I need; I am loyal to a particular website; I can find my favourite website address without much effort; I can immediately recognise my favorite website address if it is presented among other addresses.

The service attributes of an m-commerce website are defined as the extent to which such attributes encourage buying wine on a mobile phone. We asked respondents to rate items on a Likert-type scale where 1 denotes "very unimportant" and 5 denotes "very important". The construct is measured with four items: on-time delivery; quality of the wine; tracking your online purchase and low delivery charges. The assumption is that on-time delivery and quality of wine influences consumers' feelings towards buying wine via mobile phones and enhances m-commerce website loyalty. The assumption is that quality of wine and on-time delivery influence website revisits while being able to track orders online assures consumers and builds confidence in the transaction exchange. Yoon (2002) found that both trust and satisfaction positively influenced website revisits. We asked participants to rate the importance of online sales promotion when buying wine through mobile phones, measured on a 5-point scale where 1 denotes "unimportant" and 5 denotes "important".

To examine the mediating role of sales promotion in the relationship between consumers' feelings toward buying wine on mobile phones and m-commerce website loyalty, we propose that sales promotion efforts do not mediate the relationship between positive feelings towards buying wine on mobile and loyalty to a m-commerce website. The assumption is that online service (wine delivery) attributes of the website do not moderate the strength of the mediated relationship between positive feelings towards buying wine on mobile phone and m-commerce websites loyalty via marketing and promotional efforts

In our study, m-commerce website loyalty is a major dependent variable. The independent variable consisted of consumer feelings toward buying wine using mobile phones. Service (wine delivery) attributes and sales promotional efforts entered the model as mediating and moderating variables respectively. We deemed it necessary to control for wine expertise and drinking habits on the hypothesised relationship (moderated mediation).

3.3. Scale Validation

Using Preacher *et al.*'s (2007) procedure, we report a moderated mediation test of our model that used survey data collected from 2754 responses from six countries. The most commonly used test for internal consistency is Cronbach's alpha (Cronbach, 1951) and values for the independent and mediating and moderating factors ranged between .69 and .89. Rossiter (2002) suggests the importance of expert judgement for the face validity of the research instrument. Accordingly, twelve experts from marketing and information science fields critically evaluated all the items in the research instrument to assess content validity, representativeness, dimensionality, comprehensibility and unambiguity.

To analyse unidimensionality, exploratory factor analysis (EFA) was employed using SPSS, version 20. This was followed by confirmatory factor analyses (CFA) for validation of the measurement model. All of the fit indices (RMR = 0.03, GFI = .99, AGFI = .98, NFI = .98, TLI = .98, CFI = .99 RMSEA = 0.03) were in the acceptable range as suggested by Bentler (1992). In addition, we found all the individual factor loadings to be highly significant, giving support for convergent validity (Gerbing & Anderson, 1988). We calculated the Cronbach alpha coefficient, composite factor reliability, and average variance extracted for each of the scales and the values were in the desirable range except for online service (wine delivery) attributes, which fell below the cut-off criteria. We made the decision to retain service (wine delivery) attributes for mobile wine purchase in our analysis on theoretical grounds. We also tested for alternate models and found the original models to be better than all the constrained models. Table 1 shows that our measures have the required construct validity.

Table 2: Results of construct validity

	CR	AVE	MSV	ASV	S MOB	F MOB	MKT
S MOB	0.70	0.35	0.17	0.10	0.59		
F MOB	0.90	0.63	0.04	0.03	0.19	0.80	
MKT	0.60	0.47	0.17	0.10	0.41	0.18	0.66

Note: *Factor correlations and discriminant validity (square root of average variance extracted displayed on the diagonal).

S MOB = Service attributes for buying wine on mobile phone

F MOB = Feelings towards buying wine on mobile phone

MKT = Marketing efforts

CR = Composite Reliability

AVE = Average Variance Extracted

MSV = Maximum Shared Variance

ASV = Average Shared Variance

4. RESULTS AND DISCUSSION

We used hierarchical multiple regressions to test Hypothesis 1 and hierarchical moderated regression to test Hypothesis 2. In all analyses we entered the control variables of wine expertise and drinking habit. All variance-inflation factors in our regression were below 2; and none of the bivariate correlations had high coefficients, suggesting that multicollinearity is not an issue in our analysis.

After controlling for wine expertise and drinking habits, we found that feelings towards buying wine on mobile and online sales promotion were positively related ($\beta = .17, p < .001$) and feelings towards buying wine on mobile and website loyalty were significant ($\beta = .03, p < .05$). The mediating factor online sales promotion and website loyalty were negatively related ($\beta = -.06, p < .001$). The results show that the direct effect of feelings towards buying wine on mobile phone and loyalty towards m-commerce website in the presence of online sales promotion was not significant ($\beta = -.03, S.E = .01, p > .05$).

Positive feelings toward buying wine on mobile phones and m-commerce websites are mediated via online sales promotion (H1). This relationship is stronger indirectly (FMOB) --> online sales promotion (PROM) --> m-commerce website loyalty (LOY) ($\beta = -.01, S.E. = .03, \text{Boot LLCI} = -.02, \text{Boot ULCI} = -.01$). Absence of zero between Boot LLCI (Boot Lower Level Confidence Interval) and Boot ULCI (Boot Upper Level Confidence Interval) supports our hypothesis (H1). We followed Preacher et al. (2007) to establish moderation when testing Hypothesis 2. After controlling for wine expertise and drinking habits, feelings toward buying wine on mobile phones and website loyalty were significant and positively related ($\beta = .03, S.E = .01, p < .05$) and the mediating factor online sales promotion and website loyalty was negatively related ($\beta = -.06, S.E. .01, p < .001$). The moderating variable online service (wine delivery) attributes and website loyalty were significant and positively related ($\beta = .15, S.E = .02, p < .001$). The interaction term for feelings towards buying wine on mobile phone with online service (wine delivery) attributes ($\beta = .09, S.E = .02, p < .001$) were significant in predicting website loyalty.

Moderated mediation was assessed following Preacher et al. (2007) to determine whether the strength of the mediation differs across the levels of the moderator in predicting the effect of feelings towards buying wine on mobile phones and website loyalty. Moderated mediation is demonstrated when the conditional direct effect of feelings towards buying wine on mobile phones and on website loyalty via sales promotion differs in strength across the values of the moderator (wine delivery service attributes). We operationalized high and low levels of online service attributes as one standard deviation above and below the mean score. Table 2 presents the estimates, standard errors, and significance value of the conditional direct effect of independent on dependent variable at values of the moderator.

Table 2: Moderated mediation result for sales promotion and online (wine delivery) service

Moderator	Level	Conditional direct effect	SE	Sig	LLCI	ULCI
Online service (wine delivery) attributes		-.05	.02	.03	-.09	-.01
		.03	.02	.05	.00	.06
		.11	.02	.00	.07	.15

Results show that online service (wine delivery) attributes moderated the mediation of online sales promotion between the positive feelings towards buying wine on mobile phone and m-commerce websites loyalty (H2)

Additional observations

- The effect of feelings towards buying wine on mobile phones and m-commerce website loyalty is stronger when buyers receive higher levels of service from m-commerce websites (See Table 1).
- Results show that for online service (wine delivery) attributes, the conditional direct effects were at higher values of the moderator ($\beta = .11$, S.E = .02, $p < .001$) than at the mean score ($\beta = .03$, S.E = .02, $p = .05$). Taken together, results verify our observation that there was a moderated mediation.

7. CONCLUSIONS

This paper examines a) the mediating role of sales promotion in the relationship between feelings towards buying wine through mobile phones and m-commerce websites and b) the moderating role of service attributes of m-commerce websites in influencing the mediation. We did not find support for null hypothesis and accepted alternative hypothesis. That is, sales promotional efforts mediate the relationship between positive feelings towards buying wine via mobile phone and m-commerce website loyalty. The online service (wine delivery) attributes of the website moderate the strength of the mediated relationship between positive feelings towards buying wine on mobile phone and m-commerce websites loyalty via marketing and promotional efforts. Our additional finding sheds further light into these relationships, for example, positive feelings towards mobile wine buying and loyalty towards m-commerce websites are related with higher levels of online sales promotion. Results show that for online service (wine delivery) attributes, the conditional direct effects were at higher values of the moderator than at the mean score. Taken together, results verify our observation that there was a moderated mediation (See Table 2). This suggests that mobile wine purchasing is effective when wine sellers include sales promotion on their m-commerce websites and that service attributes seem to moderate the likelihood of repeat purchase. The growing use of radio technology systems such as Beacon should provide wine sellers with “push marketing” techniques in order to make customers aware of the availability of their

wine in the local area. Push marketing, including mobile email, SMS, in-app and other push notifications, has the potential to reach customers with messages whenever and wherever they are, enabling further growth of m-commerce (Pelet, 2013). Location-based or time-sensitive offers coupled with opt-in alerts can be a winning combination to boost conversion and engagement (Pelet, 2014), especially at the happy-hour time.

Despite the development of new technologies that may make the mobile experience even more convenient, wine delivery and associated services such as storing the wine in a proper place with the right temperature, hygrometry and luminosity conditions, because wine like it cool, dark and moist, can become of paramount for customers. These professional cellar conditions proposed by websites should be the priority for the wine marketer's strategy devoting his energy for m-commerce purposes. Traditional distribution, supply-chain management and its optimization should still be priorities for wine competitors, whether they are e-retailers, m-retailers, or even traditional retailers.

Our research was encompassed six countries and as a result, our findings are limited to these counters. Future research could include other countries with growing wine consumption such as China and Russia. Further, this examination was restricted to understanding feelings towards mobile wine buying and mobile website loyalty. Future research is recommended to examine attitudes towards wine purchasing behaviours, such as between m-wine purchasers vs. non-purchasers and different age groups.

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Coffee and Wine: A Comparison of Two Value Chains, Ownership Structures and Sustainability Standards

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Abstract:

Purpose: The coffee sector looks up to the wine sector – for several good reasons: Wine has a long and fascinating history, wine is full of prestige and mystery with terms like terroir and bouquet, and the prices of wine are (sometimes) high. So in the coffee sector you regularly hear the question: Why don't we do as they do in the wine sector?

An analysis of the two sectors is ongoing for clarification of the many similarities and differences between the two sectors – partly to respond to the question raised above.

Methodology: The two products and the two value chains are analysed for comparison – from tree and vine to cup and glass. Desk research is supplemented with visits to organizations, research institutions, conferences, growers, producers, companies and individuals in both sectors in producing and consuming countries.

Findings: More than 60 differences between the two products as well as the two sectors have been identified till now. Four structural differences between the two sectors are highlighted in this paper.

Practical implications: The findings will be used for a book with a detailed juxtaposition of the two sectors. The book is scheduled to be published in 2017.

Keywords: Coffee, wine, comparison, value chains, dominating companies, sustainability.

1. BACKGROUND

The coffee sector looks up to the wine sector for several reasons. Wine has a long and fascinating history, it is full of prestige and sometimes hype, and some wines are sold at astronomic prices. But the coffee sector cannot directly copy the wine sector as many aspects in the two sectors are fundamentally different.

This paper describes four differences between the coffee sector and the wine sector. The data is taken from a larger gross material compiled for several years by the author.

The initial aim with the material was to advise the coffee sector on how it can possibly benefit from imitating the wine sector. Indications are currently that both sectors can learn from each other. A book on the topic is scheduled to be published in 2017 and may be the first of its kind.

2. FOUR DIFFERENCES BETWEEN THE COFFEE SECTOR AND THE WINE SECTOR

2.1. Structure of the value chains

The most significant difference between the coffee sector and the wine sector is probably the number of stages in the value chain. The value chain is long for coffee – with many physical transformations and shifts of ownership – whereas it is short for wine with only few transformations and usually with all of them at the same location. Wine is one of the very few products still produced from A to Z in the same place.

The wine producer usually (i) grows the grapes, or knows the grower and where the grapes come from, (ii) tastes, evaluates and adapts the product during processing, (iii) puts up the final product for sale, and (iv) often also knows at least some of his or her buyers and gets their feedback. The wine producer thereby gets to know the final product (wine) very well.

The coffee grower typically (i) sells coffee cherries or green coffee beans to a domestic trader who (ii) supplies an exporter who processes the coffee and then (iii) sells it to a trading house that (iv) supplies roasters who (v) sell the final product (roasted coffee) to retailers where (vi) the end consumer buys it, and eventually (vii) becomes the coffee brewer – unless the coffee is purchased in a café or restaurant. Many coffee growers have never tasted or even seen a cup of coffee.

Table 1. Key stages in the typical value chain for coffee and for wine

Coffee	Wine
<ul style="list-style-type: none"> • Field work • Harvest • In-land trading • <u>Primary processing</u> (dry or wet) • In-land trading • <u>Milling</u> • Sorting • Stuffing (bags or bulk) • Sale from exporter • Border • Shipping • Storage • In-land transportation • Blending • <u>Roasting</u> • Packing • Sale to professionals, retail and end-consumer • <u>Grinding</u> • <u>Brewing</u> (professional or at home) • Serving – drinking 	<ul style="list-style-type: none"> • Field work • Harvest • <u>De-stemming and crunching</u> • Maceration • <u>Fermentation</u> • Storage (aging) • Blending • Bottling • Sale from producer • Border • Shipping • Storage • In-land transportation • Sale to professionals, retail and end-consumer • Serving – drinking <p>.....</p> <p><i>The main physical transformations are underscored.</i></p>

2.2 Quality enhancement options

The quality of wine can be enhanced in many ways by chemical and physical methods. Enthusiasts of ‘natural-wine’ tend to call these methods manipulation. Some of the methods are known for centuries – others are developed in the last few decades. Table 2 has a list of some of the most frequently used methods.

Table 2. Chemical and physical methods for enhancement of the quality of wine

<ul style="list-style-type: none"> - Flash détente – heating of grapes to 85 °C (185 °F) followed by vacuum exposure for aroma and tannin extraction from the grape skin; - Concentration – reverse osmosis, evaporation and icing (cryogenic); - Industrial yeasts – a huge choice for different functions and styles; - Chaptalization – adding sugar for increase of the alcohol content; - Acidification – adding acids for adjustment of aroma and flavour; - Fining – using additives for clarification of an otherwise hazy wine; - Cone-spinning – a vacuum exposure at 35 °C (95 °F) for adjustment of alcohol and aromas; and - Oak-flavouring – using barrels, staves and chips for adjustment of aromas and flavours.

Only a few quality improvements of this kind are possible for coffee. Among the few methods are steam-cleaning of green (raw) Robusta beans and preservation of some aromas in the production of soluble (instant) coffee. Otherwise focus is on preserving the intrinsic high quality and avoiding deteriorations at all stages in the value chain.

The quality can drop in many ways on coffee's long journey from tree to cup, for example because of moisture and fungus if the coffee is stored at a wrong temperature or humidity. And once the quality has dropped it is next to impossible to correct the mishap. One remedy is to roast the beans harder as it is sometimes done for coffees (also good quality coffees) taken with milk and other additives (caffè latte, cappuccino, etc.). But dark roasting is not a genuine quality improvement but sometimes done to 'cover' a mediocre quality.

2.3 Large companies in the two sectors

Ownerships in the world of coffee trading houses, roasters and brands have changed regularly for many years – not least since 2000. The overall trend is towards 'getting big' – as in other sectors like banks, airlines, breweries and the pharmaceutical industry.

Among coffee trading houses (importers of green beans – also offering processing, storage, just-in-time delivery and financing) the largest groups have more than 10% of the world market. The eight largest groups have 50% of the world market. At the level of roasters (offering branded products to retailers) the two largest groups have over 10% of the world market and the eight largest groups combined have 40%. Most of the leading coffee trading houses and roasters are European as reflected in Table 3.

The wine sector is different. The leading companies in the industry may be big but even the largest of them account for less than 3% of the global production of wine. The ten largest companies combined account for 13% only. Only two of them are European – both French.

The large wine companies are generally not known by the end-consumer whereas many of their brands are well known – some of them worldwide. Details on the companies and some of their brands are given in Table 4 and Table 5.

The wine industry in the US is dominated by a few large companies. Three of them – E&J Gallo, Constellation Brands and The Wine Group – are the world's biggest wine companies. Combined they account for more than half of all wine traded in the US.

Table 3. Large companies in the coffee sector

Function	World market Portion	Company	Nationality
Trading houses	11%	Neumann – NKG	Germany
	10%	ECOM (incl. Armajaro)	Switzerland
	7%	OLAM	Singapore-UK
	7%	EDF Man – Volcafe	UK-Switzerland
	6%	LouisDreyfus	France-CH-NL
	4%	Noble	HK-Singapore
	3%	Sucafina	Switzerland
	2%	COEX	USA
Roasters (brands)	13%	Jacobs Douwe Egberts	NL-Germany
	11%	Nestlé (Nescafé, Nespresso, ...)	Switzerland
	5%	Smucker’s (Folgers, Milhouse, ...)	USA
	3%	Elite-Strauss	Israel-USA
	3%	Tchibo	Germany
	2%	Starbucks	USA
	2%	Lavazza	Italy
	1.5%	Keurig Green Mountain	USA
	1.5%	Melitta	Germany
	1.5%	Segafredo-Zanetti	Italy
	1.5%	Aldi	Germany
	1.0%	Kraft (Maxwell House, ...)	USA
1.0%	UCC	Japan	

Source: ITC/UN’s *The Coffee Exporter’s Guide* with the author’s updates from company homepages and interviews.

Table 4. Large companies in the wine sector

World market portion	Company	Nationality
2.7%	Gallo Winery	USA
2.1%	Constellation	USA
1.6%	The Wine Group	USA
1.0%	Treasury Wine Group	Australia
1.0%	Penaflo (Trapiche)	Argentina
1.0%	Concha y Toro	Chile
1.0%	Castel	France
1.0%	Accolade	Australia
0.9%	Pernod Ricard	France
0.7%	Bronco Wine	USA

Source: Author’s calculations based primarily on information from the companies’ homepages. The data is cross checked through articles and interviews.

Table 5. The world's ten best selling wine brands

Ran k	Brand	Owner	Wine origin	Million bottles 2014
1	Barefoot	E&J Gallo Winery, USA	California, USA	216
2	Gallo	E&J Gallo Winery, USA	California, USA	174
3	Concha y Toro	Concha y Toro, Chile	Chile	170
4	Robert Mondavi	Constellation Brands, USA	California, USA	145
5	Sutter Home	Trinchero Family Estates, USA	California, USA	130
6	Yellow Tail	Casella Wines, Australia	Australia	126
7	Hardys	Accolades Wine, Australia	Australia	113
8	Lindeman's	Treasury Wine Estates, Australia	California, USA	97
9	Beringer	Treasury Wine Estates, Australia	California, USA	86
10	Jacob's Creek	Pernod Ricard, France	Australia	72

Source: The Drinks Business, May 2015 (with permission).

The world production is 270 million hectolitres annually; Barefoot makes up close to 0.6% of the world production and 5% of the market in the US (30 million hectolitres or 4 billion bottles).

China's largest brands include Great Wall (in the French group Pernod Ricard), Dynasty and Changyu. They are not ranked here as data is insufficient.

2.4 Sustainability standards

Sustainability standards have become à-la-mode in both coffee and wine in the last two decades for various reasons: good for the environment (soil, water, climate, CO2 emission, flora and fauna), good for the workers (health, remuneration and work conditions in general), good for the consumer (health – and taste, maybe), good for transparency and traceability, and generally good for the image of all parties involved, including the end-consumer.

Sustainability standards are more complex for coffee than for wine for several reasons. That goes for development of the standards, implementation (training and introduction of new practices), certification and monitoring of compliance.

Note: 'More complex for coffee than for wine' is not the same as 'easy for wine'!

Here are four reasons why sustainability standards are more complex for coffee than for wine:

2.4.1 Coffee standards are global

The leading sustainability standards for coffee operate worldwide and the conditions for all partners in a standard are the same – apart from minor deviations under very special circumstances. The most prominent standards (also called schemes or programmes) are Organic, Fairtrade, Rainforest Alliance, UTZ Certified and 4C, which cover one or three

sustainability dimensions as shown in Table 6 below. Most of the leading standards are practiced in more than half of the over 60 coffee producing countries.

Table 6. Leading sustainability standards for coffee

Dimension	Standards with a ‘main dimension’	Standards covering ‘all dimensions’
<i>Environmental</i>	Organic Biodynamic Shade-grown Bird-friendly	- Rainforest Alliance - UTZ Certified - 4C (Common Code for the Coffee Community)
<i>Social</i>	Fairtrade (FLO) Fair Trade USA	- Nespresso AAA - Starbucks‘ C.A.F.E. Practices
<i>Economic</i>	-	- Keurig Green Mountain’s Responsible Sourcing

Four notes on Table 6:

- The overview of sustainability standards for coffee is somewhat simplistic but for comparison at a glance it can be useful.
- The sale of coffee under each of the leading sustainability schemes (Organic, Fairtrade, RA, UTZ, 4C, Nespresso-AAA, Starbucks-C.A.F.E. and KGM-RS) is around 1-2% of the world’s coffee. Some coffees are double-certified, for example Organic and Fairtrade. The total sale of coffee under the mentioned schemes is in the magnitude of 10% of the world’s coffee.
- 4C is an entry-level business-to-business standard with no logo on the retail packs.
- The in-house schemes set up by the leading brands (Nespresso, Starbucks and KGM) are certified by third parties. They are comparable with RA and UTZ, and also include criteria for the cup quality of the coffee.

Sustainability standards in wine are different. They are developed for one country or one region only – and are usually developed by people in that country and adapted to conditions in that country or region. The standards for wine have primarily covered environmental issues, including carbon emissions. Social and economic criteria have been somewhat ignored although that is changing. Nationwide programmes for wine are set up in, for example, Austria, South Africa, Australia and New Zealand. Among the many regional programmes are California, which again has sub-regional programmes, for example in the county of Sonoma.

2.4.2. A long value chain with many participants

The value chain in coffee is longer and more complex than in wine. As all parties have to be part in and comply with the standard it means (i) many producers involved (sometimes thousands of smallholders), (ii) many stages of physical transformations to be adapted for compliance and later on monitored, (iii) many partners who do not know each other (each of them individually handling the coffee in the long value chain), and (iv) partners in the chain are far from each other – sometimes 10,000 km or more.

2.4.3. Geographical spread

There are more than 60 coffee producing countries. Most coffee ends up in blends based on two or five or more coffees from around the world. Each of these coffees has to comply with the sustainability standard used which adds to the logistic complexity. Wine may also be a blend but the grapes usually come from the same estate or at least the same region. This component of the complexity has made Rainforest Alliance sometimes indicate that (as an example) ‘40% or more of this coffee is RA certified’, which may refer to one out of three coffees in a blend.

2.4.4. Participants’ education

Around 80% of the world’s coffee is produced by smallholder growers in Honduras, Rwanda, Indonesia and more than 50 other developing countries. Participants in sustainability programmes in coffee producing countries are usually not as well educated and informed as the grape growers, the wine producers and other parties in the wine business.

3. SUMMARY

More than 60 differences between coffee and wine (as products and as sectors) have been identified and described till now. Four of the most significant differences are listed in Table 7.

Table 7. Four significant differences between the coffee sector and the wine sector

Basis for comparison	Difference
Number of stages in the value chain (physical transformations and shifts of ownership)	Coffee: Many stages in different places; Wine: Fewer stages – usually in one place
Options for quality enhancement during transformation and processing	Coffee: Very few options only; Wine: Many options – both chemical and physical
Leading companies’ share of the world market	Coffee: Some companies have over 10%; Wine: All companies have below 3% (but may still be very large)
Complexity of sustainability standards	Coffee: Fairly complex – and global; Wine: Easier than coffee – which is not the same as easy!

A book describing and comparing the two products and two sectors in detail is scheduled for publication in 2017. It may be the first book of its kind.

ANNEXURE:

COFFEE AND WINE - KEY DATA ON PRODUCTION, TRADE AND CONSUMPTION

Coffee production and trade

- The world production of coffee is 150 million 60-kg bags (9 million tonnes) of green coffee beans per year. It takes almost 500,000 containers (20 ft.) to carry that much coffee. Placed in a row they would stretch over 3,000 km (1,800 miles).
- Coffee is produced in more than 60 countries of which two account for more than half of the world's production: Brazil 36% and Vietnam 16%.
- African countries combined produce around 12% (only).
- Arabica coffee, the fine-flavoured aromatic type, makes up around 60% of the total production and usually fetches the highest prices. The other variety, Robusta, is easier to produce and is more resistant to disease. It is often used as a filler in blends.
- Around 70% of all coffee is exported – most of it in the form of green beans.

Coffee consumption

- The Nordic countries consume almost 10 kg coffee (green bean equivalent) per capita annually. Most other European countries consume around 6 kg with UK and some Eastern European countries at around 3 kg only.
- The consumption is very low in most coffee producing countries apart from Brazil where it is 6 kg. That is higher than in the United States where it is 5 kg per capita.
- Tea-drinking China and India consume on average only around 100 grams per capita.
- Leading brands like Starbucks, Nespresso and Keurig Green Mountain each account for around 2% of the world's coffee by volume.

Wine production and trade

- The world production of wine has been stable at around 270 million hL annually since 2000.
 - Three countries (France, Italy and Spain) produce half of the world's wine.
 - Just over 40% of the world's wine is traded internationally (exported/imported).
 - Around 50% of the wine exported from the Southern Hemisphere (mainly Chile, Argentina, South Africa, Australia and New Zealand) is sent in bulk containers and bottled or otherwise packed for retail when it reaches Europe, North America or other destinations.

Wine consumption

- Europe consumes around 60% of the world's wine. In 2000 it was 70%.
- Consumption per capita in France, Italy and Portugal is around 40 litres per year. It was above 100 litres in 1960.
- Consumption per capita in the UK, Germany, The Netherlands and the Nordic countries is 20-30 litres per year– up from around 3 litres only in 1960 (12 litres for Germany).
- Consumption per capita in the US is on average 12 litres per year – up from 3 litres in 1960.

Factors impacting wine prices' mark-up in restaurants

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Abstract:

Purpose: of the study is to analyse the determinants of wine price mark-up in restaurants. Wine sold at the restaurants is a substantial contributor of the restaurants' profitability and better understanding factors impacting mark-up is critical for the industry.

Methodology: Sommeliers around the world, mostly members of the International Sommeliers Association (ASI), have been approached to complete an internet based questionnaire, from February to May 2014. Of the 800 who started the survey, 267 fully completed the questionnaire, generating 1869 observations. We regress the declared mark-up against restaurant's and wine list characteristics, including managerial practices, and wine steward characteristics.

Findings: suggest to adopt a more holistic perspective on mark-up decision, based on various criterion including: the long experience of the sommeliers, the ability to 'capture' clients of the hotel attached to the restaurant, and a fine dining positioning.

Practical Implications: If the restaurants apply a simple rule of thumb to set wine prices, when focusing on every price segment, it appears that sommeliers doesn't matter that much. The restaurant positioning and style is more likely to explain a positive impact on wine prices' mark-up.

Keywords: Mark-up, wine, restaurant, sommelier

1. INTRODUCTION

Most sommeliers, if not all, have a good understanding and knowledge of the wines they sell. But designing and managing the wine list is a different job, requiring a different set of expertise. As such, the sommelier's managerial behavior seems critical in the success of a wine list and can be a substantial contributor of the restaurants' profitability. Part of the profitability of the wine list relates to the mark-up that is applied to the wines available on the list. A mark-up is the amount the restaurateur will charge in addition to the cost of purchase of the wine. The purpose of this study is to analyse empirically the determinants of wine price mark-up size in the case of restaurants and respond to the following question: what are the determinants of wine price markup size?

Thanks to an original survey conducted in 2014 with sommeliers, we regress the declared mark-up against restaurants characteristics, wine list characteristics and wine steward characteristics. Following a few words about mark-up determinants and the research protocol, we present the findings of the survey and its main managerial implications.

2. LITERATURE OVERVIEW

2.1. Wine lists and wine sales

Wine list is conceived as a way to differentiate restaurants (Berenguer et al., 2009; Gil et al., 2008) and as a merchandising tool (Yang and Lynn, 2009). Yang and Lynn (2009) show that some wine list characteristics, for example adding wines on the food menu, can increase wine sales, while a categorization of wines according to their style is associated with lower wine sales. In a restaurant revenue management approach (Thompson, 2010), wine is a relevant item to manage restaurant profitability. The wine list can contribute to restaurant performance and success through perceived quality, customer loyalty, customer satisfaction, etc. (see Sirieix et al., 2011 for a review).

2.2. Wine lists and wine steward

According to the OIV (2014), a wine steward or sommelier is "a professional from the vitivincultural and catering sectors, wineries or other distributors that recommend and serve beverages at a professional level". Their field of activity is "the service of wine in the catering industry or in establishments selling wine, as well as the provision of specialized advice for those involved in the wine market to ensure good presentation and service of products". A "sommelier effect" has been documented in the empirical literature, especially on wine sales (Manske and Cordua, 2005): the sommelier education and training allows to develop employees training and to increase sales as well as to improve salesperson credibility who are perceived as trustworthy and competent. Ben Dewald (2008) addresses the advantages of employing a sommelier in fine dining restaurants and show that he allows to identify best product available to meet restaurant customers' expectations and to update the wine list more frequently than without any designated sommelier.

2.3 Markup size determinants

Differentiation allows firm to charge a markup, which is added to the marginal cost of production under monopolistic competition. As such, the markup size measure the competitive pressure (Ponikvar and Tajnikar, 2012). The mark-up size determinants are numerous. There are some firm-specific factors, connected with market power and firm's strategies (Schmalensee, 1989 ; Martin, 2001), some industry-specific factors (Sutton, 2001) like concentration, entry barriers, product differentiation, technology in the industry, demand dynamics, and some environmental and institutional factors (Dunn, 2002) such as antitrust policy, the role of unions, the economic trends (Motta, 2004). Usually, restaurants apply a proportionally smaller mark-up to higher priced wines (Amspacher, 2011) and the potential wine margin determine the buying decisions made by the restaurateur (Preszler and Schmidt, 2009).

If the cost of the wine and its expected selling price are key determinants of the mark-up decision, some other aspects investigated here may explain it. On one hand, the way the wine list is designed can improve the restaurant's performance. Most of the literature related to this subject focuses on this relationship. On the other hand, the sommelier's profile, skills and knowledge can generate positive effects on restaurant's wine sales. In this paper, we integrate these firm-specific elements, including the sommelier profile and the way the wine list is managed (purchase, update, etc.), to identify the determinants of wine-price mark-up size within a single industry context.

3. RESEARCH PROTOCOL

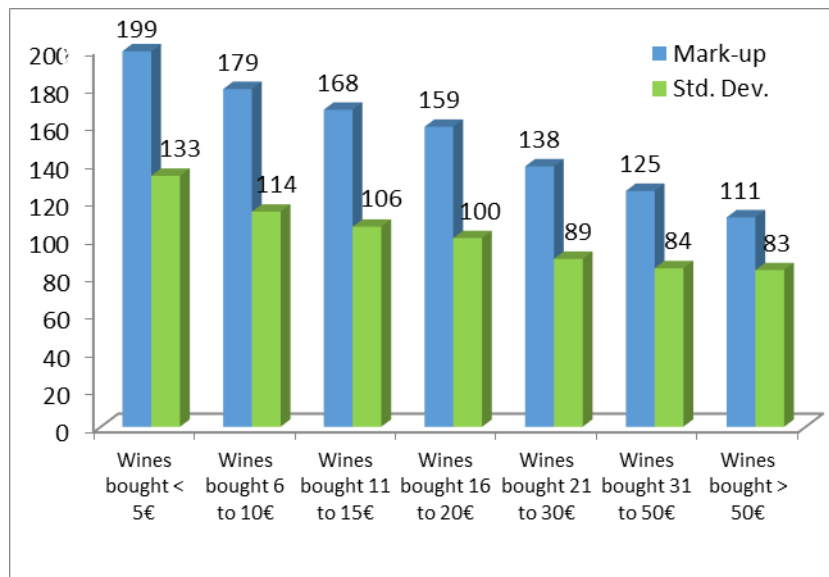
3.1. Data collection and sample

A survey with sommeliers was conducted online worldwide in February - May 2014. To recruit the participants, an invitation to participate was sent to all ASI (Sommeliers International Association) presidents. They in turn forwarded the invitation to all their members. Of the 800 who started the survey, 267 fully completed the questionnaire, generating 1869 observations (267 restaurants * 7 price segments → 1869 observations).

The mark-up definition was presented first to all respondents: "If you buy a bottle of wine 5€ (or \$5, RMB50, etc) and sell it 15€, it means that your mark-up equals 10€ (15-5=10). In percentage, it equals 200% ($[10/5]*100=200\%$)"; followed with the question: "What is the average mark-up (in %) that you apply for the wines (per bottle) available on your wines list/menu?".

As discussed by Amspacher (2011), we also found a negative correlation between the declared mark-up and the cost of wine bought (Figure 1).

Figure 1: Average mark-up (in %) per cost of wines bought (in euro)



Other characteristics than price segments include:

- Restaurants characteristics: location, size (number of seats), style, ownership, associated with a hotel, wine storage area, average cost of a meal (used as a proxy for the number of waiters), % of wine sales in the whole restaurant turnover.
- Wine list characteristics, design and management: person in charge of the wine list design, number of different wines, frequency of update, number of wines by the glass, suppliers' profile, buying en primeur wines (futures).
- Sommelier characteristics: gender, years of experience (proxy for age), qualification (certifications), other occupation in the restaurant.

More than 35 countries are represented in the survey and nearly half of the sommeliers who responded are located in Europe. About a quarter are located in Asia and 20% in South America.

3.2. Statistical approach

Our study being conducted within a given industry, we focus on firm-specific factors. We propose to estimate two different mark-up equations:

1. We regress the mark-up against a series of dummies for every price segment (1 if the wine has been purchased by the restaurant in the given price segment, 0 otherwise). We use pooled data and include some restaurants individual effect.
2. For every price segment, we estimate an equation where the markup size (M_i) is a function of restaurant's characteristics (R_i), wine list characteristics and design, including managerial practices (L_i), and wine steward characteristics (S_i):

$$M_i = \alpha + \sum_i \beta R_i + \sum_i \gamma L_i + \sum_i \delta S_i + \varepsilon_i$$

with α a constant term, β , γ , and δ parameters to be estimated, and ε an i.i.d. error term. Indeed the wine price mark-up exhibit a significant dispersion within every segment and it make sense to investigate the determinants of the mark-up size within each of these price segment. As frequently written in wine columns, two different restaurants can sell the same bottles at dramatically different prices: In New York City, “Silver Oak 2009 cabernet sauvignon from Napa, a mere \$200 on Tamarind Tribeca’s remarkably fair-priced list, costs more elsewhere, up to \$300 at Asiate in the Mandarin Oriental hotel” (Cuozzo, 2015).

4. RESULTS

The estimation results for every price segment are presented in the following table (Table 1). The individual restaurant effects are not significant while the dummy variables associated with every price range are very significant. It appears that the explanation of the mark-up size is entirely captured by these dummies and that the estimated coefficient decreases when the price paid by the restaurant to purchase the wine increases. As such, restaurants seem to apply a simple rule of thumb depending on the price paid to purchase the wine, as shown previously in the literature (Amspacher, 2011). It means that more mark-up determinants could be found for each individual segment rather than from a global perspective.

Table 1: Mark-up size equation estimation results

Price range	Coef.	t-stat
Wine purchased less than 5 euros per bottle	87.4382***	20.01
Wine purchased between 6 and 10 euros per bottle	67.573***	15.46
Wine purchased between 11 and 15 euros per bottle	56.7528***	12.99
Wine purchased between 16 and 20 euros per bottle	47.4682***	10.86
Wine purchased between 21 and 30 euros per bottle	26.5992***	6.09
Wine purchased between 31 and 50 euros per bottle	13.4082***	3.07
Wine purchased more than 50 euros per bottle	Ref.	
Intercept	111.8202***	36.19
Within R ²	0.2750	
Between R ²	0.0100	
Overall R ² ^o	0.0726	

^o No unanimous agreement on which R² to report in a panel. Wooldridge (2010) suggest to report the three measures.

*** significantly different from zero at 1%.

The detailed estimation results for every price segment are presented in the appendix 1. Very few explanatory variables are significant:

- Restaurants characteristics:
 - Restaurants and sommeliers located in Asia tend to have a negative impact on wines mark-up.
 - Being a fine dining style of restaurant and associated with a hotel tend to increase mark-up of wines.
 - In line with the style of the restaurant, the average cost of a meal impact positively mark-ups.
- Person in charge of the wine list:
 - Food and beverage manager has a negative effect on mark-up size.
 - The restaurant owner has a positive effect on mark-up size for the cheapest wines.
- Sommeliers' expertise and knowledge doesn't matter that much, except sommeliers with 10 years of experience or more, having a negative effect on the mark-up size for most expensive wines.

5. DISCUSSION and CONCLUSIONS

What are the determinants of wine price markup size for restaurants? We focus on firm-specific factors and, compared with the existing empirical literature, take into account the way the wine list is managed, not only its design like in previous research, and the sommelier's profile, as well as some restaurants characteristics.

The most interesting and almost intriguing finding is the absence of relationship between the sommelier's characteristics (expertise, etc) and wines price mark-up. We could have expected that sommeliers with a greater knowledge about wine (measured with a formal degree) would have been able to select 'original' wines for which they could charge more (greater mark-up). More than a degree, it seems that experienced sommelier know better how to sell their more expensive wines with a lower mark-up. While this is a firm-specific characteristic that depends on every restaurant's strategy and can create differentiation, regarding the mark-up size applied to wines by restaurants, sommelier doesn't matter.

Wines price mark-up is positively related with the style of the restaurant: the more expensive and fine dining the restaurant, the greater the mark-up applied to the wines price. This is interesting as the style of the restaurant itself (its image, positioning, etc) allows restauranteur to charge more on the cheapest wines (bought less than 20€). In the same vein, and for all wine price segments, the greater the average cost of the meal, the greater the mark-up applied to the wines price. In brief, most expensive restaurants attract clients with a greater willingness to spend money for their meal, whatever the mark-up applied to the wines. This in turn gives the opportunity to the restauranteur to apply greater mark-up to their wines, including the cheapest one:

- For wines bought less than 5€: mark-up of 162% for a casual restaurant vs. 237% for a fine dining restaurant;
- For wines bought between 6 and 10€: mark-up of 147% for a casual restaurant vs. 213% for a fine dining restaurant;
- For wines bought between 11 and 15€: mark-up of 142% for a casual restaurant vs. 198% for a fine dining restaurant;

- For wines bought between 16 and 20€: mark-up of 136% for a casual restaurant vs. 185% for a fine dining restaurant;

Being part of a hotel also gives the opportunity to generate greater mark-up, including for the cheapest wine:

- For wines bought less than 5€: mark-up of 184% for an independent restaurant vs. 225% for a restaurant part of a hotel;
- For wines bought between 5 and 10€: mark-up of 164% for an independent restaurant vs. 205% for a restaurant part of a hotel;
- For wines bought between 11 and 15€: mark-up of 152% for an independent restaurant vs. 196% for a restaurant part of a hotel;
- For wines bought between 16 and 20€: mark-up of 144% for an independent restaurant vs. 185% for a restaurant part of a hotel;

This may be explained by the fact that part of the clients going to the restaurant are also clients of the hotel, ‘captive’ clients, and go for a meal by convenience at the hotel’s restaurant: easy to access, to go to, etc; and so are less regarding about the price of the meal.

In Asia, having the opportunity to bring your own bottle at the restaurant (for a small fee), and so a greater competition with entry level wines, may explain the negative impact of the location (Asia vs. other countries) on wine prices’ mark-up.

More than the ability for the sommeliers to sell its wines at a greater mark-up, the fine dining positioning of the restaurant is a greater influencer of the applied mark-up. But we acknowledge the fact that more sommeliers characteristics should be added to better capture their impact on wine prices’ mark-up, if any impact does exist. Our findings also suggest to adopt a more holistic view on mark-up decision: understand clients willingness to pay for wines and the positioning of the restaurant itself.

Appendix 1: Mark-up size equation estimation results per price segment

Variables	Wines purchased													
	Less than 5 €		6 to 10 €		11 to 15 €		16 to 20 €		21 to 30 €		31 to 50 €		More than 50 €	
	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.
Restaurant characteristics:														
North America	-43.456	-1.09	-23.701	-0.74	-11.508	-0.40	-1.015	-0.04	-2.47	-0.10	3.976	0.17	.507	0.02
South America	-40.564	-1.60	-33.235	-1.54	-38.890**	-1.99	-32.209*	-1.69	-23.333	-1.41	-14.859	-0.93	-8.368	-0.51
Asia	-48.928**	-1.98	-52.387**	-2.50	-48.699**	-2.57	-36.228*	-1.96	-20.383	-1.27	-10.376	-0.67	-10.353	-0.65
Europe	Ref.		Ref.		Ref.		Ref.		Ref.		Ref.		Ref.	
Less than 60 seats	-.473	-0.02	.262697	0.01	-9.643	-0.56	-15.118	-0.91	-3.506	-0.24	-5.663	-0.40	1.304	0.09
From 60 to 100 seats	-10.727	-0.50	-4.239516	-0.23	-18.473	-1.12	-26.933*	-1.67	-12.360	-0.88	-7.312	-0.54	-5.740	-0.41
More than 100 seats	Ref.				Ref.		Ref.		Ref.		Ref.		Ref.	
Casual or bistro style	17.849	0.64	19.788	0.84	33.922	1.58	26.289	1.26	5.000	0.28	5.563	0.32	3.048	0.17
Fine dining style	65.603**	2.42	60.268***	2.62	56.101***	2.70	43.485**	2.15	24.435	1.39	20.005	1.17	10.825	0.62
Other style	Ref.		Ref.		Ref.		Ref.		Ref.		Ref.		Ref.	
Chain	19.429	0.57	21.635	0.74	19.605	0.74	13.071	0.51	30.558	1.37	15.233	0.71	9.496	0.43
Franchise	-11.678	-0.18	-11.065	-0.20	-6.842	-0.14	-23.319	-0.48	4.799	0.11	-9.605	-0.24	-20.487	-0.49
Independent	7.359	0.28	13.521	0.61	19.985	1.00	17.382	0.90	16.367	0.97	11.623	0.71	9.047	0.54
Other kind of ownership	Ref.		Ref.		Ref.		Ref.		Ref.		Ref.		Ref.	
Associated with a hotel	30.41	1.49	37.26**	2.14	42.443***	2.70	36.886**	2.41	21.881	1.64	25.432**	1.98	21.515	1.62
Cellar or temperature controlled area to store wine	12.199	0.51	15.957	0.79	23.454	1.28	18.985	1.06	9.615	0.62	1.758	0.12	6.413	0.41
Average cost of a meal	.475***	2.73	.355**	2.41	.485***	0.000	.419***	3.23	.433***	3.82	.403***	3.68	.281**	2.50
% of wine sales	-.734	-1.39	-.5196	-1.16	-.369	-0.91	-.237	-0.60	-.189	-0.55	-.095	-0.28	-.103	-0.30

Variables	Wines purchased													
	Less than 5 €		6 to 10 €		11 to 15 €		16 to 20 €		21 to 30 €		31 to 50 €		More than 50 €	
	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.
Wine list characteristics:														
Number of different wines	-.004	-0.10	.005	0.16	-.003	-0.12	-.001	-0.03	.021	0.88	.016	0.70	.026	1.08
Number of wines offered by the glass	.285	0.44	-.074	-0.14	-.362	-0.73	-.406	-0.83	-.311	-0.73	-.242	-0.59	-.413	-0.98
Monthly update	-13.804	-0.59	-19.849	-1.00	-19.719	-1.10	-22.219	-1.27	-15.708	-1.03	-5.812	-0.39	-6.112	-0.40
Every 3 months update	-20.626	-0.82	-19.81661	-0.93	-24.392	-1.27	-25.588	-1.36	-20.617	-1.26	-13.858	-0.88	-8.095	-0.50
Every 6 month update	3.349	0.14	-1.223	-0.06	-2.185	-0.12	-12.431	-0.70	-7.906	-0.51	-4.464	-0.30	-10.74	-0.69
Less frequent update	Ref.		Ref.		Ref.		Ref.		Ref.		Ref.		Ref.	
Buy en primeur wines	-10.437	-0.53	-14.251	-0.85	-11.864	-0.78	-8.647	-0.58	-18.041	-1.40	-13.233	-1.06	-15.348	-1.20
% of wines purchased directly from the wine estate	-.233	-0.40	-.322	-0.74	-.121	-0.31	-.034	-0.09	-.044	-0.13	.191	0.59	.245	0.73
% of wines purchased from an	-.271	-0.43	-.248	-0.54	-.215	-0.52	-.216	-0.53	-.290	-0.83	-.276	-0.81	-.127	-0.36

agent														
% of wines purchased from a merchant or distributor	.296	0.56	.344	0.93	.446	1.33	.348	1.06	.149	0.52	.143	0.52	.098	0.35
% of wines purchased from an importer	-.001	-0.00	.026	0.07	.149	0.46	.238	0.76	.120	0.44	.135	0.51	.119	0.43
Sommelier in charge of wine list design	19.089	0.80	16.25	0.81	8.923	0.49	1.618	0.09	2.818	0.18	-6.35	-0.43	-19.392	-1.26
Food & beverage managers in charge of wine list design	-41.823*	-1.74	-38.23*	-1.88	-39.278**	-2.13	-39.692**	-2.20	-41.783***	-2.66	-36.869**	-2.43	-28.315**	-1.81
Chef in charge of wine list design	-53.783	-0.88	5.949	0.12	13.919	0.30	-23.618	-0.52	-21.200	-0.54	-44.670	-1.17	-57.352	-1.45
Owner in charge of wine list design	49.059**	2.08	35.366*	1.76	23.017	1.27	10.059	0.57	5.073	0.33	9.056	0.61	3.927	0.26
Other person in charge of the wine list	Ref.		Ref.		Ref.		Ref.		Ref.		Ref.		Ref.	

Variables	Wines purchased													
	Less than 5 €		6 to 10 €		11 to 15 €		16 to 20 €		21 to 30 €		31 to 50 €		More than 50 €	
	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.	Est. Coef.	t-stat.
Wine stewart characteristics:														
Gender (male=1)	28.372	1.17	16.741	0.82	12.293	0.67	12.674	0.70	-1.184	-0.08	4.166	0.28	7.982	0.51
More than 10 years of experience as sommelier	-14.574	-0.79	-13.72	-0.87	-6.857	-0.48	-17.963	-1.29	-17.707	-1.46	-24.416**	-2.08	-26.145**	-2.16
Sommelier certification	-5.232	-0.27	-5.516	-0.33	-8.804	-0.59	-17.67	-1.16	-16.362	-1.23	-7.602	-0.59	-7.031	-0.53
WSET level, 1, 2 or 3	3.221	0.16	-1.210	-0.07	-1.578	-0.10	-3.5	-0.23	-.374	-0.03	.098	0.01	-4.782	-0.36
WSET level 4	23.067	0.79	17.163	0.69	20.237	0.90	13.168	0.60	20.077	1.05	21.556	1.17	13.773	0.73
Title at sommelier competition	-7.691	-0.36	-10.699	-0.59	-12.690	-0.77	-18.485	-1.14	-8.577	-0.61	-8.328	-0.61	-9.277	-0.66
Other qualification	1.922	0.08	9.280	0.47	6.847	0.38	.162	0.01	-3.344	-0.22	4.852	0.33	12.952	0.86
Only sommelier	2.692	0.10	-5.619	-0.25	-7.617	-0.38	-6.422	-0.33	-.292	-0.02	-2.709	-0.16	-4.509	-0.27
Also waiter	-9.594	-0.43	2.298	0.12	-6.836	-0.40	-4.990	-0.30	-5.368	-0.37	-18.054	-1.29	-7.783	-0.54
Also wine director	15.340	0.68	20.934	1.10	19.877	1.15	24.091	1.44	9.976	0.68	8.367	0.59	11.619	0.80
Also food & beverage manager	-6.961	-0.27	18.334	0.84	15.292	0.78	9.536	0.50	14.877	0.89	2.887	0.18	2.363	0.14
Also restaurant manager	4.531	0.21	6.018	0.33	1.031	0.06	-3.065	-0.19	-6.604	-0.48	-12.297	-0.92	-2.065	-0.15
Also other function	Ref.		Ref.		Ref.		Ref.		Ref.		Ref.		Ref.	
	114.423*	1.70	99.025**	1.93	79.199*	1.71	110.133***	2.42	115.925***	2.93	102.93***	2.69	102.859***	2.61
Number of observations	267		267		267		267		267		267		267	
R ²	0.2275		0.2438		0.2770		0.2461		0.2647		0.2365		0.1744	

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Success marketing factors for boutique wineries: Perception of wine store managers

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Abstract:

Purpose: The purpose of this paper is to examine the most important strategies for small wineries in wine stores, from the managers' point of view. There are about 120 small wineries in Israel. Their wines are sold by a limited number of wine stores.

Methodology: Wine stores owners/managers were interviewed face to face, using a designed questionnaire, about the importance of marketing structures to improve selling wine produced by small wineries. Statistical analyses using IBM SPSS were applied to draw conclusions.

Findings: Three factors, implementing principal component analysis, derived from the data can be interpreted as representing the following: (1) "emphasizing medal"; (2) "wine tasting" and (3) "wine label". Tasting wine and medal achieved by the wine perceived as important factors for both wine consumers and wine stores managers.

Practical implications: In store wine festivals with cooperation of a boutique winery is suggested. It is recommended that the winemaker of the winery will present the wines during the event, followed by wine tasting, then offering special prices or the wine that were tasted.

Keywords: Wine stores, boutique wineries, small wineries, premium wine

INTRODUCTION

Israel is an emerging country of wine producing. Wine consumption in Israel was mainly for celebrations for decades. The Israeli wine has been transformed in the last 20 years by producers to quality and premium wines, mainly due to the modern technologies and agriculture adopted since 1980. Wine consumers in Israel are looking for wines for pleasure, with their food or just enjoy drinking. The majority of the wines in Israel are sold in supermarkets and wine stores, price range between US\$5-10. However, wine consumers in Israel are exposed to foreign wines and are willing to try good wines which are displayed in wine stores (which sell all kind of spirits but the majority of products is wine). Premium wines are made in all wineries, the big wineries as well as small wineries, so called “boutique wineries” (producing up to 100,000 bottles a year), and they are marketed in special wine stores or in the wineries cellar doors. The number of wineries in Israel is estimated as 300, but the five big wineries in the country account for 80% of the market, while the boutique wineries market share is only 2.5% of the total wine volume produced in Israel, and they produced only premium wines with price tag of US\$15 and more. Most of the wines made in boutique wineries are “high cost” wines and are sold mainly in the winery cellar door or in specialized wine stores. A crucial marketing issue for boutique wineries is selling their wines in a wine stores and getting a reasonable profit both for the winery and the wine store. However, price is used as a trade off against other attributes and the customer willingness to pay for the wine is correlated with the perceived quality of the wine. Special marketing plans are required to promote premium wines, mainly because of the high sell price and the cost of keeping such wines in stock.

Wine stores need to provide consumers with wine affordable prices, even for customers who are less sensitive about price when purchasing wine for special occasions. Studies on the impact of wine cues on consumers’ wine purchasing behavior are well documented in the literature (e.g., Goodman et al., 2006; Mueller and Szolnoki, 2010; Sherman and Tuten, 2011). Koewn and Casey (1995) stated that pricing was extremely important for all respondents in their study of wine purchasing influences. According to Oczkowski (2010) the wine price depend on several quality factors and objective characteristics such as reputation and sensory. Exhibition awards also play as quality signals in wine marketing and contribute to the price of the wine (Orth and Krska, 2001). Lockshin et al. {, 2000 #14476} highlight the fact that brand name acts a surrogate for a number of attributes including quality. However, tasting the wine is still the most concerning risk for consumers, and plays a dominant role for wine (Mitchell and Greatorex, 1988; Thompson and Vourvachis, 1995). In most cases, tasting the wine is not possible to taste selection of wines in wine store, hence, consumers try to select wine based on extrinsic cues such as label, brand, medal to the wine, winemaker and other extrinsic cues. Lockshin and Corsi (2012) reviewed about hundred articles on wine consumers’ behavior that published in academic journals between 2004 and 2012. This points to the growing academic interest in its consumption behavior of wine. Yet, the authors stated that they do not know consumers’ behavior towards premium/luxury wines as the amount of empirical research in luxury products is quite low.

In this paper we present a possible marketing plan to promote premium wines made by boutique wineries, with the cooperation of wine stores. This study has been done by interviewing wine stores owners or managers, using a structured questionnaire. The questionnaire include a list of 23 attributes related to wine marketing, such as the importance of wine tasting, medal granted to the wine, label and information on the label. Further to the questions related to the wine, the questionnaire included information about the size of the wine store, range of products, profit expectation, preference of purchasing channels and more.

METHOD

Wine stores owners/managers, who are responsible for the wine purchasing, were interviewed face to face, using a designed questionnaire, about the importance of marketing structures to improve selling wine produced by small wineries. A list of 23 attributes related to wine marketing were included in the questionnaire. Participants were asked to rate each attribute's importance in terms of their own perceptions (on a Likert-type 1-5 scale). The interviewer explained the subjects the purpose of the research and the definition of a "boutique winery" as follows: *"Please rate the importance of the following attributes when you consider adding wines made by a "boutique winery" to the store wine collection. A winery is considered as a "boutique winery" if the winery production is less than 100,000 bottles a year."* Statistical analyses using IBM SPSS were applied to draw conclusions. The questionnaire included demographic questions such as gender and age and questions about the wine store, the type of beverages in the store, number of wineries represented in the store and whether boutique wineries sell their wines in the wine store. The data was collected in Israel between January 2015 and June 2015, in wine stores located in different regions of Israel (Tel Aviv area 9 stores, Jerusalem area 13 stores and central region of Israel 8 stores). Table 1 presents the types of the wine stores.

Table 1: Wine store Types

	No. of wine stores	Percentage
Size		
<25m ²	4	11.8
25-50m ²	8	23.5
50-100m ²	12	35.3
100-350m ²	10	29.4
Total	34	100.0
Number of products in the wine store		
<=1000	12	35.3
1001-2000	16	47.1
>2000	6	17.6
Total	34	100.0
Number of boutique wineries in the wine store		
<=10	5	14.7
11-20	11	32.4
21-30	13	38.2
>30	5	14.7
Total	34	100.0

RESULTS

The average levels of importance of the features are presented in Table 2 in the order of importance. The most important attribute was "local wines in store" (4.62 out of 5.00) followed by "in store wine tasting" (4.56 out of 5.00). The least important features are the importance of "visitor center in the winery" and "winemaker signature" on the back label, which are significantly less important of all other features.

Other important factors for wine stores owners/managers are "tasting the wine before purchase", "agent knowledge", "information about aging", "medal" granted to the wine and the wine "label". Other factors such as "winemaker signature" and "visitor center in the winery" seem to be of least importance (see Table 2). These findings are in agreement with other studies on wine purchasing by consumers. Orth and Krska (2001) for example, noted the importance and influence of wines receiving exhibition awards on consumer preferences. The front label includes information on the wine, brand and variety, while the most common back label refer to the winemaker, and the type of food matching with the wine as well as other information about the wine such as the taste, smell, aging and winemaker (Charters et al., 1999).

It is not straightforward to draw conclusions about the importance of the features that influence sells of wine in wine stores using simple statistical analysis such as comparing means. Is the wine label significantly more important than the wine medal or less important that emphasizing the medal? To explore "bundles" of characteristics and to detect the underlying dimensions of the participants' perceptions of marketing and selling wine made by boutique wineries, their perception ratings were subjected to a principal component-based factor analysis. Seven factors, accounting for 74.7% of the total variance, were extracted from the data. Factors with eigenvalues greater than 1 were extracted and rotated using the Varimax method to form an orthogonal structure. For practical reasons and because several factors include only one feature, the number of principal components were then limited to only three factors.

Table 3 summarizes the results of the principal component analysis. The rotated factor structures and the item loadings are presented in Table 4 (only factor loadings above .5 are presented). The three factors derived from the data can be interpreted as representing core features, and they are as follows: (1) "emphasizing medal"; (2) "wine tasting" and (3) "wine label".

Factor 1, the "emphasizing medal" contributes 25.5% to the total variance and includes five features that describe the factor and emphasizes the importance of medal/award visibility in the store. The second factor contributes 15.5% to the total variance and labeled as "wine tasting" which includes in store wine tasting and tasting during festivals. The "wine label" represents the front the information on the front and back label and contributes 13.5% of the total variance.

Table 2: Mean scores of perceived importance of wine store features reported by owners/managers ($n=34$)

	Mean	Std. Deviation
Local wines in the store	4.62	0.65
In store wine tasting	4.56	1.05
Wine tasting during holidays	4.53	0.93
In store wine festival	4.53	0.93
Agent knowledge and professional	4.53	0.93
Info about aging in barrels	4.50	0.86
Wine tasting before purchase	4.29	1.22
Emphasize medal	4.24	1.13
Wine Label	4.21	1.01
Will medal/award help the consumer decision	4.18	1.19
Promoting local wines & foreign wines	4.18	1.14
Kosher of the wines	4.15	1.10
Info on back label	4.03	1.14
Better negotiation and trade directly with the winery	3.97	1.45
Special package	3.85	1.16
Info on front label	3.82	1.11
In store medal advertising	3.79	1.30
Country wine festival	3.79	1.27
Visiting wine exhibitions	3.79	1.41
Medal/Award	3.71	1.40
Achieving annual goals	3.62	1.39
Visitor center in the winery	2.71	1.47
Winemaker signature	2.29	1.47

Table 3: Percentage of variance explained

Factor	% of Variance explained	Cumulative %	Factor “label”
1	25.5	25.5	Emphasizing medal
2	15.5	41.0	Wine tasting
3	13.5	54.5	Wine label

Table 4: Factor loadings of wine tourism features (only factor loadings above .5 are presented)

	Component		
	1	2	3
Will medal/award help the consumer decision	.918		
Emphasize medal	.904		
In store medal advertising	.819		
Medal/Award	.708		
Visitor center in the winery	.577		
Wine tasting during holidays		.774	
In store wine festival		.689	
In store wine tasting		.621	
Wine tasting before purchase		.615	
Winemaker signature			.744
Info on front label			.561
Wine Label			.518

CONCLUSIONS

This study highlights the features that are perceived as important to wine stores owners/managers to promote wines made by boutique wineries in their wine store. Owners and managers of wine stores in different regions of the country were interviewed and were asked to rate 23 attributes related to wine marketing. They were asked to rate the attribute on a 1-5 Likert-type scale, where 1 is low importance and 5 is high importance. Implementation of principal component factor analysis to the data yields three factors that explain 54.5% of the variance and can be interpreted as representing core of marketing activities. The three factors derived from the data can be interpreted as representing the following: (1) “emphasizing medal”; (2) “wine tasting” and (3) “wine label”. Medal seems to be an important factor for wine consumers while selecting a bottle of wine. The study by Lockshin and Cohen (2011) made in 11 countries showed that the majority of wine consumers chose wine based on cognitive cues which include the brand name and a medal achieved by the wine. The second segment found in the study called “assurance cues” which includes tasting the wine and recommendation. The finding of this study in Israel are in agreement with the factors that found as important for Israeli wine consumers (Cohen, 2009).

The findings of this study are important to the marketing managers of boutique wineries in constructing a marketing strategies to expose and promote their high cost/premium wines in wine stores. In store wine festivals with cooperation of a boutique winery is suggested. It is recommended that the winemaker of the winery will present the wines during the event, followed by wine tasting, then offering special prices or the wine that were tasted.

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How do retail distribution and market share measures relate in the wine category? A conceptual outline and speculation based on current knowledge

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Abstract:

Purpose - This paper attempts to draw a conceptual outline of how the market share – distribution relationship may be characterised in the wine category. The aim of this paper is to explain the potential contribution of future research in this area.

Design/Methodology/Approach - Current knowledge of the market share – distribution relationship is presented and its relevance regarding the wine category discussed. The paper establishes a range of speculative ideas and assumptions based on relevant concepts and market as well as category characteristics.

Expected Findings - We expect a typical convex pattern to hold across markets. It is likely that the convex curve in the wine category is more pronounced compared to less dense and lower revenue categories {Wilbur, 2014 #13}. The occurrence of outlier brands, which do not fit the typical pattern is very likely. These could potentially be private label or iconic low-quantity brands, for example. Factors possibly associated with the relationship are regional/national circumstances, market and retail structure, retailer and store characteristics such as store performance, or the density of brands/SKUs in the category.

Keywords - Distribution, market share, retail, wine, physical availability

INTRODUCTION

The distribution of products is one of the key drivers for sales growth {Ataman, 2008 #12;Ataman, 2010 #23;Kucuk, 2008 #33;Sharp, 2010 #22;Srinivasan, 2010 #25}. Therefore, the relationship between market share and distribution continues to be of interest to marketers and academics alike. Typically, this relationship is characterised by an increasing and convex pattern {Borin, 1991 #38;Farris, 1989 #15;Kruger, 2006 #14;Verbeke, 1994 #29;Wilbur, 2014 #13}. See (Figure 3) for an illustration of how brands or stock-keeping-units (SKUs) scatter according to the typical relationship pattern.

Even though this convex relationship pattern holds across the majority of product categories, there are some categories where this pattern does not apply, for example, in small and sometimes sub-categories of larger categories {Kruger, 2006 #14}. Furthermore, the degree of “convexity” (how steep the pattern evolves) differs across product categories {Kruger, 2006 #14;Wilbur, 2014 #13}.

Amongst others, wine represents a product category being widely available and consumed in its major markets and commonly comprising a plethora of different brands and Stock-Keeping Units (SKUs). Even on a brand-level, SKUs may differ based on grape varieties, vintage, their provenance, or style among others. The spectrum ranges from very small boutique brands with limited availability to big international high-volume brands.

This paper attempts to draw a conceptual outline of how the market share – distribution relationship may be characterised in the wine category across major wine markets.

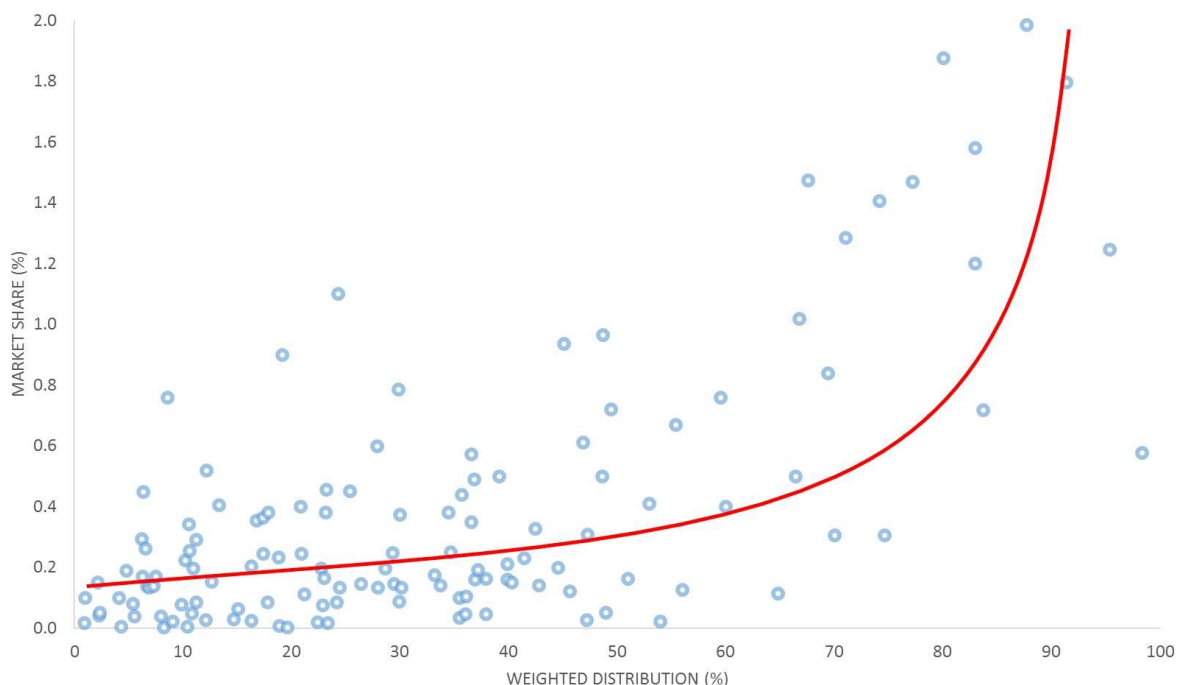


Figure 3 Scatter Plot of the Typical Convex Market Share - Distribution Relationship (Source: author's own illustration)

2. DEFINITIONS OF METRICS

One of the most important and most commonly used brand-size related brand performance measures (BPMs) in marketing is market share {Ehrenberg, 2004 #20}. Market share can be expressed as either volume or value-based percentage and is commonly calculated as

$$\text{Market Share (\%)} = \frac{\text{Total purchases of the brand}}{\text{Total purchases of the category}}$$

Distribution can be measured in different ways. The most common distribution metrics are:

Physical Distribution: % of outlets carrying the brand

ACV (All Commodities Volume): % of total commodity volume sold by stores that stock the brand

PCV (Product Category Volume): % of total category volume sold by stores that stock the brand

A brand's weighted distribution of 80% PCV means that the stores stocking the brand account for 80% of the Product Category Volume (sales) in the sample of stores compared to All Commodities Volume (ACV) which is the equivalent measure accounting for the total store sales of all product categories {Farris, 1989 #15}. Therefore in the case of specialty stores the measures of ACV and PCV would most likely be almost identical {Farris, 1989 #15}.

3. LITERATURE REVIEW

3.1. The market share – distribution relationship

The empirical relation between market share and distribution has been investigated as early as the 1960's. {Nuttal, 1965 #37} publication on the confectionary category in the UK market is considered to be one of the first on this relationship. In the following decades the research in this area has been extended to multiple markets and product categories. For example, those studies looked at tortilla chips and instant coffee in the USA {Farris, 1989 #15}, shampoo in Japan {Borin, 1991 #38} or detergents in Holland {Verbeke, 1994 #29} amongst others {Ataman, 2010 #23; Kruger, 2006 #14; Reibstein, 1995 #28}.

Over the past years, various methodological approaches to analyse the relationship have been applied, using cross-sectional time-aggregated data {Borin, 1991 #38;Wilbur, 2014 #13} or cross-sectional time-series data {Bronnenberg, 2000 #41;Bruno, 2008 #42;Farris, 1989 #15;Kruger, 2006 #14;Reibstein, 1995 #28;Verbeke, 1994 #29}.

{Kruger, 2006 #14@@author-year} found the convex relationship in 95% of the time across 143,356 brands in 263 product categories. Importantly they observed that the 5% of the categories where the model does not fit are small and sometimes sub-categories of larger categories. Similarly, {Wilbur, 2014 #13@@author-year} identified an increasing and convex relationship in 86% of the 37 CPG categories on SKU-level.

As can be seen in Figure 3, this specific relationship pattern entails a Double Jeopardy phenomenon where high-share brands tend to sell more “per point” of retail distribution than small-share brands in several categories {Farris, 1989 #15;Kucuk, 2008 #33;Reibstein, 1995 #28}.

In regard to future research needs in this field, {Farris, 2004 #30@@author-year} asked for a “[...] broader, more systematic comparison of distribution share relationships in different product categories [...]”. Furthermore, {Wilbur, 2014 #13@@author-year} expressed the need to continue studying the causes and consequences of best versus worst performing brands and SKUs. Hence, a more systematic approach to investigate the share-distribution relationship and associated category, brand and SKU characteristics, is needed.

3.2. The nature of retail distribution of wine

The retailing industry is one of the most important sales channels for wine brands. Store-based retailing remains to be the most significant contributor to overall retail sales in the major wine markets. In 2014 of the total wine sales, store-based retailing of wine accounted for 81.5% in the USA, 73.4% in Germany, 66.5% in China, 65.6% in France, or 60.3% in Italy {Euromonitor, 2015 #75}. Despite the strong increase of non-store based retailing (i.e. e-commerce, mobile) in the past years, traditional “brick-and-mortar” stores are important and ever growing in the sector, partly adopting new technologies {Euromonitor, 2015 #18}. Therefore, making products physically available in the market represents a necessary and continuing challenge.

To date researchers rather broadly discussed the reasons of the convex pattern, for example, as potentially being explained by the general structure of retail distribution with few large stores carrying a wider category assortment and many small stores with limited shelf capacity mostly carrying the major (high market share) brands {Farris, 1989 #15}. Wine markets have their distinct retail structure and the share of supermarkets, discounters or specialised retail stores varies. Structural differences across markets may have implications on how the market share – distribution pattern evolves in the wine category. In this regard, the conceptual assumptions are presented in the following.

4. CONCEPTUAL ASSUMPTIONS

Given the typically high breadth and depth of brands and SKUs in the category of wine, one would expect a confirmation of the typical convex pattern across markets. {Kruger, 2006 #14@@author-year} illustrate the relationship pattern for wine in the US market. In this market the pattern can be identified as being typically increasing and convex. It shows that the slope is more pronounced compared to other beverages categories such as spirits/liquor, premixed cocktails/coolers or cocktail mixes. This indicates that wine brands need to reach relatively higher distribution levels in order to grow, compared to other mentioned categories. {Wilbur, 2014 #13@@author-year} found that the degree of convexity can be higher in dense (competitive) and high revenue categories.

But past research also showed that there are exceptions in the form of outlier brands, which are able to gain above average market shares despite their relatively low distribution. The occurrence of such brands that do not fit the typical pattern can be expected in wine. Private label brands or scarce iconic brands (e.g. from Champagne) may appear to significantly deviate from the norm. The distribution of private label brands is naturally restricted due to their exclusivity to respective retailers and their stores. Despite their limited distribution these brands may still perform above average, realising relatively high market shares. In relation to the second example, the scarce iconic brands, similar relationship characteristics may apply. A somewhat special condition of the product wine is the natural variation of produced volume over time. Wine producing countries usually have a disproportionately high number of low and relatively few high volume producers. In Germany, for example, the estimated average size of a wine producing business (total of approx. 10,000 wine producers) is just above 6 ha in 2009 {MWVLW, 2010 #76}. This indicates how many different brands originate from very small producers. Furthermore, the existence of geographically delimited wine growing regions additionally restricts the production (the Champagne region in France being one of many examples). The volume produced may also be restricted by (regional) legal requirements in order to be allowed to use specific quality declarations. {Bhattacharya, 1996 #34@@author-year} note that the market share – distribution relationship may be relative to regional/national circumstances where small brands may have lower distribution levels overall but perform relatively better on a regional level (in their regions). A regional market leader brand may seem to be underrepresented in a national market context, having an overall low distribution but relatively high market share. These conditions may explain the existence of such outlier brands that deviate from the typical market-share – distribution relationship pattern.

Besides the market and retail structure in wine markets, also retailer and store characteristics as well as brand features may help to explain the relationship. Retail store size seems to affect the stocking decision-making due to differing shelf space and budget {Farris, 1989 #15;Kucuk, 2008 #33}. Small stores having less shelf space may only have a small

assortment of SKUs and change this assortment more frequently, likely in response to consumer preference over time {Shah, 2015 #50}.

Another important determinant of effective distribution outcomes is retail store performance. It can be argued that store performance plays a major role when aiming to increasing sales by at least maintaining distribution levels. Store performance may be affected by different market and store characteristics {Campo, 2004 #57; Campo, 2000 #56; Hoch, 1995 #58; Montgomery, 1997 #59}. Factors such as location, assortment and promotion can be important determinants of retail sales generation and performance improvements {Wieringa, 2015 #60}. Z

RESEARCH APPROACH

How the retail distribution and market share measures relate in the wine category will be tested using secondary retail scanner data from major market research data providers. Competitive repeat-purchase markets to be investigated include USA, UK, Germany and France. For comparison purposes it is aimed to include 10 to 20 CPG product categories, including wine. Retail scanner data can potentially be linked to household panel data, which would result in a wider scope of possible determinants of market performance. Weekly scanner data will be aggregated and product categories filtered by appropriate product/brand/SKU hierarchies. Adequate measures of distribution (see 1. above) need to be identified and evaluated before establishing any analytical framework. In order to properly estimate the effects of structural distribution antecedents on market performance outcomes, the market needs to be stationary. Using co-integration techniques {Franses, 1998 #67} and/or persistence models {Dekimpe, 1999 #65} to overcome non-stationary characteristics may be advisable.

The identification of mentioned outlier brands will play a role in this study. One possible way of identifying spatial outliers that do not follow the average market share – distribution line is a Cluster-Outlier Analysis using Anselin Local Moran's I {Anselin, 2013 #69}. This analysis could be exploratory in nature and runs stepwise (including distances of brand points and their respective value for each independent variable at a time). This would result in descriptive characteristics and sales and distribution related performance measures of brands and SKUs in their respective category. Based on these preliminary findings and its indications the objective could be to identify underlying antecedents (drivers) of retail distribution having an effect on market share. On the other hand, brands/SKUs that are part of the average relationship line need to be identified likewise. Standard Deviation (SD) may be helpful in this regard. Subjects that only deviate within a critical SD threshold may be considered to fit the line.

5. CONTRIBUTION

Understanding the market share – distribution relationship enables marketers not just to better understand the distribution related dynamics in the market, but also to better forecast volumes and market shares, for example, of newly introduced products by estimating respective distribution levels {Farris, 2004 #30}. According to a brand's position on the share-distribution map, further strategic decisions as to whether investing in distribution and/or the creation of demand through other marketing activities can be made {Farris, 2004 #30}. {Farris, 2004 #30@@author-year} correctly states: “The importance of distribution in determining market share and market structure is probably most apparent to new and small brands struggling for shelf position.” Such highly competitive conditions for small brands are exemplary for the wine category. Understanding the nature of wine brands and SKUs in relation to their market and distribution ‘position’ will ultimately be a foundation for better strategic decision-making in a retail distribution context. The allocation of resources toward the distribution and/or advertising/promotion of a wine can be targeted more effectively.

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Marketing by What Matters: Using Schwartz's Theory of Basic Values to Identify Wine Consumer Segments

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Abstract:

Purpose - The primary aim of this research study is to explore the use of individual values as a means to segment the US wine market. They study employs Schwartz's Theory of Basic Values. Market segments based on values are created and wine consumer behaviors amongst value groups are explored.

Design/methodology/approach - An online survey was used to collect data from panel members in the US. Quantitative analyses were used to explore the relationship between respondents' values and their preferred wine behaviors.

Findings - The statistical findings validate the use of the Schwartz value structure to represent the US marketplace. Four motivational groups reflecting values of self-enhancement, conservation, self-transcendence and openness to change were identified.

Keywords - personal values, market segmentation, consumer behavior, wine attributes

1. INTRODUCTION

The market for wine in the United States has grown steadily over the last decade to become the largest in the world (De La Hamaide, 2014). As wine has become more popular, its appeal has expanded to new regions and to different demographic and lifestyle groups. The result of these changes is now the consumer market has become more diverse and selling wine in the US more complex than ever. Creating effective marketing programs requires a deep understanding of how consumers differ and how to best tailor market programs to distinct market segments (Barrena and Sanchez, 2009; Thach and Olsen, 2006). Market segmentation studies address this important endeavor.

With more than two decades of research, studies on market segmentation within the wine industry are not new and early studies identified a range of variables for consideration, including demographics (Sanchez and Gil, 1997), benefits sought (Hall et al., 1994) lifestyles (Bruwer et al., 2001), and occasions (Dubow, 1992). Although different segmentation approaches have been advanced, strong support for using those based on socio-demographic variables to explain wine preferences and consumption has yet to materialize (Fulconis and Viviani, 2006; Magistris et al., 2011; Mueller et al., 2011). Marketing researchers have come to the realization that creating groups based on motivation and behavior is a more productive approach to wine market segmentation (Geraghty and Torres, 2009). From a research perspective, there remains a need to better understand the motivational factors that drive behaviors exhibited around wine consumption.

Values explain the motivational basis of attitudes and behaviors (Schwartz, 2011). Marketing scholars have proposed including values as a method of market segmentation. For example, Kotler states, “the advantage of using values go deeper than attitudes and behaviors and can serve to explain behavior over the long term” (2000, p. 267). Values are also important to marketers because they can be used as a basis for advertising and communication strategies (Tóth and Totth, 2003).

This study explores the question of whether the four value segments identified by Schwartz affect wine consumption. A literature review conducted for this study suggests the answer is yes and the impact can be seen in a wide variety of wine related behaviors.

2. LITERATURE REVIEW

2.1 Schwartz’s Theory of Values

Schwartz’s theory of values proposes ten different universal values and then determines how these values relate to each other (Table 1). Next, these 10 values can be arranged to provide a continuum of related motivations. The values are aligned with the other values with which they are most congruent and away from those that are most likely to cause conflict. By grouping values that are contiguous to each other, Schwartz has identified 4 motivational groups. The groups are 1) Openness to change, 2) Self-enhancement, 3) Conservation, and 4) Self-transcendence.

Table 1. Schwartz Basic Values and Goals

Values	Goals Expressed by the Value
1. Self Direction	Independent thoughts and actions, freedom, creativity,
2. Stimulation	Excitement, variety, and novelty
3. Hedonism	Pleasure, fun and self-gratification
4. Achievement	Personal success through demonstrating competence
5. Power	Social status, prestige, wealth, control and dominance
6. Security	Safety, harmony and stability
7. Conformity	Self-restraint, obedience, self-discipline
8. Tradition	Respect and acceptance of cultural and religious traditions
9. Benevolence,	Enhancing the welfare of others with whom one affiliates
10. Universalism	Protection of people and nature, sustainability

1. Self-enhancement: This segment has motivations most associated with Self-enhancement and members desire Hedonism and are most likely to find satisfaction from Achievement and Power. They not only want to be competent, they want the recognition from others for their abilities. The rewards of their success, such as wealth, prestige, and status are powerful motivators for this group. They also seek the power and domination that comes from their mastery of skills. The values held by people in this group are most congruent with those associated with Openness to change, especially in terms of their shared value of hedonism, and also with the Conservation segments' desire for power. People in the Self-enhancement group may find their motivations most often in conflict with the benevolence and universalism values held by the Self-transcendence group.

2. Conservation: The broad motivational goal of the Conservation segment incorporates the values of Security, Conformity and Tradition. A person with strong Conservation goals seeks personal safety, order and harmony in relationships, and feels that preserving existing cultural and religious traditions give certainty to life. A person in this group feels this is accomplished through subordination of one's own selfish desires. The values of Power and Benevolence are most congruent for this segment as they may wish to use power to control others in order to promote harmony, or desire benevolence as a way to foster close relationships. Values associated with Openness to change, such as Stimulation and Self Direction, are most likely to create conflict within people in this segment.

3. Self-transcendence: This segment of the continuum refers to strong values of Universalism and Benevolence. This segment is composed of values associated with the welfare of others, both those that one closely associates with as well humanity in general. They value tolerance and understanding as well as equality and a world at peace. Their values expand to protection of nature and the environment. The values most congruent for members of this group would be Self Direction with its tolerance for diversity, and Benevolence with the belief in devotion and maintaining close relationship to members of one's group. The values most likely to cause conflict are those of Power and Achievement associated with Self-enhancement.

4. Openness to change: This motivational segment possesses strong motivations associated with Self Direction, Stimulations and Hedonism. Therefore, one would expect

people who are driven by Openness to change to strive for novelty and mastery in their lives with a strong desire for affective pleasurable arousal. The values associated with Self-transcendence and Self-enhancement would be congruent to these motivations, but those associated with Conservation may lead to internal conflict.

2.2 Values and Wine Consumption

Spawton (1991) was one of the first scholars to propose incorporating values into wine market segmentation. Values have been shown to vary across countries and wine consumption reflects the prevailing culture of the society in which people live (Hall et al., 1994). In a French context, personal values have been used to explain whether consumers drink wine and to what extent (d’Hauteville, 2003). They have been employed to better understand wine market segments based on consumers’ preferred attributes and orientation to wine (Hall, 1999, Hall and Winchester, 2000).

Several studies employing Means-End Chain methodology, or laddering, show that values can have a significant influence on the selection of wine on different occasions (Hall et al, 2001; Oppenheim et al, 2001; Cavicchi et al, 2008). Values, especially those related to sociality, may influence wine consumption compared to other alcoholic beverages in different consumption situations in Italy (Agnoli, et al., 2011). Personal values influence the entire decision making process for selecting a wine in Hungary (Tóth and Totth, 2003). Personal values have also been shown to relate to wine tourism behavior as well as wine consumption (Simpson, et al., 2004).

In a review of multiple studies focused on wine and values, several key behaviors have been identified: wine involvement, subjective wine knowledge, wine tourism, wine innovativeness, preference for organic wines, and information search (friends and online). For purposes of brevity, the studies have been summarized in Table 2.

Table 2. Synopsis of Research Implicating Values

Wine Behavior	Wine Studies	Values
1. Wine Involvement	d’Hauteville, 2003; Hirche and Bruwer, 2014; Geraghty and Torres, 2009; Lesschaeve and Bruwer, 2010; Ogbeide and Bruwer, 2013; Spawton, 1991; Hall et al, 2001; Oppenheim et al, 2001; Cavicchi et al, 2008	Hedonism, Security, Pleasure, Power, Enjoyment, Self-enhancement
2. Subjective Wine Knowledge	Philippe and Ngobo, 1999;	Self-direction, Achievement
3. Wine Tourism	Bruwer and Alant, 2009; Charters and Ali-Knight, 2002; Hall, 1996; Mitchell and Hall, 2006; Olsen 2009; Simpson et al., 2004.	Stimulation, Power, Hedonism, Self-direction, Benevolence
4. Wine Innovativeness	Goldsmith, 2000; Mueller et al., 2011; Olsen et al., 2014	Self-direction, Stimulation Hedonism, Power, Security
5. Prefers Organic Wine	Fotopoulos et al., 2003; Mueller et al., 2011; Olsen et al., 2012	Hedonism, Conformity, Universalism
6. Global Orientation	Magistris et al., 2011, Mueller et al., 2011	Tradition, Stimulation, Conformity
7. Information Search	Fulconis and Viviani, 2006 Tóth and Totth, 2003	Hedonism, Achievement, Conformity,

The research questions addressed in this study are whether the pattern of values identified by Schwartz's Theory of Basic Values can be replicated within the population of US wine drinkers, and if so, how does a person's value orientation relate to important areas of wine consumption? This exploratory study does not propose directional hypotheses at this point, but it does anticipate group differences. Hypothesis 1 relates to whether our sample is able to replicate Schwartz's Theory of Basic Values. Hypotheses 2-9 are related to the values held by the 4 segments and aspects of wine consumption behavior.

H1: Four value segments of the US wine drinking population can be identified similar to the 4 value orientations identified in Schwartz's Theory of Basic Values.

H2: Differences in the means for levels of wine involvement exist among the 4 value segments.

H3: Differences in the means for subjective wine knowledge exist among the 4 value segments.

H4: Differences in the means for enjoyment of wine tourism exist among the 4 value segments.

H5: Differences in the means for degree of wine innovativeness exist among the 4 value segments.

H6: Differences in the means for consumers' global wine orientation exist among the 4 value segments.

H7: Differences in the means for consumers' preference for organic wine exist among the 4 value segments.

H8: Differences in the means for consumers' likelihood to consult friends about wine purchases exist among the 4 value segments.

H9: Differences in the means for consumers' likelihood to consult online sources about wine exist among the 4 value segments.

3. METHODOLOGY AND RESULTS

Data were obtained from an online study conducted in 2014 of respondents from the United States. The sample consisted of 977 usable surveys from respondents from all 50 states. Survey Monkey was used to create and administer the survey, and respondents were obtained from a panel data provider, Survey Sampling International. To participate in the study, respondents were screened to be over 21 and at least occasional drinkers of wine.

Measures for values and wine related behaviors were adapted from previous research and Likert type scales (6 point for values, 5 point for wine related behaviors) were used to indicate agreement or disagreement with items on the questionnaire (see Table 3 and 4). The research first determined whether the data reflected the value structure identified by

Schwartz. Cluster analysis, using the 10 universal values was done to create a four-segment solution. To remove possible response bias the analysis used within-line standardization.

A four-group solution was identified that approximated the 4 domains proposed by Schwartz, 1) Self-enhancement, 2) Conservation, 3), Self-transcendence, and 4) Openness to change. ANOVA was used to describe membership in each of the 4 groups using the 10 values measured in the study. A lower mean score indicates greater agreement with the measure. Significance at the .05 level is indicated by an asterisk. Duncan's Post hoc test was employed to determine which groups significantly differed from others. The F-test indicates whether there is a significant difference to be found in the means, but with more than 2 groups, it is not possible to tell from the ANOVA alone whether it is group 1 mean that differs from the mean for group 2, 3 and 4, or whether it is group 2, 3 or 4 whose mean differs, or whether all 4 groups means are significantly different from each other. (See Table 3.)

Table 3. ANOVA for 4 Value Motivational Groups

	1. SE N=411	2. C N=214	3. ST N=139	4. OC N=213	F	SIGNIFICANT GROUPS - Duncan's Post hoc Test
OPENNESS TO CHANGE						
1. It is very important to think up new ideas and to be very creative. (SELF-DIRECTION)	2.69	3.34	2.53	2.17	33.46*	4 from 3, 1, from 2
2. It is very important to have an exciting life and to have adventure and take risks. (STIMULATION)	2.73	4.13	2.95	2.38	80.77*	4 from 1, 3 from 2
3. It is very important to have a lot of fun, and to enjoy life. (HEDONISM)	2.67	2.43	1.68	1.73	60.42*	3, 4 from 2 from 1
SELF-ENHANCEMENT						
4. It is very important to be successful in life and to have others recognize me for my achievements. (ACHIEVEMENT)	2.56	3.64	3.73	3.04	47.66*	1 from 4 from 3, 2
5. It is very important to have a lot of money and expensive things. (POWER)	2.81	4.74	5.15	4.18	230.71*	1 from 4 from 3 from 2
CONSERVATION						
6. It is very important to live in safe, secure surroundings and to avoid anything that might be dangerous. (SECURITY)	2.56	2.08	2.41	3.31	40.27*	2 from 3, 1 from 4
7. It is very important to behave properly and to avoid doing things most good people would say are wrong. (CONFORMITY)	2.60	1.93	2.46	3.63	75.05*	2 from 3, 1 from 4
8. Traditions are very important and one should try to follow the customs handed down from religion or family. (TRADITION)	2.70	2.07	2.28	3.33	40.09*	2, 3 from 2 from 4
SELF TRANSCENDENCE						
9. It is very important to help people and to care for the wellbeing of others. (BENEVOLANCE)	2.73	2.43	1.68	1.73	63.35*	3 from 4, 2, from 1
10. It is very important to look after the environment and to care for nature. (UNIVERSALISM)	2.81	2.53	1.86	2.36	24.70*	3 from 4, 2 from 1

Next, ANOVA was used to determine if the 4 segments differed in aspects of wine consumer behavior. A significant F statistic determined that the value groups did differ on the 8 different aspects of wine behavior explored in this research. Again, Duncan's Post hoc test was employed to determine which groups significantly differed from others. (See Table 4.)

Table 4. Value Structures and Wine Consumer Behavior

	1 SE	2 C	3 ST	4 OC	F	Significant Groups
Wine Involvement*	4.08	3.63	3.93	4.03	20.18	2 from 3, 4; from 4, 1
Subjective Wine Knowledge- novice, intermediate, advanced, connoisseur	2.28	1.80	1.94	2.15	24.28	2, 3 from 4 from 1
Wine Tourism, enjoys visiting wineries in different regions	3.85	3.67	3.65	3.92	4.04	3, 2 from 1, 4
Wine Innovativeness, likes new and unusual wines	3.86	3.09	3.71	3.78	33.10	2 from 3, 4, 1
Global wine orientation, likes to try wines from different countries	3.95	3.70	4.16	4.10	11.31	2 from 1, 4; from 4, 3
Prefers organic wine	3.53	3.16	3.46	3.53	9.81	2 from 3, 4, 1
Information search, consults friends	2.53	1.65	1.78	2.11	40.86	2, 3 from 4; from 1
Information search, consults online sources	2.53	1.67	1.99	2.27	34.66	2 from 3 from 4 from 1

*5 Item Scale, Chronbach's Alpha .89

The results of the analysis demonstrate the four groups are somewhat distinct in terms of their wine consumer behavior. The differences are summarized below.

1. Segment motivated by **Self-enhancement**: These wine consumers exhibit motives for having fun, but also want to find personal success through status and prestige. They are relatively high on wine involvement, have the highest subjective wine knowledge, enjoy wine tourism, and show the most wine innovativeness. They are mid-range in global wine orientation. They show slightly more interest in organic wines, and are most likely to consult with outside sources about wine, both with friends and online.

2. Segment motivated by **Conservatism**: These wine consumers with more traditional and security based values have the lowest reported scores for the wine related behaviors. Although they drink wine, they are not as heavily involved with the product category and do not feel they are very knowledgeable. This pattern is also reflected in their wine choices. They are not as interested in visiting wine regions, trying new or unusual wines, imported or organic wines. Perhaps due to their lack of interest or curiosity, they are also least likely to consult with friends or online sources about wine.

3. Segment motivated by **Self-transcendence**. These wine consumers, with a strong interest in humanity and nature, ranked in the middle on most of the measures of wine-related behavior. The one measure where they are the highest is with having a global orientation and trying wines from different countries. They show some interest in organic wines as do 2 other groups, but they do not have the highest mean on this measure as might be expected given their concern for nature and the environment.

4. Segment motivated by **Openness to change**: These wine consumers with their motivations for novelty, stimulation, pleasure and mastery scored high on most measures of wine related behavior. This group of consumers is quite similar to the Self-enhancement segment in most regards. They see themselves as slightly less knowledgeable than members of group 1, perhaps because they are also less likely to consult with friends and online sources about wine.

5. DISCUSSION, LIMITATIONS AND CONCLUSIONS

This study has several implications for wine academics and practitioners alike. In terms of academics, this study supports previous research showing that consumers who are more involved with wine have values associated with Hedonism, Pleasure, Power, Enjoyment, and Novelty (d’Hauteville, 2003; Hirche and Bruwer, 2014; Geraghty and Torres, 2009; Lesschaeve and Bruwer, 2010; Ogbeide and Bruwer, 2013; Spawton, 1991). These types of consumers fall into Schwartz’s two segments of Self-enhancement and Openness to change. The study also highlights that US consumers who are the least involved with wine are motivated by Conservatism with a key value of Security.

In terms of practical implications, this study can be useful for wine marketers in targeting distinct promotional messages around these four value groupings. For example, marketers targeting consumers with values for Self-enhancement may want to show advertisements emphasizing people having fun with wine, as well as appearing successful in their careers, and visiting wine tourism regions around the world. Since this segment is savvier regarding technology, they could also use digital marketing to reach this group. Conversely for consumers falling into Schwartz’s segment of Conservatism, marketers may want to emphasize traditional values such as using wine in family settings or for special celebrations. Focusing on consistency of taste and style in wine would also be appealing to this group.

In addition, operations of the winery can be adapted to appeal to certain value segments, such as using sustainable winemaking and vineyard practices. While it might be expected that these efforts would appeal to the members of the Self-transcendence group due to their interest in nature and the environment, our research shows that the Openness to change and Self-enhancement group would respond equally well to such positioning.

As the Direct to Consumer portion of sales has become more important to many wineries’ profits, it is critical to retain club members over the long run. Creating wine events to appeal to segments based on values can help maintain close customer relationships and encourage repeat business. For example, members of the Self-enhancement group may enjoy more upscale, formal wine events where they can show off the accouterments of their status and success, while members of the Self-transcendence group may find such affairs too ostentatious. Conservation members may enjoy more informal family style events such as picnics and BBQs, while members of the Openness to change group might appreciate events that are more unusual and creative, such as costume parties.

There are several limitations to this study which highlight future areas for research. Though the sample includes wine consumers from all 50 states, it is based on panel data and is therefore not a representative sample. Also the study did not collect detailed information about preferred brands and digital marketed platforms used. For future studies, it would be useful to identify a random sample and add more detailed questions. The study also did not look at the impact of life circumstances, such as age and life cycle stages on a person’s values. Schwartz makes a point in his writings that these life circumstances can shape one’s values. Future research should consider the interaction of life circumstances and values on

wine consumption behavior. It would also be interesting to conduct this study across countries to identify potential international differences.

In conclusion, the findings of this study suggest that consumers' motivations as derived from their innate value structure do play a role in shaping their wine related behaviors. Schwartz's Theory of Basic Values appears to be one way to incorporate values into scholarly research on wine behavior. Market segmentation studies in the wine industry should continue to use values as a means to provide a richer description of wine consumers.

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For the Love of Country: How Origin-related Affect Influences Consumer Wine Evaluation and Preference

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Abstract:

Purpose - This paper presents a cross-national investigation of how the affect consumers hold towards a country (Australia) influences their evaluation of and preference for wine from that country.

Design/methodology/approach - Seated in seven countries around the globe, two studies, one qualitative (21 focus groups, N=138) and the other quantitative (an online survey; N=2,039) examine how country of origin influences consumer evaluation (and, ultimately, preference) through affective (warmth) and cognitive (country, people, and food associations) pathways.

Findings - Study 1 yields initial evidence that the affect consumers hold towards an origin, jointly with origin-related associations about the country, its people, and foods influences consumer response. Study 2 shows origin-related affect relates positively to consumer preference for wines from Australia, but the study also shows that associations (country, people, and food) can lower preferences. Cultural similarity enhances the effect of warmth on wine evaluation, whereas subjective wine knowledge has no such moderating influence.

Practical implications - Given the impact country affect has on wine preferences with both novice and expert consumers, especially in more similar cultures, wine marketers may be interested in benefitting from the findings by joining forces with tourism managers to create more positive affect towards their wines' origin.

Keywords: Competence, country-of-origin, stereotype-content model, warmth

1. INTRODUCTION

Governments and tourism managers worldwide spend large amounts of money to generate positive feelings towards their countries, regions and cities. Nevertheless, country of origin (COO) research has predominantly focused on consumers' conscious thoughts, associations, cognitions and assumptions about places and the products originating from those places (Josiassen et al., 2013). Whilst COO influences have been studied extensively for decades (Bilkey and Nes, 1982), only recently has the notion emerged that affect toward countries can influence the evaluation of products (Chen et al., 2014). In spite of a long history of research investigating the power of COO based beliefs on consumer response, this area of investigation remains relevant and continues to yield powerful results for managers. The increasingly integrated global marketplace has resulted in the proliferation of 'hybrid' products and services branded and/or designed in one country but manufactured or assembled in many. Wine remains essentially a 'single-origin' product and one where the respective COO remains a significant cue to consumers for quality.

Drawing from the literature on COO and the stereotype-content (SC) model (Fiske et al., 2002), we propose that origin-related affect (warmth), jointly with origin-related cognitions (competence), influences consumer evaluation of wine from a specific country, with effects ultimately extending to preference. Warmth captures the (positive) affect consumers hold towards an origin (Chattalas et al., 2008). For example, U.S. consumers may have positive feelings towards Australia and those feelings will flow on to positively influence their evaluation of Australian wines. Over time countries may also gain strong reputations for producing certain products (e.g., China for silk or Scotland for whiskey); a strong association or 'congruence' between these products and their COO develops, leading consumers to strongly believe in their competence to produce high quality in these categories (Srikantanyoo and Gnoth, 2002). Hence, consumer cognitions will reflect their own experience, associations and assumptions respective to a country, its people and products (Chen et al., 2014; Han, 1989, 1990). For example, consumers associate France and the French with competence in fine foods and fine wines and, thus, will evaluate wines from France more favorably.

In addition, we test the prediction that two consumer attributes will moderate the relationship between country affect and consumer evaluation of wine. Subjective wine knowledge (differences between novices and those that see themselves as experts) should attenuate the effect, as novices may rely more on country affect in evaluating wine than experts (Veale, 2008). On the other hand, perceived cultural similarity with the country of wine origin should moderate the relationship such that the influence of country affect will be stronger when consumers perceive their own culture as more, rather than less, similar to the culture where the wine originated (Alden et al., 2009).

2. LITERATURE AND HYPOTHESES

2.1. Country Stereotypes and Affect

Stereotypes are fixed impressions that people hold (Katz and Braly, 1933) and can be defined as a socially shared set of beliefs about traits of people (Steele et al., 2002) or places (Herz and Diamantopoulos, 2013). Country stereotypes are formed directly via experiencing a country and/or its products and services, or indirectly via media exposure and personal communications (Verlegh and Steenkamp, 1999). Notably, country stereotypes can evoke not only cognitive, but also affective responses (Chen et al., 2014), influencing consumers' evaluation of products and brands (Chattalas et al., 2008).

Originally developed in an interpersonal relationship context, a key property of the SC model is that it includes two primary dimensions of people's response to stereotypes: warmth and competence (Fiske et al., 2002). Adaptations and extensions of the SC model have been proposed to explain not only a person's evaluation of other people, but also consumer response to firms (Aaker et al., 2010) and brands (Aaker et al., 2012). The SC model has even been suggested to explain response to national stereotypes for general products and consumer electronics (Chattalas et al., 2008; Chen et al., 2014). Given the unanimously positive influence of country affect on consumer evaluative judgment, we expect:

Hypothesis 1a: Positive affect towards a country will positively influence consumers' evaluation of wine from that origin.

A substantial body of research has focused on COO effects in general (Chattalas, et al, 2008; Han, 1989, 1990; Piron 2000; Srikantanyoo and Gnoth, 2002) and in the context of wine (e.g., D'Alessandro and Petotich, 2013; Moulard et al., 2015). Those studies converge on the finding that the associations, cognitions, and conscious thoughts people infer from an origin are powerful predictors of their evaluation of and response to wines from that place. Integrating the general and the wine-specific COO literature with recent advances of the SC model, we maintain:

Hypothesis 1b: The positive influence of country affect on wine evaluation will persist when cognitions about country, people, and food are included as additional predictors.

2.2. Knowledge and Cultural Similarity

The knowledge people possess about a product category (their objective knowledge) and how much they believe they know (subjective knowledge) can be a major differentiator in their response to offers from that category (Alba and Hutchinson, 1987), including their evaluation of products from a specific origin (Schaefer, 1997). In the wine category, individual knowledge has been shown to influence what cues (including information about the origin) consumers rely on to infer quality (e.g., Viot, 2012), and the preferences they form based on those inferences (Guidry et al., 2009). Integrating the SC model with reports that novices rely more on COO cues than do those that rely more on their own experience and knowledge (D'Alessandro and Pecotich, 2013), we expect:

Hypothesis 2a: Subjective wine knowledge will attenuate the effect of country affect on evaluative judgments.

Much research attests to self-continuity or self-verification as a key motivator in an individual's efforts to maintain a clear and functional sense of who they are (Swann, 2012). This need for a consistent and stable sense of 'self' is met typically through assessments of similarity between one's sense of self and others (Seih et al., 2013). Culture researchers have pointed to the important role of the perceived difference (or similarity) between one's own culture and other cultures (e.g., Sousa and Bradley, 2008). Integrating cultural similarity studies with the affect-as-information (Schwarz, 2013) and affect infusion models (Forgas, 1995), we argue that country affect should lead to more favorable evaluation when consumers perceive the culture of the origin of a product is perceived to be similar to their own because related affect will be perceived as more diagnostic. We thus hypothesize:

Hypothesis 2b: Perceived cultural similarity will enhance the effect of country affect on evaluative judgment.

3. EMPIRICAL STUDIES

We tested these predictions in the context of country affect to Australia and consumer judgment of Australian wines via two studies. In Study 1, we examined consumer narratives of perceptions of, and responses to, wine origins through focus group discussions in seven countries (China, India, Vietnam, Indonesia, Korea, the USA and the UK). In Study 2, we collected data from wine consumers recruited via an international commercial market research company in these seven countries.

3.1. Study 1: Focus Groups

The purpose of Study 1 was to generate initial evidence for and against the notion that the affect consumers hold towards a country influences their evaluation of and preference for wine from that country. In addition, the study identifies individual and cultural difference variables that possibly moderate (i.e., mute or enhance) the impact of affect on preference.

3.1.1. Method

Study 1 employed three focus groups of wine consumers in each country (N = 138). There were six to eight participants in each group, which was generally balanced in gender. Consumers were screened to ensure that each purchased wine at least four times per month. Local facilitators from each country conducted the group discussions according to a consistent discussion guide. Consumers were first asked their opinions regarding the attributes they considered essential in a very high quality wine. Then they were asked to identify countries that, in their view, were highly likely to produce wines of this high quality, and alternatively, those countries they felt less able. Participants also provided descriptors and their feelings specific to these countries, their people and the foods eaten there.

3.1.2. Analyses and Results

Content analysis of the transcribed group discussions revealed that whilst there were some minor differences noted in terms of opinions respective to each country discussed, results were generally consistent with regard to what constituted a ‘fine wine’, where those wines were most likely to be produced and the identification of those countries less likely to consistently produce the fine wines. France was cited by the majority of consumers, in each group in each country, as the country that produced the ‘best wine’ with Italy typically cited as producing almost as good, and sometimes superior wines. Following these two leaders, Germany and Spain were reported but with much more mixed results. After that, countries like Australia, South Africa, New Zealand (for white wines), Chile and Argentina were listed in varying order of expectations. Some individuals in the UK and the USA were ‘fans’ of Australian wines and, indeed, wines from other new world producers as well. However, it was clear that these wine consumers strongly believed that the ‘best’ wine comes France or Italy – otherwise you risked being disappointed. Moreover, there was also a consistently strong belief (strongest in the UK and the USA) that the ability to produce ‘fine wine’ was inalterably linked to a country’s ability to produce fine food – and to understand what fine food is. For example, a respondent in the USA stated emphatically, “*People who know nothing about fine food, can know nothing about fine wine!*” It was also important to note that some negative country associations were not seen to impact on a country’s ability to produce top quality wines. Whilst respondents believed, for example, that Italy was a bit ‘chaotic’ and old and inefficient and Italians can be ‘temperamental’ and ‘emotional’ – they were also described, overall, as ‘passionate’ artisans that knew what high quality was and how to produce it across a number of product categories including food and wine. Similarly, beliefs regarding France and French nationals were not always complimentary. But, there too was common agreement that world famous, high quality brands came from France and they had a clear understanding of the ‘finer things in life’ and had a long history of producing them. These responses reflect the multi-dimensional aspects of the COO associations for these countries and contrast sharply with the strongly uni-dimensional impressions and stereotypical beliefs about Australia, Australian wines and Australians. Generally, Australia enjoyed strong support in every country as a highly desirable holiday destination - a very action oriented and exciting place to be. Those that had visited Australia spoke highly of their visit and the highly stimulating experiences they had enjoyed. Terms such as ‘hot’, ‘rough’, ‘beautiful’, ‘strong’ and ‘exciting’ were used often. As people, Australians were described as ‘tough’, ‘tanned’, ‘hardy’, ‘loud’, ‘friendly’, ‘humorous’ and ‘big and strong’. However, terms such as ‘passionate’, ‘romantic’, ‘sophisticated’, or ‘well educated’ were not heard. Importantly, it was clear from the active and open feedback of participants in each country that these discussions evoked clear COO based imagery, associations and emotive reactions – both positive and negative. It was also evident that beliefs about Australia were not generally congruent with those same beliefs and/or emotional reactions found to be associated with countries where a fine wine could be consistently produced. Overall, the focus groups strongly endorsed quantifying cognitive and emotional reactions to COOs and their ultimate effect on the evaluation of and preference for wine from that country.

3.2. Study 2: Cross-national Survey

The purpose of Study 2 was to formally test the hypothesized relationships through a quantitative survey of consumers in the seven countries.

3.2.1. Method

Australia was chosen as the country of origin of interest, but other wine origins (e.g., Argentina, Chile, France, Italy, New Zealand, Spain, and the U.S.) were also examined. Data was obtained through an online survey from 2,039 wine consumers (mean age = 38.6 years, 48.3% females) in China (N=301), India (N=302), Indonesia (N=279), Korea (N=270), the U.K. (N=301), the U.S.A. (N=284), and Vietnam (N=302).

Because countries are multidimensional stereotypical constructs (Chen et al., 2014), we assessed country-related associations at three levels: cognitions related to the country's competence in general, cognitions on the competence of the country's people/workforce, and cognitions related to the country's competence in food specifically. Established and previously validated scales include Aaker et al.'s (1986) four-item measure of warmth to assess country affect (enthusiastic, happy, pleased, excited; $\alpha=.87$, $M=5.37$), seven items of d'Astous and Boujbel's (2007) country personality scale to assess associations with Australia's competence overall ($\alpha=.91$, $M=5.01$), a second group of 12 items to assess associations related to the competence of Australian people ($\alpha=.81$, $M=5.16$), and a third group of nine items to assess associations on Australia's competence in food ($\alpha=.91$, $M=5.01$). Additional measures included Heslop et al.'s (2010) scale to assess consumers' evaluation of wine ($\alpha=.92$, $M=5.10$), Souse and Bradley's (2006) six-item measure of cultural similarity ($\alpha=.94$, $M=4.40$), Flynn and Goldsmith's (1999) nine-item measure of wine knowledge ($\alpha=.92$, $M=4.89$), and a single-item measure of preference for wine from Australia (Zikmund and Babin, 2009).

3.2.2. Analyses and Results

The predicted effects of country-of-origin were analyzed through a series of regressions. Wine evaluation was the dependent variable; country associations, people associations, food associations, country affect, and its interaction terms were the independent variables. Variables were mean-centered before computing the interaction variables (Jaccard et al., 1990). The results of the hierarchical regression model appear in Table 1.

Table 1. Results of Hierarchical Regression Model for Wine Evaluation

	Main effects only		Main effects + two-way interactions *	
	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>
Constant	.11	1.51	.03	-.15
Country Associations	.23	12.21	.21	11.34
People Associations	.24	10.31	.22	9.68
Food Associations	.42	19.21	.39	18.10
Affect	.09	5.54	.08	1.71
Cultural Similarity (CS)	.02	1.91	.06	1.39
Wine Knowledge (WK)	.07	6.60	.02	.45
Affect x CS			.08	3.14
Affect x WK			.01	1.07
Adjusted R ²		.71		.77

Note: B=unstandardized coefficient, bold entries denote $p < .05$

Country affect had a significant positive effect on wine evaluation, supporting hypothesis 1a. This effect persisted in the presence of cognitive predictors (country associations, people associations, and food associations), hereby supporting hypothesis 1b. We further expected country affect to interact with cultural similarity and wine knowledge to influence wine evaluation. Conforming to our expectation in hypothesis 2a, the interaction term of Affect x Cultural Similarity was significant, indicating that a greater cultural similarity enhances the influence of affect on wine evaluation. Wine knowledge, in contrast, had a significant direct effect on wine evaluation, but did not interact with country affect. This finding does not support hypothesis 2b.

4. DISCUSSION

Our study confirms that, in addition to cognitive reactions to COO, country affect has the power to influence consumer evaluations of wine and their wine preference developing from those evaluations. The study also reveals the need to investigate the respective power of product country associations and those strongly linked to the primary product under investigation (food and people). Our results also highlight that in the case of products, such as

wine, where there is believed to be more than a need for objective competency in the producer, consumers are engaged by the emotional make-up of the wine makers themselves and their cultural associations, for example the '*passion*' and '*sophistication*' of the French and the Italians – their history as '*artisans*'. Whilst in past, country associations alone have been investigated or country product image with country person image largely under explored, this research accounts for these constructs as well as for two consumer characteristics found to be influential. In support of previous studies, consumers in this research also showed a positive bias due to cultural similarity highlighting the opportunities and the challenges for international wine exporters. The insignificant result for knowledge when assessed with cultural congruency further illustrates the strong ability of COO factors to overcome a cognitively based consumer attribute.

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The emphasis on people and place in the identity and marketing of two premium Australian wineries

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Abstract:

Purpose - To explore the emphasis on people and place in the identity and marketing of two wine producers in The Grampians region of Australia.

Design/methodology/approach - The research employs ethnographic case studies of two premium wine producers to explore the emphasis on people and place in winery communications material. Based largely on website and marketing material, the paper first describes how the producers emphasise people and place, then discusses reasons for doing so and the implications of this emphasis.

Findings - A number of reasons are suggested to explain why these producers emphasise the people and place in their communications: producer identity and values, geographical isolation, providing a context for the wines, enhancing authenticity and connecting with consumers in a culturally relevant manner.

Keywords: Australia, Grampians, wine producers, terroir

INTRODUCTION

In the increasingly corporate and global world of wine production it is all too easy for consumers to lose sight of where their wine comes from and who makes it. Against a backdrop of call centres with stock and massive brands selling blended wine from South Eastern Australia, some smaller wineries are actively emphasising the place – the vineyard and winery where the wine is produced – and their people – the owners and staff – in communications with consumers. On wine labels and descriptions, on the website and in press releases, references to the people and place behind the bottle of wine highlight “*the traditional role of wine in human life, its way of connecting people to the land and to one another*” {McGee, 2007 #273}. In doing so, producers are asserting the importance of people, place, history and culture in the production of a wine. This concept is not new and is akin to the French notion of terroir. There is much debate about the term terroir and its definition {Charters, 2006 #193}, its appropriation by New World wine countries {Barham, 2003 #253}, and its significance for different groups {Spielmann, 2012 #251}. In academia, the wine industry and in the mainstream media, the word *terroir* is employed with varying definitions, however the aim of this paper is not to debate the “*incongruent interpretations of terroir*” {Spielmann, 2012 #251}, rather to investigate the emphasis on people and place in developing winery identity and marketing. The research uses case studies of two wineries in The Grampians region of Victoria, Australia to explore the concept.

1. METHODOLOGY

This paper is part a larger anthropological research project investigating how wine producers perceive their winery and how the winery’s identity and image are developed in Australia and France. Despite significant research on wine consumption in business and marketing, and the establishment of wine as a field of anthropological study, there is still very little research on wine producers and their identity. Ulin’s research (1996) investigating power relations between large and small Bordeaux wine producers, and Beverland’s (2009) research on brand authenticity from a consumer marketing perspective provide interesting insights into wine producers and suggest the need for further research on wine producers from a social perspective.

In this paper, case studies of two Australian wine producers are presented to explore how and why wine producers emphasise people and place in marketing and communications material. The two cases were deliberately selected for contrasting situations {Yin, 2009 #221}, providing different perspectives from the region: a family-owned, ‘old’ wine producer (established during or prior to the mid nineteenth century), and a company-owned, ‘new’ wine producer (established during or after the rejuvenation of the Australian wine industry in the 1960s). A small number of cases presents a good basis for analytical generalisation, leading to hypotheses that may be tested later through explanatory research {Eisenhardt, 1989 #219}. It is particularly appropriate where little research exists in the field, as is the case with anthropological research on wine {Black, 2013 #267}, particularly on wine producers.

The research employed an ethnographical grounded theory approach {Pettigrew, 2000 #276} to data collection and interpretation. The data was collected from 2009 to 2015, and included published material (online and print) and media coverage, interviews, observations, and informally gathered information from a variety of sources. From interview transcripts, field notes and documents, a thick ethnographical description {Geertz, 1975 #277} of each case was created. Following this ethnographical interpretation of the data, the data was coded following the grounded theory method of constant comparison {Bryant, 2007 #279} to produce analytical categories and suggest a theoretical interpretation of the data.

2. CASE STUDIES

Both case studies are situated in The Grampians region of Victoria, approximately 200km west of Melbourne in the south east of Australia. The region is geographically isolated from major cities and is sparsely populated, with around two dozen wineries dotted throughout a predominantly agricultural area. The Grampians is not a wine tourism destination in itself however wineries do attract some cellar door visitors as a secondary activity. As cellar door and local sales are a small percentage of the wineries' business, marketing and communications are critical for generating sales and developing a reputation. The two wineries selected for the case studies are producers of premium and super-premium wines (above AUD\$12 wholesale, pre-tax per bottle {Anderson, 2011 #278}), have a prestigious reputation in Australia and in export markets, and produce two of Australia's most respected and highly priced red wines.

2.1. Case Study #1: Mount Langi Ghiran

Mount Langi Ghiran is famed for the *Langi Shiraz* and also produces a range of Shiraz, Cabernet, Pinot Gris, Riesling, and Sparkling Shiraz, the latter a speciality of The Grampians region. It is owned by the Rathbone Wine Group whose portfolio includes premium wine brands Yering Station, Yarra Bank, Parker Coonawarra Estate and Xanadu Wines. Mount Langi Ghiran takes its name from the granite peaks of a mountain rising from the flat plains of western Victoria, aligning the wines instantly with the place where they are made. The use of the Aboriginal name, meaning "home of the black cockatoo", evokes the timelessness and permanence of this impressive geographical landmark, subtly appropriating its ancient history to support just forty years of winemaking. Other references to place are overt, such as the history page of the website, where the reader is told explicitly that "*the vineyard ... encapsulates an extraordinary sense of place.*" {Mount Langi Ghiran, 2015 #269}

The connection to place is enhanced through the naming of the wines: all Mount Langi Ghiran wines named after a geographical feature or vineyard. The Billi Billi range after the Billy Billy Creek; the Cliff Edge range after the dramatic granite cliff face behind the winery; several wines identified by particular vineyard parcels – "Old Block" Shiraz, and "Double Vineyard" Shiraz; and the flagship wine, simply called "Langi Shiraz". Mount Langi Ghiran's emphasis clearly centres on the place. Naming wines after the unchanging landscape creates a permanence for the brand's identity that is independent of changes in personnel or

company ownership. Only one wine is named in honour of a person, winemaker Trevor Mast, who was responsible for establishing Langi's reputation. As head winemaker at Mount Langi Ghiran from 1978 until his retirement in 2006, the association is firmly cemented in the history of the winery.

Descriptions of individual wines are also centred on place, as the opening phrase of the Cliff Edge Shiraz illustrates: *"The wine showcases distinct Grampians regional character..."* In some instances the descriptions go into fine detail. A very tight combination of place and people is presented in the story of the Mount Langi Ghiran Double Vineyard Shiraz {Mount Langi Ghiran, 2015 #275}:

"This wine is made from two vineyards 1162km apart. While the focus of our winemaking has always been our estate at Mount Langi Ghiran, a discussion arose between Langi winemaker Dan Buckle and Peppertree winemaker Jim Chatto as to the virtue of single vineyard verses multi regional blends. Dan and Jim each sent one another barrel samples and each picked the barrel they wanted for their blend. The Langi blend comes from our Langi block, while the Hunter component comes from an 80 year old Tallwanta old vineyard. The double vineyard blend combines the floral perfume and spice of the Grampians, with the structure and savouriness of the Hunter Valley."

While Mount Langi Ghiran's wine descriptions do not often explicitly mention the individual people involved, the frequent use of the personal pronouns 'I' and 'we', and the mode of delivery of information via videos and in person (winemaker dinners, events, etc.) are arguably as powerful in creating a sense of the individuals behind the wine. The videos on the website add detail and stories to the concise written information. They are all centred on an individual – the winemaker or viticulturalist in the vineyard, cellar or lab – in simple webcam style, sending a potent message to the viewer that the place and people are the essence of the brand. The videos have the feel of a "sneak peek" into the winery, rather than slick marketing, and this simplicity adds more personal, human qualities to the winery's image.

The focus on people and place is then picked up by the media, as this newspaper article {Lewis, 2013 #250} demonstrates:

"At the 2012 Sydney Wine Show a red from the slopes of an isolated granite mountain at an altitude of 350 metres-plus above sea level and with a mean January temperature of a mere 18.1 degrees won the trophies for the best wine of the show, the best red and the best shiraz varietal. It was a brilliant performance by the then-unreleased Mount Langi Ghiran 2010 Cliff Edge Shiraz from a vineyard established 50 years ago in western Victoria's Grampians Region... The wine was made by former chief winemaker Dan Buckle and assistant winemaker Kate Petering, who has now taken over the Langi Ghiran top job."

The article goes on to talk exclusively about the people behind the wine – the stories of former and current winemakers, founders and owners. The message has been successfully communicated that the quality of this wine is thanks to the place and people that make it.

2.2. Case Study #2: Best's Great Western

Best's Great Western is a family owned winery. Planted in 1867, it is one of Australia's oldest continuously producing wineries, boasting some of the oldest vines in the world. Highly regarded for its Shiraz, Best's also produces a wide range of varietal wines and blends, including a red and a white wine produced from the nursery block which includes 39 different varieties, some still unclassified.

Two families are central to Best's identity. From an historical perspective, the founders of the vineyard, Henry Best and his family, begin the story with a tale of innovation and persistence. The contemporary story belongs to the Thomson family whose involvement in the Great Western wine industry goes back more than 140 years. The stories of both families figure prominently on the website and in promotional material. The emphasis on the legacy of past owners and winemakers, and the current owners and winemaker is realized by telling the personal and individual stories of these key people. The thread of people and place can be traced through the different features of the winery's image, from a fundamental naming perspective to the more subtle ways in which their stories are told.

The name *Best's Great Western* unequivocally attaches the winery geographically to a place – the town of Great Western – and to an individual – founder Mr Henry Best. The apostrophe leaves no doubt that the winery was created by an individual and that the connection is important. A sense of familiarity with the actual person is created by referring to him by his first name in published material, for example when quoting from '*Henry's journal*'. The familiar tone is found throughout Best's communication, epitomised in the in-house publication "*Best's and the story of Great Western Shiraz*" written in first person from the perspective of general manager, Ben Thomson. It reads as a personal story – "*When my dad Viv started making Bin 0 decades ago...*" {Best's Great Western, 2015 #270} – with many references to members of the Thomson family.

Best's wine names emphasise place with a large proportion of individual wines and collections referencing the geography. The Concongella Collection is named after the Concongella Creek that winds its way past Best's vineyards. Wines in this collection include the Nursery Block Dry Red, Concongella White, White Gravels Hill Shiraz, all referring to specific places in the vineyard. Linking the people and the place, wines from the 'House Block' note a particular parcel of vines and allude to an everyday human involvement through the use of the word 'house'. The human element is developed further in the form of wines named after the current owners. The Thomson Family Shiraz sits at the head of the Icon Range, while the EVT 51 Riesling celebrates Best's patriarch Viv Thomson (his initials) and the 51 vintages he has worked there. Even the collaborative Champagne, made with French producer Huguenot-Tassin, highlights the involvement of Edouard Huguenot, manager of the family-owned house.

People and place each have their own importance in the labelling of the winery and the wines, however when both identities are employed together their potency is magnified. This

is immediately evident in the wine descriptions that Best's has created for PR and marketing. The Concongella Range references the local creek in the name and connects it with key people stating that "*Henry Best planted his first vines close to a water source in 1866, the Concongella Creek*" and that "*the Thomson Family decided to name a collection of wines after the area in which the wine is produced from, also drawing inspiration from the soil structure at Great Western.*" {Best's, 2015 #280} In two sentences, the history, people and place have all been put into context. Again with the flagship wine, people and place are linked and emphasised: the Thomson Family Shiraz "*was created in 1993, to celebrate the centenary of the Thomson family's settling in the area of Great Western. A special single vineyard wine, it was made from the 15 rows of the original 1868 Shiraz vines, planted by Henry Best, and once referred to as 'Hermitage' in Henry's daily journal.*" {Best's, 2015 #281}. Best's website is also peppered with videos centred around a key person from the winery explaining an element of wine production.

3. DISCUSSION

Having established that Best's Great Western and Mount Langi Ghiran emphasise the people and place involved in the production of their wine, this section discusses possible reasons for taking that approach. It explores why, in winery communications, so much emphasis is put on the stories of the people and place when wine is apparently a beverage produced and consumed for its organoleptic properties. This question will be addressed from an anthropological perspective exploring producer identity and actions.

These two wineries are quite small in size in the context of the Australian wine industry where 80% of wine production is owned by 20 companies {Media, 2015 #271}. Their point of difference from the big companies is that they are small operations with a very precise geographical location. The individual people and specific place that make each winery are unique and cannot be replicated, and this forms an integral part of their identity. In interviews and observations, both wineries were quick to make the distinction between their operation and the big companies. This distinction follows through in the way they present their stories to the public. In an increasingly globalised and competitive marketplace, a unique story centred on a specific geographical place is particularly helpful in building brand equity {Beverland, 2009 #247}, therefore the reinforcement of a small-scale winery identity by producers may also influence the way consumers view the brand. While big companies making multiregional blends may reap the benefits of scale, one advantage for smaller premium producers is their combination of passionate individuals and connection to a place.

The place for both the wine producers in this study is a rural region of western Victoria. This poses the question of whether the emphasis on people and place is particularly important for geographically isolated wine regions. The act of telling the story of the people and place responsible for producing the wine may be an effort to connect with a consumer who is unlikely to visit. While wine regions closer to Melbourne, such as the Yarra Valley and the Mornington Peninsula, have large numbers of visitors, the remoteness of The Grampians means few consumers experience the winery first hand. Telling the story through published

material creates a virtual experience of the place and the people. Although it is a virtual interaction with the winery, this consumer experience can create a connection and loyalty to the brand {Schmitt, 2009 #254}. For a predominantly urban population, the wine experience, real and virtual, is becoming more significant as a means to connect with their rural roots and traditional values {Demossier, 2010 #179}. Both producers aim to express the vineyard in the wine and it follows that they would wish to explain this to consumers, thereby sending the wine into the world with some of its production context.

Brands that encourage consumers to create their own stories and meaning are perceived as more authentic {Beverland, 2009 #247} and the quest for authenticity no doubt underpins the emphasis on people and place. Mount Langi Ghiran and Best's emphasis on people and place clearly illustrate the first of Beverland's seven 'habits' of authentic brands: storytelling, appearing as artisanal amateurs, sticking to your roots, and loving the doing. Both Best's and Mount Langi are creating an image in line with Beverland's {Beverland, 2009 #247} research findings that "*fine wine consumers judge products seemingly untainted by commercial concerns as more authentic than mass-market products. Lack of commercial interest may be demonstrated by overt statements of ... commitments to place ... and the passion of winemakers for their products.*" The content and method of delivery used by Best's and Mount Langi Ghiran to tell their stories reinforce the notion of authenticity for consumers and in doing so, may enhance the perception of quality and thus prices for their wines {Spielmann, 2012 #251}.

The association of the people and place of production of a wine with its characteristics is very much the concept of the *terroir*. However, it is interesting to note that neither Mount Langi Ghiran nor Best's employ the word in their communications. In the case of Best's, a farming family from an isolated area, one could argue that the term is culturally irrelevant. While they are aware of the term and understand its meaning, they are not necessarily comfortable with the word or feel the need to use it. Their identity as wine growers is based on producing quality wines that respect their place of origin, and Best's winery and brand identity is an extension of these values.ⁱ The identity of Mount Langi Ghiran is somewhat different as it is owned by a business group, has a more polished image and appears to be more conscious of consumer perceptions.ⁱⁱ An awareness that different users of the word *terroir* have different understandings of its meaning could be a reason for avoiding it, or perhaps they simply prefer to avoid using a word that is clearly French. For both wineries the choice not to use the word *terroir* seems to be a conscious one, grounding the brands in Australian soil and culture.

ⁱ From interviews, informal conversations and observations at Best's Great Western, 2010-2015.

ⁱⁱ From interviews, informal conversations and observations at Mount Langi Ghiran, 2010-2015.

4. CONCLUSIONS

In exploring these two case studies, it is clear that both wineries emphasise people and place in their communication with the media and consumers. The emphasis on people and place helps to create a unique and authentic image for the winery and represents the values of the wine producers. Arguably, this approach is in part a “means of protecting, preserving and promoting artisan practices and regional identities” {Trubek, 2008 #268} and suggests that a *terroir*-esque concept is being used by these two producers even if the word itself is not culturally relevant. This preliminary exploration of the emphasis on people and place by two wineries in The Grampians could be investigated further through more case studies in the region, comparisons with other regions to investigate the influence of geographical isolation and tourism, and comparisons with other New and Old World wine producing regions.

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Diagnosing the Success of Brand New Zealand Wine

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Abstract:

Purpose: To investigate the success of the national strategy for the branding of New Zealand Wine where exports have dramatically increased in the last decade to reach \$1.4 billion in 2014.

Design/methodology/approach: The case study design combines primary and secondary data collection. Our primary data were gathered from face-to-face in-depth interviews with 10 people: two who were managers at New Zealand Winegrowers (NZW) and eight who were CEOs or senior managers from NZ wineries in a prominent wine region. The secondary data came from industry reports, NZW Annual reports and the industry website.

Findings: The research demonstrates that the dramatic success of the national strategy for Brand New Zealand Wine comes from a strategic understanding and intentional implementation of the facilitating role of collective branding in the industry. The activities extend beyond developing a distinctive identification and image based on a single dimension, to branding in processes within the industry network and market networks based on collective interest that lead to common and shared meanings around the logo 'Pure Discovery'.

Keywords: Industry brand, brand identification, brand meaning

1. OVERVIEW

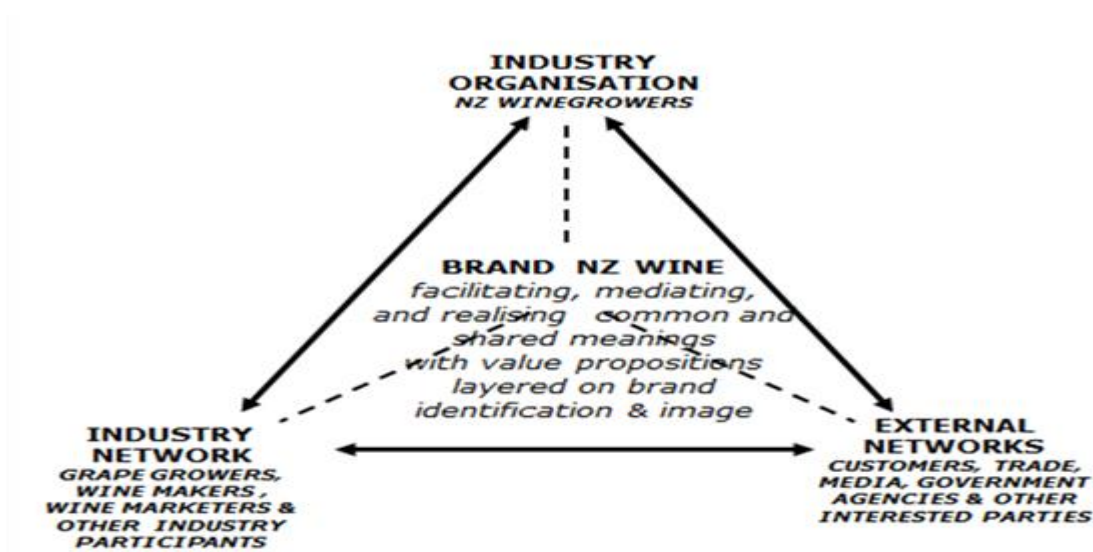
In the last decade there has been a dramatic increase in New Zealand exports of wine and 2014 exports reached NZ\$1.4 billion with exports to over 80 countries (NZW, 2014). In this paper we provide a diagnosis drawing of this success using case evidence. This allows us to examine the transition of the NZ wine branding from an operational competence based on identification-image to a dynamic and collective capability for facilitating common meanings within the stakeholder network. Led by the peak industry body, New Zealand Winegrowers (NZW), the industry began a journey in 2007 to discover, innovate, improve and diversify in a strategy and process of building common and shared meanings for Brand New Zealand Wine. Central to this process is the strategic role national branding plays in aligning industry relationships.

The illustrative case study design (Siggelkov, 2007) combines primary and secondary data collection. The primary data were gathered from face-to-face in-depth interviews with 10 people: two who were managers at NZW and eight who were CEOs or senior managers from NZ wineries in a prominent wine region. The wineries were all small to medium-sized wine businesses, with annual sales between 100,000 and 4,000,000 litres. Each of the participants had particular knowledge about the national, regional and firm perspectives on the branding processes of NZ wines. The participants were asked questions about their marketing, branding, production and HR strategies and how these align with their interactions with the local region and the national wine industry. The secondary data came from industry reports, NZW Annual reports and the industry website (www.nzwine.com).

2. RESEARCH FRAMEWORK

The empirical framework presented in Figure 1 describes the connections between NZW and its external and industry networks was derived from a theoretical paper Brodie, Benson Rea and Medlin (2015). Brand New Zealand Wine provides a focus for activities within these networks. It provides a distinctive trademark and image and a branding process that facilitates, mediates and realizes common and shared meanings in the networks.

Figure 1: Framework for Marketing Interactions for Branding of New Zealand Wine
(Brodie et al 2015)



NZW uses its brand to facilitate three groups of marketing activities:

- (1) Marketing interactions between NZW and its external networks (end customers, the trade, media and other interested parties (government agencies, media, related industries - tourism, hospitality, travel etc.).
- (2) Marketing interactions between NZW and its industry network of grape growers, winemakers, wine marketers and other industry parties marketing company brands.
- (3) Marketing interactions between the external networks and the industry networks facilitated by Brand New Zealand Wine.

3. TRANSITION OF BRAND NEW ZEALAND WINE

While the country identification and the associated image of “green” production and sustainability played an important role in shaping the strategy led by NZW, its recent success involves broader considerations which are more difficult to imitate for lower cost producers such as Argentina and Chile. In NZW’s new branding activities the past image of “green” production and sustainability is integrated with the heritage and innovative nature of the industry. In 2007 NZW adopted a new logo of “Pure Discovery” to replace the previous logo of “riches of a clean green land”.

The new tagline encompasses NZW’s sustainability but this is only one aspect. The new value propositions also include the “excitement and clarity of flavour that New Zealand wines offer”, “the journey the industry has embarked upon, as it continues to discover, innovate, improve and diversify from the dominant focus on Marlborough Sauvignon Blanc”. The “green production” is integrated with its heritage and innovation” (NZW, 2007). Also of note is the visual identity of a vineyard by a lake with mountains in the background has

disappeared. The new simple identification provides an open platform to develop multiple meanings around “Pure Discovery”

As a follow up to the rebranding, NZW commissioned a strategic review of the industry (PwC, 2011). This led NZW to adopt the collective vision of “*around the world New Zealand is renowned for its exceptional wines*” with the mission “*to create value for its members and partners*”. The NZW strategy focuses explicitly on protecting the established strategic position and facilitating profitable growth within the industry.

4. DATA ANALYSIS AND DISCUSSION

The research framework for branding of New Zealand wine presented in Figure 1 allows us to examine NZW’s activities within the refocused branding strategy. Our data, summarized in the Appendix, involve a combination of internal, external and interactive marketing drawing on NZW annual reports and face-to-face in-depth interviews.

(1) Marketing interactions between NZW and its external networks (customers, the trade, media and other interested parties).

The branding activities undertaken by NZW with the market and other networks include: relationship building, communicating a commitment to sustainability and quality, and also focusing on NZ wine’s competitive advantage arising from continuous innovation and product development. Each of these sets of processes is underpinned by activities that focus on building the collective meaning of Brand New Zealand Wine. The Appendix presents examples of narrative data about how NZW co-creates shared and common meanings through external and internal marketing within market and stakeholder networks.

NZW’s marketing and sustainability activities centre on telling the production sustainability story and building sustainability credentials to support and grow the Brand New Zealand Wine to work synergistically with the brand marketing by wine companies within the industry. As outlined in the NZW 2014 Annual Report (pp. 14-15) NZW has a clear sustainability mission of “telling the New Zealand sustainability story building on sustainability credentials”. In 2013-2014 year it hosted four media events with a singular focus on sustainability with journalists and educators from the UK, China, Canada and USA. As outlined in its 2014 Annual Report the collective capability that is facilitated by NZW is broad and integrative and extends the traditional dyadic view of marketing. In addition to the sustainability mission it includes an advocacy mission “protecting NZW members’ ability to produce, market and sell competitively”, a research mission “building a knowledge platform that protects members ability to produce exceptional wines”, and a marketing mission “developing and supporting the growth of the New Zealand wine brand” where the understanding of New Zealand wine amongst trade and media is to NZW’s activity.

In Table 1 we outline the diversity of this activity. This includes a series of over seventy trade shows and tastings NZW supported around the world annually. These were partially funded by the levy paid by all producers to NZW based on the sale of grapes and wine but many events are “user pays”. Central to this marketing activity is the new logo of “Pure

Discovery”, which is underpinned by the theme of the previous logo of “the riches of a clean green land”.

Table 1: NZW Marketing Activities in for 2013-14 year (NZWG annual reports)

Activity	Details
Influencer visitors to New Zealand	77
Trade shows and educational tastings	74 around the world.
Educational activity	112 candidates graduated from four Advanced Certificate in New Zealand wine courses in Beijing, Shanghai, Guangzhou and Hong Kong.
Leveraging international sporting event which features New Zealand	America’s Cup yachting regatta in San Francisco Summer 2013.
Social media	‘SauvBlanc Day’ in May 2014 generated 34 million impressions on Twitter.
NZ wine events	Melbourne, Hong Kong, London, Toronto, New York and a tasting at Twitter HQ in San Francisco.
Sponsorship of activities	Air New Zealand, O-I New Zealand and JF Hillebrand.
Support in Export Markets	Guides to Market for 10 key export markets.

(2) *Marketing interactions between NZW and its industry network of grape growers, winemakers, wine marketers and other industry parties.*

The branding activities and programs run by NZW also have an impact on the firms in the industry network. The excerpts of interviews in the Appendix show a variety of views about the different issues that arise from specific winemakers and regional organizations’ points of view. NZW must balance the interests and requirements of many diverse groups. In practice the operating context for the collective interest is not without its constraints and challenges. This is especially noteworthy with regard to regional and national strategy alignment. Different interviewees relate to issues around tensions in interests between individuals and groups, large and smaller wine companies, different collective interest within subgroups, frustrations with NZW and the funding of NZW activities.

(3) *Marketing interactions between the external network and the industry networks facilitated by Brand New Zealand Wine.*

In Figure 2 we illustrate the facilitating role Brand New Zealand Wine plays for a number of different types of brands that are associated with Brand New Zealand Wine. What is important to observe, in terms of visual brand identities, is that there is no connection between the logo for Brand New Zealand Wine and the associated winery brands, event and varietal brands, regional and sub-regional brands, and the allied brands. The connection between Brand New Zealand Wine and the related brands comes from branding in processes that create common and shared meanings around “Pure Discovery”. This is based on the ability to facilitate collective interest and the common and shared meanings that come from the discourse about heritage, innovation, sustainability and quality.

Figure 2: Facilitating Role of Brand New Zealand Wine (NZWG annual reports)



Examples in the Appendix also illustrate the importance of partnerships with Air New Zealand, Tourism New Zealand and New Zealand Trade and Enterprise (NZTE) for building export markets. Another important process for building shared and common meaning is the successful participation of NZ wine companies in international wine competitions. An example of a recent success is the UK based 2015 International Wine Challenge (IWC) where brands from NZ received 470 medals (www.internationalwinechallenge.com). This event highlights how the “Pure Discovery” branding strategy and the story of the journey the industry has embarked upon, as it continues to discover, innovate, improve and diversify, is achieving collective meaning. Charles Metcalfe, Co-Chairman of the IWC, commented:

“For the first time, New Zealand has scooped more Gold medals for Pinot Noirs than the traditional masters of the grape in Burgundy, which is a fantastic result for the country’s relatively young wine industry. New Zealand Sauvignon Blancs continue to be as good as ever, and it is great to see Kiwi winemakers creating tremendous wines from more unusual grape varietals. New Zealand winemakers have proven that they are capable of much more than just creating good Sauvignons and Pinot Noirs. Kiwi wines are getting better and better.”(www.digitalnewsroom.co.uk/iwc/2015-new-zealand May 12 2015).

When considering the branding of New Zealand wine it is also important to recognize the supporting role of the government agencies. In the last decade the country branding has been centred on New Zealand's '100% Pure' tourism brand. While the focus has been on tourism there are synergistic effects with other industries such as the wine industry. More recently the New Zealand trade development organization, NZTE, has launched a major country branding strategy based on the "New Zealand Story" that complements the wine industry's 'Pure Discovery' strategy. The initiative is about broadening the perception of New Zealand internationally, beyond the scenic beauty of the country to include attributes like innovation and resourcefulness, the unique Māori culture, and the integrity and the welcoming friendly approach (www.story.newzealand.com).

5. IMPLICATIONS

Our case study provides a diagnosis of the success of the national strategy for Brand New Zealand Wine. The success comes from a strategic understanding and intentional implementation of the facilitating role of branding in the industry. NZW recognizes that branding activities extend beyond developing a distinctive identification and image based on a single dimension, to branding in processes within the industry network and market networks based on collective interest that lead to common and shared meanings around the logo 'Pure Discovery'. Here branding involves broader considerations in which a strong brand identification and image are used to facilitate processes that co-create experience and common and shared meanings. This entails the alignment of a complex set of industry relationships, where value is co-created, that contribute to the heritage of Brand New Zealand Wine and its quality positioning. Within this strategic positioning the concept of sustainability extends beyond production to a business model based on marketing and branding.

The key managerial implication of this broadened perspective on branding, focusing on common and shared meanings, is that interactive communications between buyers and sellers and other stakeholders play a critical role. In turn, the common and shared meanings may also facilitate further collective interest. Hence an important managerial consideration is to understand the governance mechanisms that lead to collaboration based within these value networks. Also important is to understand how heritage plays an important role in achieving co-operation (Hira and Benson-Rea, 2013) and leads to collaborative governance to balance individual and collective interests (Medlin, 2006). The competition between large and small, local and multinational-owned companies is blended with the realization that the industry's success is based on collaboration leading to cohesion and coordination within the value networks.

Identifying the sources of the differential effect for national wine branding is complex because of the multitude of relationships that exist between NZW within the industry network (grape growers, winemakers, wine marketers and other stakeholders), the market network (customers and the trade) and other stakeholder networks (government agencies, the media and other stakeholders). A combination of factors drives the value of wine, from the quality of the grapes to the integrity of the vineyard following sustainable practices, to the

acceptance and rating by various experts, to the actual taste and use of the wine. All those factors are negotiated because they are subjective and influenced by a host of people and external factors, not just the wine itself. But, in this context, an industry-wide collectively generated and coherent industry marketing brand operates as a stronger point of reference for potential end-user value than any single firm brand. Further, using more than one brand symbolically builds consumer trust and commitment. Thus the industry reputation and identification play an important role for a wine company's exports. Within this complex of marketing associations the national brand acts as an umbrella brand which synergistically augments the value of the individual brand offerings.

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Appendix: Narrative data according to interaction processes between actors in different networks

Between NZW and the external networks	Between NZW and the industry network	Between the external & industry networks
<p>Relationship building</p> <p><i>“We develop strong relationships with ... influencers, bringing them to NZ and inspiring them to write articles or carry out education for us in their home country. ... supported with high quality collateral and websites to create consistent messages ... we enhance strategy development and our members’ insights with market information. (NZW, 2014, p. 16)</i></p> <p>Communicating commitment to sustainability</p> <p><i>“Sustainable Winegrowing NZ demonstrates the country’s outstanding commitment to securing a socially responsible, economically viable and environmentally sound future. When compared to the rest of the world, NZ’s country-wide commitment to sustainability is quite extraordinary!” (US journalist, Sandra Taylor’s blog: www.sustainablebizintl.com, July 2014).</i></p> <p>Communicating quality focus</p> <p><i>“Behind the scenes the NZ industry has been focused on exporting wine of high quality rather than trying to lure fans with very cheap prices - as several other countries have done.” (David Lawrason, winealign.com, Canada, July 5, 2014).</i></p> <p>Communicating competitive positioning</p> <p><i>“The best NZ wines... are now truly in a league all their own. And unlike their European counterparts, NZ’s best wines display fair price tags for the level of quality you get.” (Eric Arnold, Aftertaste, USA, April 2, 2014).</i></p>	<p>Balancing interests</p> <p>Individuals and groups</p> <p><i>“whenever you get a group of wineries together ... they’re a group of individuals ... winemakers have huge egos ... some people that are really clicky and others that are more outliers and outsiders. So, in terms of an overall social structure ... it’s probably like any family, they have their moments. (CEO, Winery 5, Interview 2012).</i></p> <p><i>“It’s just a very complex industry... you have to be very clear about what your objectives are.” (Manager 1, NZW, Interview 2012).</i></p> <p>Firm size</p> <p><i>“I was sitting on the Winegrowers board [discussion]... that you ... should only ... use the appellation Marlborough, if it’s bottled in NZ. But, a lot of the big guys didn’t want to buy into that” (CEO, Winery 2, Interview 2012).</i></p> <p>Diversity</p> <p><i>“if you look at all of those groups that have been really successful, the Gimblett Gravels, the Family of Twelve and the Complexity thing, that didn’t happen through NZW but part of the issue there is that NZW can’t be seen to favour certain groups of the industry” (CEO, Winery 2, Interview 2012).</i></p> <p>Frustrations</p> <p><i>“they have to be very careful about how they use their funds ... from a marketing point of view ... they are constrained ... held [back] a little bit by what they can do.” ... “There’s no inspiration, flair ... and, I think that’s largely related to the fact that it’s an industry body, and the way that the board works, they’re too involved and they’re too old fashioned.” (CEO, Winery 2, Interview 2012).</i></p> <p>Funding is spread and not specific</p> <p><i>“if you have a winery that wants to participate in NZW’s activity, ... in [region X] winegrowers’ activity, ... in [sub-region Y] activity as opposed to contributing to one organisation, or two organisations that can effectively still provide you with those identities ... it’s not that simple in practice. (Manager</i></p>	<p>The importance of partnerships</p> <p>Air New Zealand</p> <p><i>“Partnerships are key to our strategy ... NZW and Air New Zealand announced a Memorandum of Understanding ... to actively promote NZ as a destination for wine tourism ... committing to work together... to promote NZ wine in both North America and Asia.” (NZW, 2014, p. 16)</i></p> <p>Tourism NZ</p> <p><i>“NZW is working with Tourism NZ ... more coordinated ... leverage ... to gain efficiency and extend marketing reach ... creation of Wine Tourism ... a designated Special Interest by Tourism NZ.” (NZW, 2014, p. 16)</i></p> <p>NZ Trade and Enterprise</p> <p><i>“partnership with NZ Trade and Enterprise goes from strength to strength with projects focused on China and Mainland Europe generating strong results this year and exciting plans established for the year ahead.” (NZW, 2014, p. 16)</i></p> <p>Building export networks</p> <p><i>“they ... organize things like collective marketing initiatives ...they’ll set the scene and look at a venue like Sydney ... and get all the winemakers interested to chip into a fund and go there as a kind of collection with one theme ... We went to Sydney</i></p>

<p>Communicating innovation and new product development</p> <p><i>“To those who truly understand fine, sublime wine, the reds of NZ are where the 21st century is at.”</i> (Dan Berger’s Vintage Experience, USA, March 20, 2014).</p>	<p>1, NZW, Interview 2012).</p> <p>Regional/national strategy alignment</p> <p><i>“to better align the regional strategy with national strategy and gain greater leverage from the funding that’s going into the region ... between the regional bodies and the national body.” ... “the way [region A] has been or has not been integrated into the national strategy ... we host the international visitors that come in through the NZW programme. And, we’ve developed quite a structured and robust system for regional tastings for those people”</i> (Manager 1, NZW, Interview 2012).</p>	<p><i>and Melbourne last year... it happened that we did actually connect with a distributor ... who looks after both Sydney and Melbourne.</i> (CEO, Winery 1, Interview 2012).</p>
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Designing Culturally Specific Wine Packages: The Case of Visual Harmony

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Abstract:

Purpose: This study examines how self-construal, a key differentiator among cultures, impacts how attractive consumers find wine packages high versus low in visual harmony.

Design/methodology/approach: Psychometric data were obtained via an online experiment from 950 respondents in Australia, Brazil, China, France, Germany, and Italy.

Findings: The results indicate that a person's self-construal influences attractiveness directly as well as interactively. Specifically, the positive effect of visual harmony in wine packages, logos, and typefaces on attractiveness is more pronounced with an interdependent self-construal. This effect can be observed regardless of the gender or national background of the respondents.

Practical implications: Wine marketers can benefit from the findings by better tailoring the design of entire packages, symbols, and typeface to target audiences

Keywords: Attractiveness; Harmony; Marketing; Self-Construal; Wine Package

1. INTRODUCTION

Marketing wine across cultures constitutes a challenge (e.g., Aurifeille et al., 2002) for a diverse group of wine businesses ranging from globally operating multinational corporations to small wine businesses that cater to culturally varied groups of visitors through tasting rooms in popular wine regions.

Among the key means for effectively communicating with buyers is the design of a package (Limon et al., 2009), especially its attractiveness (Orth et al., 2010). Defined as an aesthetically pleasing subjective experience that is directed toward an object, a design's attractiveness increases liking (Cho and Schwarz, 2010), triggers approach behaviors (Orth and Crouch, 2014), and, ultimately, impacts choice (Creusen and Schoormans, 2005). A key influencer of a wine package's attractiveness is its visual harmony which relates positively to viewer evaluations of attractiveness (Orth and Malkewitz, 2008). Furthermore, a key issue in successfully marketing wine across cultures lies with identifying what cultural characteristics drive consumer response to package design (Limon et al., 2009). One particular influence of such responses is the way people define their self by their separateness from or connections with social groups (Singelis, 1994), a construct known in the literature as independent-interdependent *self construal*. Self-construal is not only an important discriminator among cultures (Trafimow et al., 1991) and nations (Bresnahan et al., 2005), but is also a powerful predictor of consumer behavior in general (Markus and Kitayama, 1991) and response to marketing communications in specifics (Ahuvia, 2005). Adopting an interactionist perspective (Reber et al., 2004), we test the proposition that the attractiveness of wine packages is grounded in consumers' processing experience, a function of stimulus properties (harmony) and individual characteristics (self-construal). We test this prediction on subtle (logos, typeface) and more obvious marketing visuals (whole packages) to aid marketers in better tailoring the visual design of wine bottles to cultural target groups.

2. CONCEPTUAL FRAMEWORK

2.1. Visual harmony influences attractiveness

Gestalt psychology (Koffka, 1935) posits that viewer reactions originate not from any single visual element, but rather from higher-order generic design factors that are rooted in multiple elements. Marketing research has established such effects for generic design factors including the visual harmony of wine packages (Orth and Malkewitz, 2008). Harmony can be defined as "a congruent pattern or arrangement of parts that combines symmetry and balance" (Henderson and Cote, 1998, 16), or the degree to which the visual elements of a design form a coherent, unified pattern (Kumar and Garg, 2010). Key elements of harmonious designs include symmetry, proportion, balance, roundness, and unity.

On the relationship between harmony and attractiveness, Lin (2013) concludes that harmony makes a stimulus aesthetically pleasing. Empirical evidence further emphasises that visual harmony is a key driver of attractiveness for a diverse range of packages of fast-moving consumer goods (Orth et al., 2010). The reasons for attractiveness as a positive evaluative outcome of visual harmony are not fully understood (Hekkert and Leder, 2008), and recent

research suggests that the influence of visual harmony on stimulus attractiveness may not be as universal as previously thought. Specifically, culture-dependent individual variables, such as the centrality of visual product aesthetics (Orth et al., 2010), impact how attractive viewers find stimuli varying in harmony. Relating to an element of the harmony factor, cultural differences have also been reported in viewer preferences for angular versus rounded shapes (Zhang et al., 2006). We suggest that these differences may trace back to people's self-construal, or the view they hold of themselves as either dependent or independent from others.

2.2. Culture and the self

Belk (1988) uses the terms “self” for how a person subjectively perceives who she or he is. According to his theorizing, individuals possess a core self that is expanded to include additional aspects that then become part of the extended self. This social facet of the self is central to social identity theory (Tajfel and Turner, 1979), which posits that people define their self-concepts by their connections with social groups to construct and maintain identity. When encountering marketing stimuli, consumers reflexively refer to their self-concept, continuously monitoring and adjusting their behavior and consumption practices (Ahuvia, 2005). Most notably, consumers generally react more positively to brands with characteristics that are congruent with their concept of self (Sirgy, 1982).

What people believe about the relationship between their self and others has been conceptualized as independent-interdependent self-construal (Singelis, 1994). Referring to how an individual thinks, feels and acts about his or her self in relationship to others, self-construal captures the degree to which people see themselves as separate from or connected with others. People with an independent self-construal hold a view of self that emphasises their separateness and uniqueness, whereas an interdependent self-construal is associated with a more relationship-driven self-view that stresses connectedness and interpersonal relationships (Ahluwalia, 2008). Independent-interdependent self-construal is also an important discriminator among cultures as it closely relates to the culture's classification along the individualism-collectivism dimension (Trafimow et al., 1991). Different than individualism-collectivism, however, self-construal represents an individual factor that is influenced by the culture in which individuals are raised, but varies across people and is central to explaining a person's perception, evaluation, and behavior (Markus and Kitayama, 1991). Individuals in a collectivist culture construct a self that is far more interdependent than those constructed in an individualistic culture (Hong et al., 2003).

2.3. Self-construal and response to visual harmony

Zhang et al. (2006) suggest that self-construal affects aesthetic preferences for angular versus rounded shapes. This effect is thought to occur because people with an interdependent self-construal value harmonious relationships with the environment, whereas people with an independent self-construal value the free will of individual agency, hereby disregarding harmony, possibly even favoring conflict.

The proposition that self-construal may impact individual response to harmony in marketing visuals is rooted in self congruity (Sirgy, 1982) and cognitive consistency theories (Festinger, 1957). Both theories suggest that individuals strive to resolve disagreeing psychological experiences and maintain cognitive consistency in their beliefs and behaviors. Fundamental to the notion of self-congruity is that material objects and brands can serve as symbols or signs that represent socially constructed meanings and effectively reflect the owner's self-identity and relationship with others (Schembri et al., 2010). Just as the symbolic properties of brands allow them to appeal to the self by projecting meaning we expect the visual design of packages to function in similar ways. Visual harmony in packages may project associations with agreeableness and peace, whereas a lack of harmony may induce associations with individuality and conflict. In fact, marketing research and practice provide evidence in support of this view. For example, the angular (low harmony) design of Lamborghini cars and interiors appeals to drivers seeking the unique (Winterkorn, 2003), whereas the soft and flowing curves of Mazda's (harmonious) Kodo design emerge from the interdependent culture of Japan.

In summary, visual harmony should appeal more to individuals with an interdependent self-construal as harmony and its associations are more congruent with interdependents' tendency to seek harmony in their relationships. In contrast, people with an independent self-construal should respond more positively to visuals low in harmony, in line with their tendency to view themselves as unique and to stand out from the crowd. Our central hypothesis thus is:







The influence of design harmony on the attractiveness evaluation is moderated by self-construal: Interdependent (independent) self-construal enhances (weakens) the positive influence of visual harmony on attractiveness evaluation.

3. EMPIRICAL STUDY

3.1. Method

The study employed a 3 (marketing visual: logo vs. typeface vs. wine package) x 2 (harmony: high vs. low) x 6 (country: Australia, Brazil, China, France, Italy, and Germany) mixed factorial design. Stimuli scoring high versus low in visual harmony were obtained from previous research on logos (Henderson and Cote, 1998), typefaces (Henderson et al., 2004), and wine packages (Orth et al. 2010), and were pretested by seventy-eight students ($M_{age} = 23.1$ years, 70 percent females) who indicated their impressions of perceived harmony for one randomly selected stimulus for each of the three types of visuals. Table 1 holds final stimuli and their pretest scores on harmony.

TABLE 1
STIMULI AND PRETEST SCORES ON HARMONY.

Stimulus type	Low harmony	High harmony
Logo		
	$M = 3.03, SD = 1.50$	$M = 5.59, SD = 1.04$
Typeface		
	$M = 2.60, SD = 1.41$	$M = 4.13, SD = 1.60$
Package		
	$M = 2.58, SD = 1.12$	$M = 5.44, SD = 1.03$

Notes: on a seven-point semantic differential scale ranging from *not at all harmonious* (1) to *harmonious* (7).

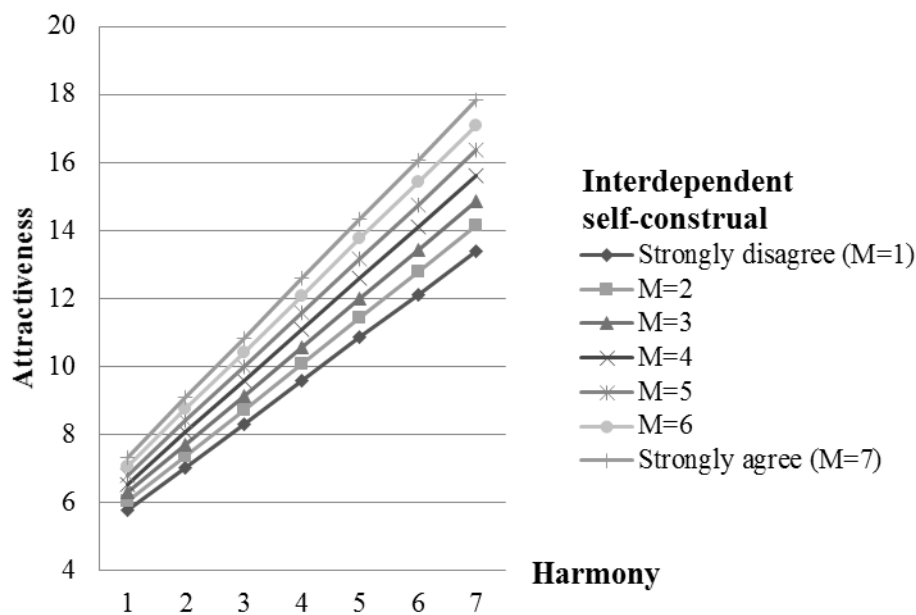
Data for the main study were collected in culturally diverse settings to increase variance in self-construal, as individuals in any culture can have both an independent and interdependent self-construal but one tends to be dominant (Singelis, 1994). Accordingly, countries were selected to represent low and high scores, respectively, on Hofstede's (1983) individualism-collectivism index (IDV). A total of nine hundred and fifty respondents (50 percent between 31 and 50 years, 47 percent females) participated in the main study, with sub-samples originating in Brazil ($N = 66$; $IDV = 38$) and China ($N = 354$; $IDV = 20$), representing collectivist cultures ($N = 420$), Australia ($N = 147$, $IDV = 90$), France ($N = 95$, $IDV = 71$), Germany ($N = 136$, $IDV = 67$), and Italy ($N = 152$, $IDV = 76$), representing individualistic cultures ($N = 530$). Upon logging on to the electronic survey site, participants received brief instructions and then they proceeded to view digital images of the stimuli. Immediately next to each stimulus, they indicated their evaluations of harmony (Kumar and Garg, 2010, $M = 4.42$, $SD = 1.60$) and attractiveness (Hirschman, 1986, $M = 4.20$, $SD = 1.66$). At the end, participants submitted ratings of self-construal (Singelis, 1994, $M_{independent} = 5.12$, $SD_{independent} = .84$, $M_{interdependent} = 4.78$, $SD_{interdependent} = .91$) and indicated demographic information.

3.2. Results

Closely following Dawson (2014), we tested the predicted moderating role of self-construal by conducting a series of hierarchical regression analyses. The results provide empirical evidence that an interdependent self-construal moderates the influence of design harmony on attractiveness across cultures and across marketing visuals: harmony has a significant main

effect on attractiveness ($b = 1.26, t = 64.09, p < .001$) as does an interdependent self-construal ($b = .16, t = 6.93, p < .001$). More important, the harmony x interdependent self-construal interaction term is significant ($b = .09, t = 4.41, p < .001$). The interaction effect of independent self-construal and design harmony is not significant ($p > .05$). To shed further light on the nature of the significant interaction between design harmony and interdependent self-construal, results of floodlight analysis (Spiller et al., 2013) over a range of interdependent self-construal from 1 = *strongly disagree* to 7 = *strongly agree* confirms that harmony has a strong positive effect at high levels of interdependent self-construal, whereas the effect becomes less pronounced when interdependent self-construal is low (see figure 1).

FIGURE 4
FLOODLIGHT ANALYSIS ILLUSTRATION OF THE HARMONY X INTERDEPENDENT SELF-CONSTRUAL INTERACTION EFFECT.



Important to note, the moderating effect of self-construal remains robust when a more elaborate model is tested, including additional main and interactive effects. In Model 2, additional predictors include the dummy variables for culture (collectivism-individualism) and sex, their two-way interactions with harmony and self-construal, and their three-way interactions with self-construal and harmony. Culture ($b = .33, t = 7.67, p < .001$) and sex ($b = -.09, t = -2.22, p = .026$) have significant main effects on attractiveness. Additionally, culture has a significant effect with harmony ($b = .08, t = 3.71, p < .001$), suggesting that the positive effect of harmony on attractiveness is enhanced in a collectivist culture. The interdependent self-construal x harmony interaction effect, however, remains significant and robust ($b = .06, t = 2.44, p = .015$), despite the additional predictors in the model. This finding rules out the possibility that the moderating effect of self-construal is rooted in, or dependent on, a person's collectivism or sex. Taken together, the findings provide the desired evidence that an individual's interdependent self-construal interacts with visuals' harmony to influence evaluation of a design's attractiveness across different cultures.

4. DISCUSSION

Our study examined how a person's self-construal, a cultural discriminator, impacts the effect of wine marketing visuals, specifically, their harmony, on consumer evaluation of attractiveness across cultural settings. Our results provide strong evidence that the view individuals hold of self, emphasising either their separateness from or connectedness with others, impacts their evaluation of relatively benign marketing visuals. This finding has several important implications.

First, we extend research on the configural-elemental distinction in wine package design. The finding that the influence of visual harmony on viewer evaluation of attractiveness depends on a person's self-construal corroborates reports that examining configural design properties can provide better insights into consumer response than elemental approaches (Kumar and Garg, 2010) because human aesthetic appreciation of visual artifacts is a holistic experience (Hekkert, 2006).

Second, our study extends the emerging stream of research that has adopted an interactionist perspective on consumer response to marketing visuals. Our finding that consumers evaluate wine packages as more attractive when high design harmony coincides with a more interdependent self-construal corroborates that accounting for interaction effects between generic properties of marketing visuals and viewer characteristics increases the explanatory power over stimulus-only or viewer-only approaches.

From a managerial perspective, wine marketers may benefit from our findings by better tailoring package designs to target audiences varying in self-concepts, a proxy for ethnic, country, and national markets. Viewing self-construal as a discriminator among cultures (Trafimow et al., 1991), wine marketers could employ our findings to tailor the visual design of entire packages, symbols, and typefaces to cultural contexts in order to make offers more appealing. Given that growth in consumption of most consumer goods now and in the future will not be led by traditional western markets, but rather by emerging economies likely to be dominated by a more interdependent level of self-construal amongst consumers (e.g., China has become the eighth largest wine consumer market in the world and the demand in Asia is continuing to grow; Camillo, 2010), the findings of this research can be also be employed to invent new, and adapt existing, wine packages accordingly in order to maximize their attractiveness to those consumers. Moreover, given that self-construal can be viewed as a temporary state that varies across people (Markus and Kitayama, 1991) but can also be activated (Mandel, 2003), marketers could make use of our findings by priming either independent or interdependent self-construals (e.g., to make use of singular (plural) first-person pronouns to prime independence (interdependence); Gardner et al., 1999) to make them more consistent with the level of harmony inherent to their marketing visuals.

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How to discriminate fun and exploratory labels from typical labels?

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Abstract:

Purpose: Past research has examined aesthetic design in a context of experiential products. However, only a few studies have examined this variable in the domain of wine packaging. Therefore, nothing is known as to whether aesthetic can be considered a relevant way of differentiation. Hence and precisely, this paper seeks to explore the differences between fun, exploratory and typical packagings and their impact on the price of the wine.

Design/Methodology/Approach: A qualitative study is conducted with 31 people. In order to investigate the extent and the reasons why fun, exploratory and typical packagings are considered different, participants were asked to select from a sample of 100 labels 2 labels of each packaging category and to explain why they see the selected labels as representative of their category.

Findings: The results highlight the design as a way to differentiate wine packagings and to set up a clearer positioning in terms of price. Fun and exploratory packaging induce aesthetic reactions while typicality elicits more security-oriented responses.

Practical Implications: From a managerial point of view, design elements and price can be associated for each packaging type, especially for fun and exploratory ones. Their description are more precise.

Research limitations/implications: This study has a limitation in that the typical wine is not precisely defined by a specific group: wine is more or less typical. Future research could compare basic wines with exploratory and fun ones, and generalize the study to another experiential product.

Keywords: Packaging, typicality, aesthetic design

1. Introduction

The marketing literature emphasizes the consumer's tendency to use cues such as price to judge product quality (Kardes, Posavac, and Cronley, 2004; Labro et al., 2007). This process might be particularly relevant for experiential products, those such as wines (Nelson, 1970) for which people are not necessarily fully informed as to their quality before consuming them.

Among the specific attributes used by consumers as cues to shape their preferences and perceptions of quality and price, the design of the label has probably been the cue that has received the widest attention from academics (Combris et al., 2009; Mueller et al., 2010). To this regard, research on design typicality of the label or packaging (Landwehr et al., 2013) has established that consumers prefer more typical (vs. atypical) designs (Celhay and Trinquencoste, 2011; Veryzer and Hutchinson, 1998). The typicality refers “the degree of which the product is representative of the category” (Veryzer and Hutchinson, 1998), here of the category of Bordeaux wine design packaging. Also, research shows that the greater the distortion with the product category stereotype design is, the less consumers exhibit favorable responses toward the product (Karnal et al., 2014). What these results suggest is that consumers evaluate bottle designs in a holistic manner (Orth and Malkewitz, 2008)). Precisely, what matters most lies in the aesthetic dimension of the packaging, with aesthetic packaging leading to higher evaluation. Such aesthetic packaging here refers to one that is holistically beautiful, original and prototypical while standardized packaging is functional, practical and prototypical (Reimann et al., 2010). These authors show that aesthetic packagings are preferred over more standardized ones, especially when consumers are unfamiliar with the brand. For instance, any figure or identifier on the label that is unusual may increase the consumer’s preference (Labroo and al., 2008), making typicality an important dimension of aesthetic packaging (Landwehr et al., 2013; Sangwon and Rajani Ganesh, 2013).

In addition to label design, wine origin represents another cue that consumers use to shape packaging evaluations (Perrouy et al., 2006; Orth et al., 2005). For instance, and with regard not specifically to wine but rather to products, research shows that product origin enhances subjective fluency and subsequent product evaluations (Sangwon and al., 2009). Different levels of origin can be distinguished, from the more global product to the more local. With respect to wine, origin can be global and thus related to country, or more local and related to a particular region. However, other packagings highlight the name of the winery to make their wine be seen as a local and private brand. Such wines are produced for consumers who like to discover or explore different wines, those that are not too global or typical but rather more local. Such wines might be preferred by consumers that are more attracted by and place more value on such local wines, and exhibit a high level of motivation for searching information (Suri and Thakor, 2013). However, the literature has not identified whether labels that are designed as typical and global shape different reactions than labels that are designed as more local and requiring more exploratory behavior.

Several studies have examined the link between aesthetic design and price (Orth et al., 2010; Homburg et al., 2014). Orth et al. (2010) consider the attractiveness as a mediator between aesthetic design elements and price. This result is consistent with the fact that aesthetic design generates more favorable responses when the attractiveness of the packaging is high (Landwehr et al., 2012). However, only a few research have focused on the relationship between typicality and price (Landwehr et al., 2013; Sangwon and Rajani Ganesh, 2013). Firms can implement price-skimming strategy, but without implementing price reductions

(Landwehr et al., 2013) as they want to have a valuable differentiation and clear positioning from typical design.

Considering the aforementioned roles of typicality and origin, we distinguish labels that differ in their typicality and local-and exploratory-related properties to explore how they offer potential differentiation. More precisely, we investigate how three distinct types of labels, which can either be seen as fun, typical or local and exploratory-related, affect consumers' evaluations and price.

2. Method

The research question refers to the reasons that make typical, exploratory and fun labels relevant cues that consumers use to evaluate and pay for wine. Hence, it seems necessary to understand how "fun" and "exploration" labels are perceived, and to know how consumers differentiate them from typical wine from Bordeaux. This typology of labelling comes from an internal document of wine Bordeaux professional syndicate (Chateau 2010).

Given this goal, a qualitative and exploratory study was conducted. Data collection took place in Bordeaux. In order to investigate the extent and the reasons why fun, exploratory and typical packagings are considered different, participants (n= 31, most being female and aged between 19 and 55, with 7 experts inside the sample) were asked to select from a sample of 100 labels 2 labels of each packaging category and to explain why they see the selected labels as representative of their category. Finally, participants inferred the price for each label. In total, 186 labels were selected by participants.

A content analysis was used, as well as methods previously accepted in marketing research on design. Particularly, the main design dimensions was used to evaluate each label that respondents considered as representative of a category. These dimensions were the following: elaborate, harmony, abstract, weighted, contrasted, original, typical, pleasing, engaging and reassuring (Henderson et al., 2004; Orth and Malkewitz, 2008). The prototypicality and, visual unity (Veyzer and Hutchinson, 1998) of these labels was also checked.

3. Results and discussion

The most frequently selected labels for each category were the following. At least, the label are selected by 3 people. Five labels were defined as fun (Label 22 for example), 3 labels as exploratory (Label 42 for example) and 4 labels as typical (Label 73 for example).

Figure 1. Examples of fun, exploratory and typical labels



As shown in Table 1, eight themes have been ascertained: "classical", "pleasure", "original", "weighted" "humor", "sober", "stylish" and atypical". Classicism (35.5%) sober appearance or weighted (51.6%), humor (17.2%), originality (29%) and the pleasure induced by the label (26.9%) remain important. For label's characteristics, five themes are revealed "information", "château", "image", "color", drawing" and "millesime". If the information and the vintage

(41.9%) are attributes that describe all the labels, some use the Castle (35.5%) or an image (39.8%) and others drawings (34.4%). In contrast color is an attribute that is surprisingly never used.

Table 1. Label impressions and characteristics

Label impressions	Nb. cit.	Frequency.
No answer	14	15.1%
Classical	33	35.5%
Pleasure	25	26.9%
Original	27	29.0%
Weighted	27	29.0%
Humor	16	17.2%
Sober	21	22.6%
Stylish	15	16.1%
Atypical	17	18.3%
Label characteristics	Nb. cit.	Frequency.
No answer	18	19.4%
Information	39	41.9%
Château	33	35.5%
Image	37	39.8%
Color	26	28.0%
Drawing	32	34.4%
Millesime	16	17.2%

However, there are strong differences between each label type when it labels ‘impressions ($\chi^2 = 111.17$, $ddl = 30$, $p=0.000$) and labels’ characteristics ($\chi^2 = 77.69$, $ddl = 18$, $p=0.000$) are considered. A factorial correspondence analysis was used to emphasize the differences between label’s type and label impressions. For the first axis, typical label with sober and weighted is the opposite of fun’s label and atypical and for the second axis is defined by exploratory’s label, stylish, pleasure and originality. Fun label is strongly associated to atypical and humor, exploratory label to stylish, original and pleasure and typical label to sober and weighted. The last one could be defined as classical because all the informations and the image of the castle contribute to the sober style of the label.

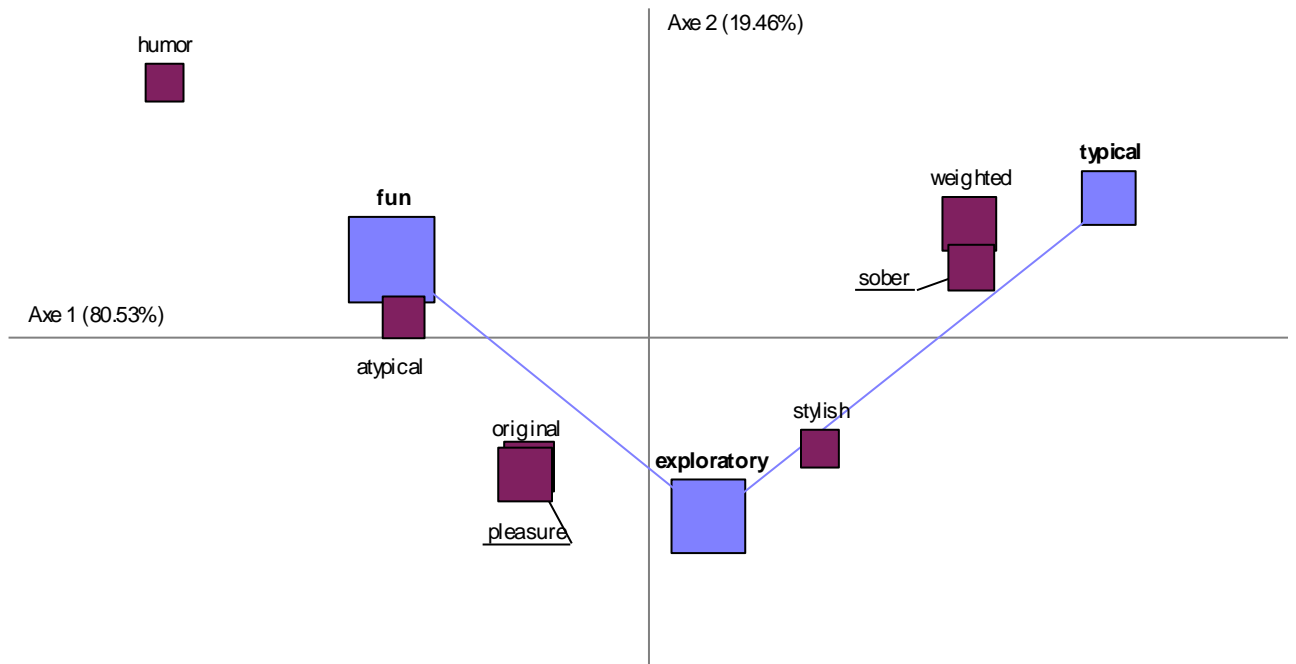


Figure 5: How to differentiate labels from evaluations.

A second factorial correspondence analysis was used to highlight the differences between label types and label characteristics. Regarding the first axis, typical labels that present a 'château' is depicted as the opposite of fun labels, that are characterized by the presence of a drawing. The second axis refers to exploratory labels, those that present information and color (Figure 2).

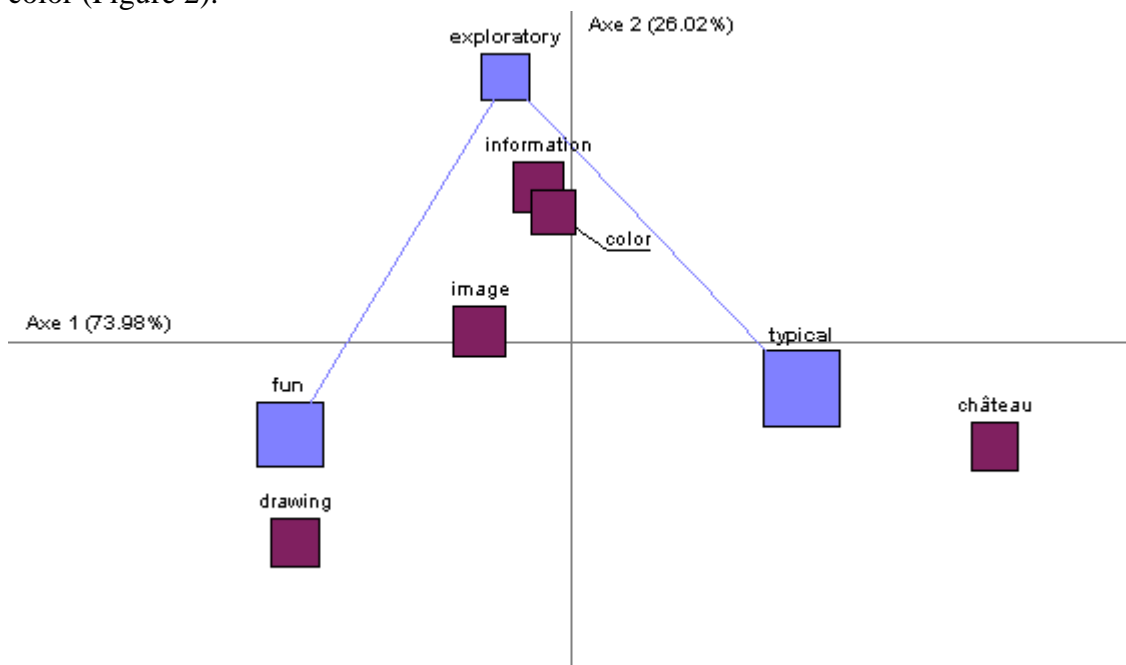


Figure 6: Label types and characteristics

Humor and atypical appearance through the presence of a drawing relate to an image of fun wine, while stylish effect through searching for information elicits an image of exploratory wine. In contrast, classicism and sober aspect with an image of the Castle refers to a typical image of the Bordeaux wine. Below are presented labels' evaluation by label's type.

Tableau 3: Label evaluations by label's type

	Global	Fun	Exploratory	Typical
Pleasing	61.30%	67.7	80.7	35.5
Original	57.00%	90.3	74.2	6.5
Harmony	55.90%	25.8	80.7	61.3
Elaborate	47.30%	38.7	54.8	48.4
Reassuring	38.70%	9.7	35.5	71
Weighted	36.60%	41.9	22.6	45.2
Typical	36.60%	3.2	19.4	87.1
Abstract	28.00%	41.9	41.9	
Contrasted	28.00%	35.5	32.1	16.1
Engaging	25.80%	41.9	22.6	12.9

Tableau 4: Price, Typicality and Visual unicity by label's type

	Global		Fun		Exploratory		Typical	
	Mean	Standard	Mean	Standard	Mean	Standard	Mean	Standard
Price	11.80	11.04	7.32	2.49	10.31	4.73	17.76	16.92
Typicality	2.95	1.53	1.55	0.62	2.45	0.99	4.71	0.46
Visual Unicity	3.64	0.89	3.32	0.86	3.87	0.86	3.73	0.89

The majority of people evaluate labels as being harmonious (55.9%), original (57%), pleasant (61.3%) and elaborate (47.3%). On the other hand, they consider the labels are less contrasting (28%), less abstract (28%) and less engaging (25.8%). If you compare evaluations by label's type, fun label is defined as weighted (41.9%), contrasted (35.5%), engaging (41.9%) and even more (original 90%), exploratory label as elaborate (58.4%), in harmony (80.7%), original (74.2%) and pleasing (80.7%) and finally typical label as typical (87.1) reassuring (71%) and much less weighted label (45.2%). But there is a large variance of responses (typicality 1.53) on what is typical for consumers whereas for visual unity, people are much more agreed. For this sample, the average of prices that reflect these labels is 11.8 euros with high standard deviation. Now we present differences between the three labels.

	Fun	Exploratory	Typical
Packaging Evaluation	Weighted Original Constrated Engaging	Harmony Pleasing Elaborate Original Visual unity	Typicality Reassuring Weighted
Price	7.32 with standard deviation (2.49)	10.31 with standard deviation (4.73)	17.76 with standard deviation (16.92)

Tableau 5: label's evaluation and price by label's type

When consumers face wine choice, they need more information to decide for an exploratory wine than for typical wine. They want to reduce the risk to make a wrong choice and to make a better diagnostic. Local wine as exploratory wine are preferred when you compare with

global and typical wine (Zhang and Khare, 2009). Typical packagings emphasize country and/or region as the place of origin of their wines, making them global and having similar properties for all consumers worldwide (Zhang and Khare, 2009). We can consider exploratory as wine of “*petites propriétés*”. Different levels of origin can be distinguished from the more global product to the more local one. However, other packagings highlight the name of the winery to make their wine be seen as a local and private brand. Such wines are produced for consumers who like to discover or explore different wines, those that are not too global or typical but rather more local. Such wines might be preferred by consumers that are more attracted by and place more value on such local wines, and exhibit a high level of motivation for searching information (Suri and Thakor 2013). The fun and exploratory packaging release aesthetic responses as originality, humor, stylish and pleasure, perhaps more affective reactions for fun wine than for exploratory one. We can distinguish aesthetic packaging design (exploratory and fun) from standardized packaging design (typical) in terms of consumer choice (Reiman et al., 2010). Fun is the most atypical design packaging and release more strong response as excitement or humor and they have contrasting design packaging with a drawing of sheep for example (Orth and Malkewitz, 2008). Also, exploratory wine could be associated with a moderate typicality and enhance a long term attractiveness for the consumer. In short term conditions, typical design could be chosen. It is not the case with atypical and typical design packaging (Karnal et al., 2014). If people are more agreed concerning fun and exploratory price than for typical wines, the positioning for typical wines is not clear. If we consider low price (less than 3 euros) for typical basic wine, the consumer considers fun and exploration wine are much more value for money. So, we have clearer positioning for fun and exploratory wines and a better segmentation (basic, fun and exploration). Normally, more the design is atypical, more the price is expensive (Landwehr et al., 2013). It is not the case for the wine and especially that from Bordeaux. We can explain that with “*primeur*” system that decides the price of the wine after tasting (Ali and Nauges, 2007) without design evaluation. This system have an impact for all the wine. The *primeur* price is a quality signal in terms of expectations for the consumers and the wine in *primeur* system are typical for Bordeaux. Another explanation could be the several classifications that decide the price of all the wines in the region of Bordeaux. Also, more the wine is typical, more the price is high.

4. Conclusions, Limitations and Implications

This paper highlights the importance of design elements, especially in regard to experiential products segmentation. The results highlight how design elements contribute to differentiate exploratory or fun wines from typical wine. We can define exploratory wine as “*vins de petites propriétés*”, fun as accessible and uninhibited wine and typical as the classic wine of the region. The price associated to each packaging present a clear segmentation between fun and exploratory wine and it is not the case for typical wine.

From a managerial point of view, the fun label is based on humor and atypical appearance. In addition, it requires drawing. Consumers evaluate the fun as original, abstract and attractive packaging. But the wines must be lower than 9 euros and it is the most accessible for a novice consumer. Exploratory label is on stylish appearance, originality and pleasure. In addition, it requires putting forward information including the vintage to show the origin and specificity of the wine and seeks to use color to differentiate them. Consumers evaluate the packaging as harmonious, abstract and pleasing with a strong visual unity. Consumers want to discover a local wine not drunk by a lot of people. The price is less 14 euros. The typical label is based on the classicism and his sober style. In addition, it requires the signals of *château*.

Consumers evaluate the typical packaging as reassuring. But the wines will be higher than 15 euros.

The main limitation of this study lies in that the respondents did not precisely define what typical wine is. If we have a chateau, it is considered as a typical wine. So all the wines in Bordeaux with this kind of definition are typical but we have a large range of price. To make the results more accurate, future researchers could compare basic wines (low price) with fun and exploratory wines. Also we could replicate this study with another experiential product to examine if an exploratory packaging can be specified, and to compare its perceived price with its real price (because “what you see may not be what you get”; Mueller et al., 2010).

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Designing Labels to Make Consumers Willing to Pay More for Wines: The Effects of Typical, Fun and Local Front Labels on Consumers' Willingness to Pay for Bordeaux Wines

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Abstract:

Purpose: While previous research has examined labels as cues that shape consumers' quality perceptions, the effects of label design on consumer's willingness to pay (WTP) remains surprisingly unaddressed. This paper thus seeks to investigate how the three main types of labels used for Bordeaux bottles (namely typical, fun and local) affect WTP.

Design/Methodology/Approach: An experiment is conducted with 200 people. Then, analyses of variance and structural equation models are used to describe the respective influence of each label type.

Findings: The results highlight the positive effect of typical labels and the negative effects of local labels. Of importance, the structural equation models help understanding the process whereby the characteristics of each label type affects WTP. The model shows that symmetry perceptions, fluency and reinsurance are variables of importance for typical labels, while fun labels exert their influence through flourish perceptions and engagement. A striking result regarding local labels relates to the lack of effect of wine evaluation on WTP.

Practical Implications: From a managerial point of view, the results highlight how designing labels that are seen as typical can increase fluency and WTP. Results also emphasize the detrimental effects of local labels, suggesting that designing labels that induce the feeling that the wine is locally produced may be damageable.

Research limitations/implications: This study focuses on Bordeaux wines and it remains to be examined whether the results would replicate with wines from other countries and with different characteristics.

Keywords: Labels, design, WTP

1. INTRODUCTION

Price is often used as a cue to judge product quality (Rao and Monroe 1989). However, when it comes to the price a consumer is willing to pay, the reversed process might exist, and quality cues may be used to infer willingness to pay (WTP). This process might be particularly relevant for experiential products, those such as wines (Nelson 1970) for which people are not necessarily fully informed as to their quality. In that case, product quality can only be appraised once consumers have engaged in the act of consumption. In the specific context of wine where consumers might usually pay before having tasted the product, it thus might be particularly difficult for consumers to appraise the price they are willing to pay for a given wine, and consumers may thus rely on cues to appraise the quality of the wine and subsequently the price they are willing to pay for it.

Among the specific cues that shape consumers' quality perceptions, the design of the label has probably been the cue that has received the widest attention (Boudreaux and Palmer 2007; Combris et al 2009; Orth et al., 2010). What results suggest is that consumers evaluate bottle designs in a holistic manner (Orth and Malkewitz, 2008), with most consumers processing the label as a whole rather than relying on specific attributes. Considering this holistic process, the investigation of the influence of products and labels design has often been conducted under the lens of typicality, leading to the consensual notion that consumers prefer more typical (vs. atypical) designs (Landwehr and al. 2013; Veryzer and Hutchinson 1998).

In addition to label design, another cues that is used to shape packaging evaluations – and still unexamined in relation with WTP – refers to wine origin. Such cues represents an important one for consumers, as highlighted by the creation in 1935 by the National Institute of Controlled Appellations of the appellation of origin, a tag that wineries put on their labels to indicate the geographic pedigree of their wines. This appellation of origin is seen as a sign of quality and an assurance to consumers of quality standards. As shown by Lunardo (2009), the origin of the wine can contribute to its perceived authenticity. The wine origin might also play a role in wine evaluation; for instance, and with regards not specifically to wine but rather to products, research shows that product origin enhances subjective fluency and subsequent product evaluations (Sangwon and al.2009). Different origins can be distinguished, from the more global product to the more local. Specifically, with respect to wine, origin can be global and thus related to country, or more local and related to a particular region (Suri and Thakor 2013).

Hence, in this paper, we aim to investigate how three distinct types of labels, which can either be seen as highly or lowly typical (that is, fun) or local affect consumers' evaluations of and subsequently their willingness to pay (WTP) for wines. We also identify the mechanisms underlying these effects. Precisely, the mechanisms that are here hypothesized to mediate the effects of label type exposure on evaluations and WTP are subjective fluency and sensory evaluations. As the first refers to the ease with which an incoming stimulus is processed (Reber et al., 1998), it might be the case that as typicality increases, consumers process the wine label with different higher fluency, thus increasing subsequent sensory evaluations and WTP.

In what follows, we adopt an inductive approach to end up with a model of the influence of label design attributes on consumer's responses. The experiment used in this research is

described and the results are presented. These results suggest some important implications for wine producers and retailers that are then discussed.

2. METHOD

2.1 Procedure and design

2.1.1 Stimulus selection and procedure

A pretest ($n = 31$, age ranging from 19 to 55) was conducted to select the stimuli used for the experiment. Participants were asked to 1/ select a total of six labels – two for each of the typical, fun and local types – in a sample of 100 labels that were collected on the web, and 2/ explain the reasons why they considered the selected labels as either typical, fun or local. The labels that were the most frequently considered as representative of a category were retained for the experiment and used as a stimulus in a survey. This survey was developed and administered via Qualtrics ($n = 200$, U.S. sample, age ranging from 18 to 60, 70% between 30 and 60).

2.1.2 Measures.

As in previous research on WTP (Bagchi and Cheema 2013; Ein-Gar and Levontin, 2013, Krishna, 199), participants were asked after being exposed to a specific label to rate on a single-item measure their WTP by asking them " What price in US Dollars would you be willing to pay for a 75 cl bottle of this wine ?" (Franke et al., 2009).

The flourish, size and symmetry of the labels were measured through the scale used by Orth and Malkewitz (2008). Then, participants indicated their subjective experience of fluency by rating on a three-item scale adapted from Fang et al. (2007) the ease with which they could process the label (7-point scale: 1 = very difficult to understand/imagine/process; 7 = very easy to understand/imagine/ process). This scale was chosen since it has already been used in previous research (Torelli et al., 2012) and proved reliable ($\alpha = .80$). Sensory evaluations were appraised through the 7-item scale already used by Nerlove (1995), Hughson and Boakes (2001) and Lowengart (2010). Finally, feelings of engagement and reinsurance were respectively measured with the three items "Cold vs. Warm", "Unemotional vs. Emotional", and "Uninteresting vs. Interesting", and the two items "Informal vs. Formal" and "Not calm vs. Calm" (Henderson et al., 2004). All the scales were measured on 7-point scales and were all reliable, with Jöreskog Rho ranging from .78 to .91 (Hair et al., 2005).

3. RESULTS

3.1 The Differences between Typical, Fun and Local Front Labels

In order to examine the effects of the different types of label, analyses of variance (ANOVAs) were conducted with label type as the criterion and the factorial score of every other variable involved in the model as the dependent variables (Table 1).

Table 1. Factorial Means of Constructs According to Label Types

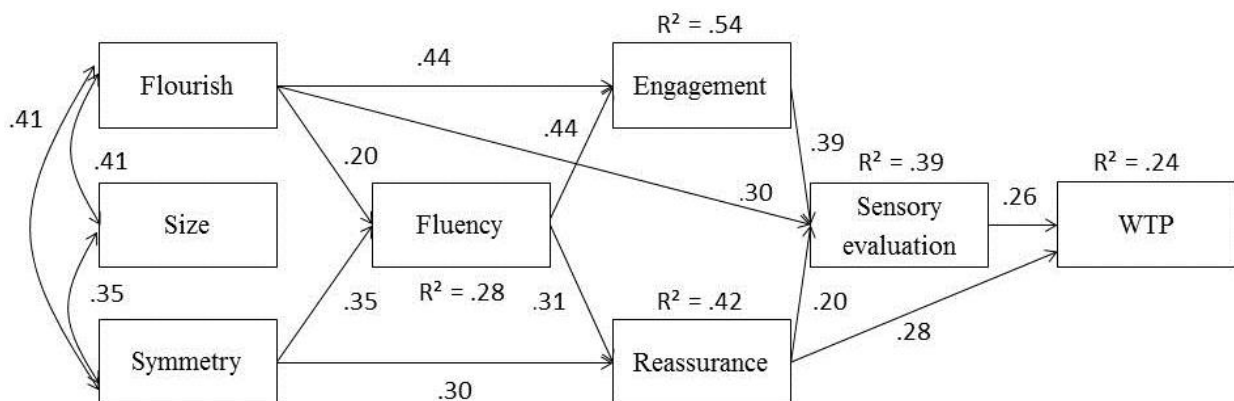
	Label types			F	Sig.
	Typical	Fun	Local		
Flourish	.261	-.121	-.148	2.879	.059
Size	.184	.042	-.235	2.450	.090
Symmetry	.457	-.195	-.276	9.587	.000
Fluency	.372	-.114	-.269	6.409	.002
Sensory evaluation	.245	.034	-.220	3.000	.053
Engagement	.139	.034	-.179	1.397	.250
Reinsurance	.437	-.481	.036	13.108	.000
WTP	.361	-.493	.008	7.067	.001

Results show that the means of all variables ($F_{\text{Flourish}} = 2.88, p = .059$; $F_{\text{Size}} = 2.45, p = .090$; $F_{\text{Symmetry}} = 9.58, p = .000$; $F_{\text{Fluency}} = 6.41, p = .002$; $F_{\text{Sensory Ebal.}} = 3.00, p = .053$; $F_{\text{Reinsurance}} = 13.11, p = .000$; $F_{\text{WTP}} = 7.07, p = .001$) except that of size ($p = .090$) and engagement ($p = .250$) significantly vary according to the labels (Table 1). Specifically, what results indicate is that typical labels are those that are associated with the highest mean of flourish ($M = .261$), size ($M = .184$), symmetry ($M = .457$), fluency ($M = .372$), sensory evaluation ($M = .245$), reinsurance ($M = .437$), and, importantly, WTP ($M = .361$). Surprisingly, local labels – and not fun labels – are those that lead to the lowest mean of flourish ($M = -.148$), size ($M = -.235$), symmetry ($M = -.276$), fluency ($M = -.269$) and sensory evaluation ($M = -.220$).

3.2 The Structural Models of the Effects of Front Wine Labels

Two structural equation models were then developed. The first model aimed to depict the overall influence of front wine labels. The model that exhibited the best fit ($\chi^2 = 13.83$ (n.s.); $GFI = .97$; $AGFI = .91$; $CFI = .98$; $SRMR = .04$; $RMSEA = .03$) was that presenting flourish perception and symmetry as the antecedents of fluency, these variables positively affecting sensory evaluation through engagement and reinsurance. Sensory evaluation then positively affects WTP. Of note, size is included as a variable that covaries with flourish perceptions and symmetry (Figure 1).

Figure 1. The Model Resulting from the Path Analysis



In addition to this model, following the procedure developed by Zhao, Lynch and Chen (2010), mediation analyses were conducted to test the mediating effect of fluency, feelings of engagement and reassurance and sensory evaluation. These analyses were conducted using

Preacher and Hayes' (2008) macro and 5000 bootstrapped samples. As shown by the 95% confidence intervals of the indirect effects excluding zero (Table 2), the results show the mediating effects of fluency, engagement, reassurance and sensory evaluation.

The second structural model aimed to investigate the extent to which the preceding model may explain the effects of each type of front label. A multigroup analysis was thus conducted to test how the typical, fun and local labels differ in their effects. The significant difference between the Chi-squares of the configural invariance model and the model with unequal parameters ($\Delta\chi^2 = 94.72, p < .000$) indicates that the three types of labels differ in their effects.

Table 2. Tests of Mediating Effects of Fluency, Sensory Evaluation and Feelings of Engagement and Reassurance

IV	M	DV	IV→M	M→DV	IV→DV	Indirect effect	CI	Sig.
Flourish	Se. Ev.	WTP	.43***	.37***	.15	.16**	[.08; .30]	Yes
Flourish	Fluency	Sens. Ev.	.46***	.28***	.39***	.13**	[.06; .23]	Yes
Flourish	Fluency	Engag.		.46***	.35***	.21***	[.13; .33]	Yes
Flourish	Fluency	Reinsur.		.51***	.14*	.24***	[.15; .37]	Yes
Flourish	Engag.	Sens. Ev.	.56***	.22**	.40***	.12*	[.02; .26]	Yes
Symmetry	Reinsur.	WTP	.49***	.33**	.15	.16**	[.05; .31]	Yes
Symmetry	Fluency	Sens. Ev.	.44***	.29***	.38***	.13**	[.06; .23]	Yes
Symmetry	Fluency	Engag.		.58***	.15	.26***	[.16; .38]	Yes
Symmetry	Fluency	Reinsur.		.51***	.16*	.22***	[.14; .35]	Yes
Fluency	Engag.	Sens. Ev.	.62***	.25**	.31***	.16*	[.02; .31]	Yes
Fluency	Sens. Ev.	WTP	.49***	.37***	.08	.18**	[.07; .33]	Yes
Fluency	Reinsur.	WTP	.53***	.38**	.07	.20**	[.09; .35]	Yes

Note: In columns, IV: Independent Variable; M: Mediator; DV: Dependent Variable; CI : Confidence interval of the indirect effect; Sig.: Significance of the mediating effect of M; ***: $p < .001$; **: $p < .01$; * $p < .05$

Table 2 shows that while typical labels makes fluency results from symmetry ($\beta = .53$), fun labels makes it result from flourish perception ($\beta = .43$). However, and still regarding fun labels, such fluency does not lead to more reinsurance ($\beta = n.s.$); when reinsurance occurs, this variable positively affects wine evaluation and WTP. The process whereby fun labels lead to higher WTP is thus one that involves flourish perception, fluency, engagement, reassurance and evaluation. The difference between fun labels and typical and local labels is that for those latter labels WTP is not affected by reassurance, which is needed only in the case of fun labels.

Table 3. The Distinct Effects of Labels Attributes for Typical, Fun and Local Labels

Relationships	Overall	Labels		
		Typical	Fun	Local
Flourish → Fluency	.44	n.s.	0.43	n.s.
Size → Fluency	n.s.	n.s.	n.s.	n.s.
Symmetry → Fluency	.35	0.53	n.s.	0.58
Flourish → Engagement	.44	0.67	0.39	0.39
Flourish → Wine evaluation	.30	n.s.	n.s.	n.s.
Fluency → Engagement	.44	0.22	0.50	0.50
Fluency → Reinsurance	.31	0.39	n.s.	0.36
Engagement → Reinsurance	n.s.	n.s.	0.50	0.35
Engagement → Wine evaluation	.39	0.51	0.43	0.30
Reinsurance → Wine evaluation	.20	n.s.	0.41	n.s.
Wine evaluation → WTP	.26	0.46	0.46	n.s.
R ² Fluency	.28	0.27	0.27	0.28
R ² Engaging	.54	0.65	0.65	0.47
R ² Reassuring	.42	0.46	0.46	0.39
R ² Wine evaluation	.39	0.45	0.56	0.23
R ² WTP	.24	0.14	0.44	n.s.

4. GENERAL DISCUSSION

This research investigated how label design can shape consumers' responses and WTP. Through an experiment manipulating three distinct and widespread types of labels, this research adds to the literature by making three contributions. First, we demonstrate that mere exposure to a specific label type can influence WTP and we identify the type of label that leads to the highest WTP. Second, we develop a model that explains the influence of and the process whereby labels design attributes influence WTP. Third and finally, through a multigroup analysis, we distinguish for each type of label the specific process whereby each type of wine label affects WTP through fluency, subsequent sensory evaluations of wine and perceptions of engagement and reinsurance.

4.1 Theoretical Implications

Our first theoretical contribution lies in the main effects of mere exposure to the different label types. Considering that typical labels have received the most positive scores on all variables, our research supports the notion derived from the theory of the preference for prototype (Campbell and Goodstein, 2001; Hekkert and Van Wieringen, 1990) and arguing that typicality often concludes that the more a product design is perceived as typical of its category, the more it will be appreciated and will produce strong purchase intent (Celhay and Trinquecoste 2014).

The second contribution refers to the process whereby fun labels affect WTP. We show that, as opposed to typical labels, fluency – which surprisingly results from finding the label flourish– does not affect reinsurance, but also that when such a feeling occurs, it strongly affects WTP.

The third contribution of this research relates to the surprising negative effects of local labels. Such labels that emphasize the local origin and the producer of the wine is rated as the significantly most negative on five out of seven variables. Of important and more specifically, local labels are those that lead to the lowest degree of fluency and sensory evaluation.

4.2 Managerial implications for wine producers and retailers

The first important practical recommendation that can be suggested relates to the mere labels exposure effects. Our results indicate that typical labels are those that lead to the highest WTP, while fun labels are those that induce the lowest. If one considers that WTP is a variable of primary importance, it thus may be suggested for wine producers and marketers of the wine industry to design labels in a way that makes them perceived as typical. As shown by the overall and multigroups analyses, as well as by the test of the mediating effects, the symmetry that consumers perceive from typical labels induce a sense of fluency, which leads to feelings of engagement that increase the evaluation of wine and WTP. Another recommendation lies in the wide negative effects of local labels. Hence, wine producers may gain in designing labels that do not induce the perception that the wine is purely local, but rather may design labels that are seen as either typical or fun. The third recommendation lies in the differential paths observed for the distinct label types. Wine producers that aim to increase their prices and thus WTP may consider the process whereby each label type can increase WTP.

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Old wine in new bottles? The impact of information on the acceptance of innovative wine packaging

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Abstract:

Purpose: This paper suggests that consumer education in the form of information can effectively overcome adoption barriers to new and innovative wine packagings. This effectiveness depends both on the degree in packaging innovation and the level of consumer involvement.

Design/methodology/approach: We conducted an online experiment with a sample of German consumers to analyse the perception of consumers for innovative packagings. The experiment featured three different packaging options: bottles with screw cap closures, bag-in-box, and StackWine. For each packaging form, there was a treatment group with additional information about the packaging and a reference group without this information. To test our hypothesis, we applied ANOVAs and t-tests. We carried out a moderated regression analysis to examine the effect of involvement in combination with information on intention to buy.

Findings: The results revealed that low involvement consumers react positively to additional information about the benefits of a new packaging. For highly involved consumers, however, the effect of information is not significant. Furthermore, the analysis showed that consumers with low involvement mainly buy wine in supermarkets.

Practical implications: Information about new packaging forms should be presented in places where consumers with low involvement buy wine, such as supermarkets. These customers can be influenced by the additional information about the innovative packaging.

Keywords: Packaging, innovation, consumer behaviour, involvement, customer education

1. INTRODUCTION

Are bottles outdated? Nowadays, wine comes in many different shapes and sizes: Bottles with corks, screw caps or stoppers, larger containers like bag-in-box and Tetra Pak[®], and the single serving packagings like StackWine or cans. The wine market is changing in terms of packaging. Producers break with traditions and introduce new packaging forms (Barber and Almanza, 2006). Bag-in-box sales have steadily increased over the last few years (Santini et al., 2007) and the International Organisation of Vine and Wine (2013) has proposed to the World Customs Organisation to change the custom identification of containers between 2 and 10 litres, which demonstrates the importance of this type of packaging.

However, innovative packagings face the same barriers as every other innovation (Atkin et al., 2006). Despite this fact, the adoption of innovative packaging attracted little attention in previous research. Especially radically innovative packaging forms like StackWine have not been addressed in the realm of customer acceptance of innovations. Therefore, the aim of this paper is to shed light on the acceptance of radical packaging innovations in the wine market. In particular, we examine the effect of customer education as well as the level of product involvement on the acceptance of new packaging forms.

2. LITERATURE REVIEW

Packaging is one of the last chances to persuade a customer to choose one item over another (McDaniel and Baker, 1977). Therefore, it can significantly influence customers' purchase decisions. Rigaux-Bricmont (1982) shows that packaging is a powerful way to differentiate products from competitors. Especially food packaging greatly influences the purchase decisions. In addition to the important role of protecting and keeping perishable goods fresh and consumable, packaging helps customers find the right product (Wells et al., 2007). Orth & Malkewitz (2008) define five holistic packaging design prototypes, each of which consists of a specific set of design elements and factors that trigger certain design impressions in customers' minds. Since wine is a very complex product whose quality cannot be adequately assessed prior to its purchase or consumption, customers rely on extrinsic cues such as the packaging and the information displayed on the packaging (Atkin and Newton, 2012; Sherman and Tuten, 2011). First, there is empirical evidence that shows that extrinsic cues like label design, type of closure, region of origin, and price can influence the purchase decision and even the post-purchase evaluation of quality significantly (Atkin and Newton, 2012; Atkin et al., 2006; Barber and Almanza, 2006; Celhay and Passebois, 2011; Sherman and Tuten, 2011; Veale, 2008). One part of the packaging is particularly interesting for the wine marketing research: the closure (e.g. Murray and Lockshin, 1997). Research shows that customer education, such as information about an innovation, can alter the preference of different types of closure. Customers showed higher preferences for synthetic cork closures after reading an informative article about this new type of closure (Murray and Lockshin, 1997).

Second, besides information about an innovation, several other factors influence the adoption process of innovations. For example, extrinsic cues that reduce the risks associated with the innovation (e.g. warranties) can also foster adoption of innovations (Bearden and Shimp, 1982). Additionally, the timing of marketing activities is crucial for their efficacy (Delre et

al., 2007), and especially during the launch phase, traditional advertising activities can highly impact the adoption (Narayanan et al., 2005). Ram & Sheth (1989) show that innovation resistance occurs in every product category and solely depends on the degree of discontinuity. Therefore, products with a high level of discontinuity face stronger adoption barriers than those with lower levels of discontinuity. However, these low innovative products can face strong resistance, particularly if a conflict with the customers' belief structure occurs (Ram and Sheth, 1989). Atkin et al. (2006) use the concept of resistant innovation to analyse the adoption of screw cap closures for wine bottles in New Zealand, the United States, and Australia. The authors define the screw cap closure as a low-tech discontinuous innovation.

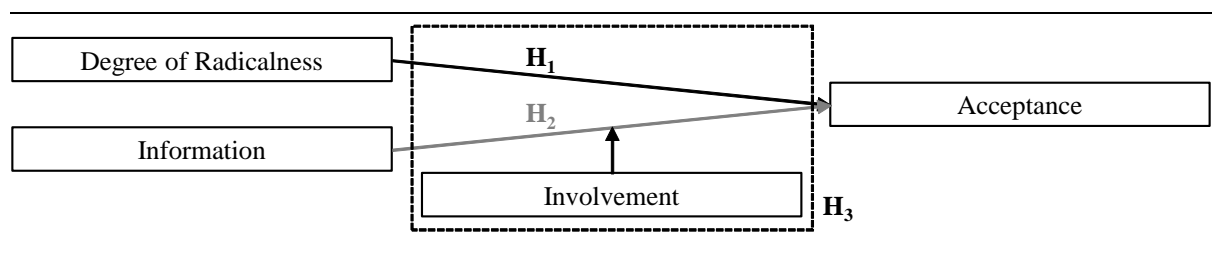
Lastly, research also shows that the concept of involvement has a major influence on consumer behaviour in innovation adoption. Zaichkowsky (1988) introduces product involvement as the individual's perceived relevance of a product or product category. High involvement consumers evaluate extrinsic product cues differently than low involvement consumers. Involvement also leads to different consideration of extrinsic cues like country of origin of the brand; low involvement consumers tend to pay more attention to this cue than highly involved consumers (Prendergast et al., 2010). There is a multitude of research about wine and involvement showing that the level of involvement has a significant influence on the consideration and understanding of different extrinsic and intrinsic cues (e.g. Hollebeek and Brodie, 2009; Madureira and Nunes, 2013; Spielmann, 2012).

In conclusion, the degree of radicalness of an innovation, the available information about an innovation, and the customers' involvement in the product category influence the acceptance of an innovations. Thus, the relationships among these constructs is of crucial importance for the development of new packagings and the presumed adoption of such innovations.

3. HYPOTHESIS DEVELOPMENT

The degree of radicalness reflects the degree of discontinuity of an innovation. A more radical innovation deviates more from the reference product. Information, in this case, is an unbiased list of facts about the benefits of the packaging innovation, which is specific to each packaging innovation. The involvement stands for the customer's perceived relevance of wine. Acceptance represents the customers' willingness to buy wine in this specific packaging form. Figure 7 visualises the presumed relationships between the four constructs.

Figure 7: Visualisation of the Hypotheses



Based on these definitions and the assumptions derived from the literature review, more radical packagings face stronger customer acceptance barriers. Thus, we propose the following hypothesis:

H₁: The customer acceptance of the packaging innovation is inversely related to the degree of radicalness of package design.

Moreover, customer education in form of information about the beneficial features of the packaging is expected to be positive for every packaging variant. Thus, we propose the following hypothesis:




H₂: Information about the innovative packaging's beneficial features enhances customer acceptance of the packaging.

Lastly, customer involvement also has an impact on the acceptance of the packaging innovation. Because customer involvement implies that customers have knowledge about wine, the impact of information about the packaging might be different for different levels of customer involvement. Due to the lower level of knowledge, low involvement customers might be more open to information about new packaging forms. Thus, we propose the following:

H₃: The positive effect of information about the packaging on the customer acceptance is greater for customers with low involvement than for those with high involvement.

4. METHOD

Figure 8: Packaging Variants

Packaging	Bottle with Screw Cap (SC)	Bag-in-box (BiB)	StackWine (SW)
Visualisation			
Description	0.75 litre bottle with screw cap closure	3 litre bag-in-box	Four single serving plastic glasses (total 0.75 litre)
Degree of Radicalness	Low	Medium	High

As setup for this study, we use a 3 (degree of radicalness) x 2 (information presentation) factorial between-subjects design in an online experiment. The degree of radicalness is reflected by the three different wine packing variants that differ in the way customers consume the wine (see Figure 8). Hence, they refer to different degrees of radicalness and imply different consequences for the adoption process. Since the bottle with cork closure is the best known wine packaging in Germany, we use it as reference. Therefore, the bottle with a screw cap closure (SC) represents the least radical innovation. The process of consuming wine is mainly identical, the only difference is the opening of the bottle referring

to the definition of Atkin et al. (2006). In line with this definition, for bag-in-box wines (BiB), the consumption process is rather different: There is no glass bottle and the container is significantly larger. The wine is still consumed out of a usual glass. Therefore, it can be argued that the degree of radicalness is on a medium level. StackWine (SW) represents the highest degree of radicalness, because the form of the container is completely different and no glasses are necessary to consume the wine. The presentation of the packaging form was integrated in the online experiment in the form of a series of pictures or a video (StackWine).

Table 1: Wine Product Involvement by Hirche & Bruwer (2014)

– I have good general knowledge about wine.	– Every now and then I visit a wine seminar.
– Other people often ask me advice regarding wine.	– Sometimes, when drinking wine, I like the intellectual challenge of complex tastes.
– Wine offers me relaxation and fun when life’s pressures build up.	– I am or would consider getting a member in a wine club.
– I take particular pleasure from wine.	– I regularly attend wine events / festivals.
– I very much enjoy spending time in a wine shop.	– Every now and then I participate at a wine tasting.

The information texts about the benefits of the packaging forms included features like the possibility to open the bottle or container without a tool, to close the bottle again, or to prevent oxidation. The intention to buy was used as measurement of acceptance of the packaging (“I would buy wine in this packaging”, 7-point Likert scale). Involvement was measured using the ten items wine product involvement construct (7-point Likert scale) developed by Hirche & Bruwer (2014), see Table 1. Furthermore, participants’ demographic data and the place of purchase (supermarket, wine shop, online wine shop, vineyard cellar door, vineyard online) were obtained.

5. DATA ANALYSIS AND RESULTS

First, we conducted a pilot study with 15 participants to test our manipulations and the wording of the items in translation. In the main online experiment, a total of 427 participants were randomly assigned to the six conditions of a 3 (packaging: SC, BiB, SW) x 2 (information about benefits: yes vs. no) factorial between-subjects design. The resulting cell sizes ranged from 63 to 75. The participants were incentivized with a prize to take part in the online experiment; we approached most of the participants in wine related Facebook groups. The participants’ mean age is 30 years, 49.9% of the participants are male and 48.7% are female. Overall, 51.5% of the respondents stated to be students. The distribution of these demographic characteristics among the six groups is even as an ANOVA for age, gender and job showed no significant differences (age: $df = 5$; $F = 1.450$; $p = 0.205$; gender: $df = 5$; $F = 0.357$; $p = 0.877$; and job: $df = 5$; $F = 0.376$; $p = 0.865$).

To test the reliability and unidimensionality of the construct ‘wine product involvement’, we carried out an exploratory factor analysis, which extracted one factor, and calculated the Cronbach’s α which is 0.931.

To analyse H_1 , we carried out a one-way ANOVA in combination with planned contrasts. The ANOVA shows a significant effect of the packaging on the intention to buy, $F(2.424) = 173.24$; $p < 0.05$; $\omega = 0.67$. The three planned contrasts, see Table 2, show that the participants’ acceptance of screw caps is significantly higher than for bag-in-box and

StackWine. The difference of the acceptance between bag-in-box and StackWine is not significant.

Table 2: Planned Contrasts

<i>Contrast</i>	<i>Mean Difference</i>	<i>Std. Error</i>	<i>t</i>	<i>df</i>	<i>Sig. (2-tailed)</i>	<i>r</i>
SC > BiB	3.22	0.202	15.92	261.336	0.000	0.70
SC > SW	3.51	0.198	17.79	248.805	0.000	0.75
BiB > SW	0.29	0.230	1.28	279.984	0.201	0.08

Overall, the results of the contrast tests show that only SC > BiB and SC > SW. Because BiB = SW, H₁ is only partly supported. There are statistically significant differences among the three packagings regarding the respondents' intention to buy. The assumed order with a decreasing acceptance from screw cap to StackWine, however, cannot be identified. The acceptances for bag-in-box and StackWine are on the same level, the acceptance for screw cap closures is significantly higher.

Table 3: T-Tests of the Effect of Information on Acceptance

<i>Test</i>	<i>Levene's Test</i>		<i>t-test</i>			
	<i>F</i>	<i>Sig.</i>	<i>t</i>	<i>df</i>	<i>Sig. (2-tailed)</i>	<i>r</i>
SC ₁ > SC ₀	0.031	0.859	0.328	143	0.372	0.03
BiB ₁ > BiB ₀	2.088	0.151	0.731	145	0.233	0.06
SW ₁ > SW ₀	0.002	0.967	0.173	133	0.432	0.01

Next, to examine the positive effects of information about the packaging on the customer acceptance of the packaging proposed in H₂, we carried out three individual independent sample t-tests. Each t-test compares the means of the two different groups within one packaging: with information (SC₁, BiB₁, SW₁) and without information (SC₀, BiB₀, SW₀). Table 3 shows the results of the three t-tests and the corresponding Levene's tests. These results state that there is no significant difference ($\alpha = 0.05$) between the groups with information about the features of the packaging and the groups without that information. Therefore, there is no mere effect of information on intention to buy. Hence, H₂ is not supported by the data.

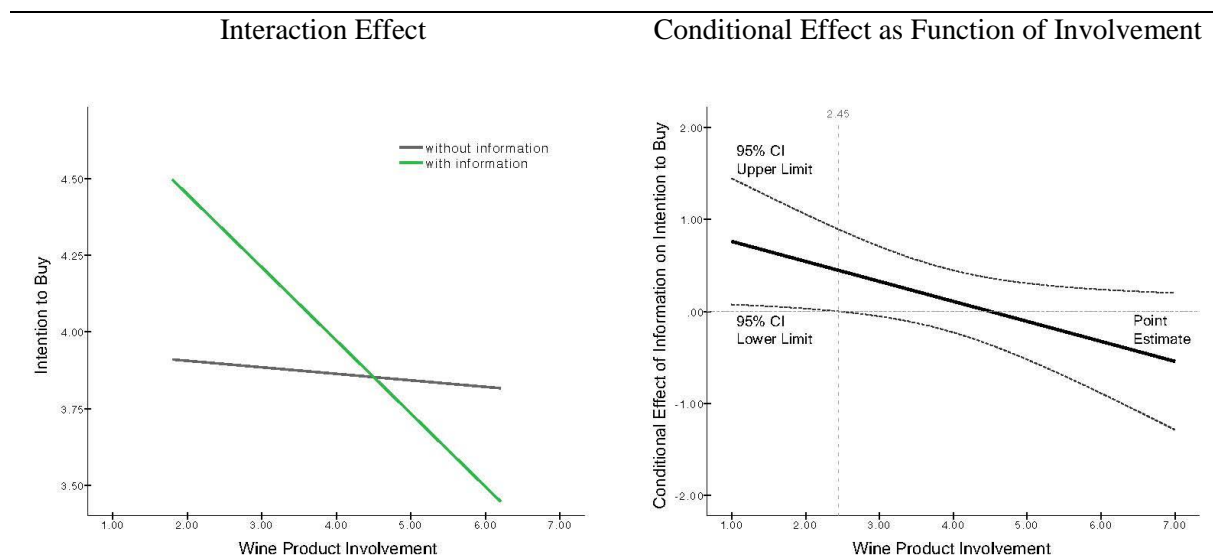
Table 4: Results of the Moderated Regression Analysis

Predictor		<i>B</i>	<i>Std. Error</i>	<i>t</i>	<i>Sig.</i>
Constant	b_0	2.816	0.310	9.808	0.000
Information (X)	b_1	0.978	0.445	2.196	0.029
Involvement (M)	b_2	-0.021	0.074	-0.289	0.773
Interaction (XM)	b_3	-0.217	0.107	-2.031	0.043
Packaging (C)	b_4	3.334	0.180	18.521	0.000

r of the model: 0.678 r change due to interaction: 0.073 Significance of r change: 0.043

Equation: $Y = 2.816 + 0.978X - 0.021M - 0.217XM + 3.334C$

To analyse the moderating effect of involvement in H₃, we performed a moderated regression analysis using the data of all 427 respondents. The binary variable X represents whether there was information about the features (1) or not (0). Because the respondents do not differentiate between the intentions to buy wine in the packaging bag-in-box or StackWine, these two types of packaging were summarized in one cluster ('more radical packaging'). The screw cap closure stands for the 'less radical packaging'. The bivariate covariate C represents these clusters (0 = 'more radical'; 1 = 'less radical'). The moderator M shows the involvement (range: 1 to 7). The intention to buy is the dependent variable Y (range: 1 to 7).

Figure 9: Visual Representation of the Moderated Regression Analysis

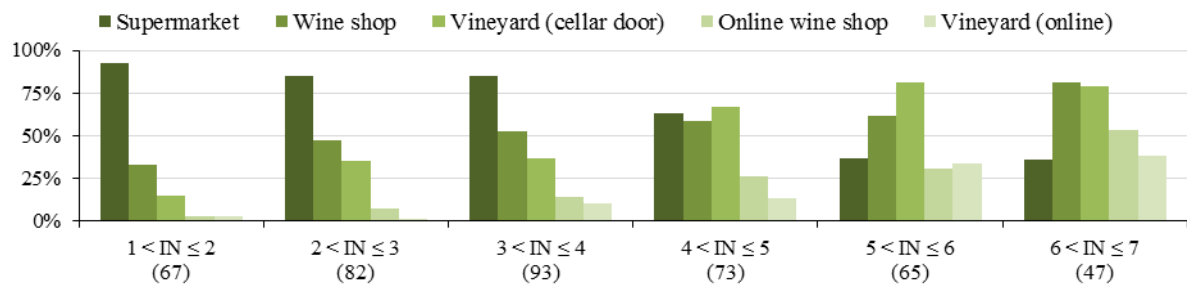
Notes: The covariate C is set to its sample mean 0.340.

Using IBM SPSS 22 and Hayes' plug-in PROCESS, the floodlight analysis shows that information has an effect on intention to buy for customers with low levels of involvement.

Table 4 shows the results of the moderated regression analysis. The r of the model is 0.678 and 0.073 can be assigned to the inclusion of the interaction effect. The results of the floodlight analysis in Figure 9 show that the effect of information on the intention to buy is significant ($\alpha = 0.05$) for respondents with involvement levels lower than 2.45. Within the sample, 22.5% of the respondents have an involvement score lower than 2.45. Since the interaction effect of information and involvement is only significant for low levels of involvement, hypothesis H_3 is supported.

Additionally, we examined the different shopping places of customers with the different levels of wine product involvement. The results in Figure 10 show that low involvement customers prefer to buy wine in supermarkets. Customers with an involvement level of 4 or higher mostly buy wine at the vineyards or in wine shops and also use online shops more often.

Figure 10: Place of Purchase by Level of Wine Product Involvement



Percentage of positive answers per level of wine product involvement. Multiple answers possible. Numbers '(67)' represent the number of respondents in this class of involvement.

6. DISCUSSION AND CONCLUSIONS

Sparse research on the acceptance of innovative packagings exists. In this study we focus on innovative wine packaging and the influence of customer education and involvement. To begin with, we find that the differences in the acceptance of the packaging forms indicate that the respondents differentiate between two levels of radicalness. The respondents show the same level of acceptance for StackWine and bag-in-box, but a significantly higher acceptance for the bottle with screw cap closure. Therefore, the general assumption that a lower degree of radicalness correlates with a higher acceptance of the packaging can be supported. Testing hypothesis H_2 revealed that the information about the beneficial features of a packaging does not enhance the acceptance among customers in general. The results of testing hypothesis H_3 show why information does not influence the acceptance in general: The acceptance is moderated by the level of wine product involvement. The data shows that low involvement customers react positively on information about the beneficial features of the packaging. For customers with higher levels of involvement, the information has no significant influence on the acceptance.

The analysis of the purchase places shows that low involvement wine customers prefer to buy wine in supermarkets. Since information about the packaging affects this group of customers the most, the information should be present in supermarkets. These customers with lower

levels of involvement can be convinced of the benefits a new packaging can offer. Highly and medium involved customers prefer the direct contact, consulting and the product range a dedicated wine shop or a shop on the premises of a winery can provide. These customers might be open to new packagings if the sales personnel can describe the benefits directly. This, however, would need further experiments with this specific question.

Marketing activities regarding the new packaging form combined with a higher availability of the specific packaging would boost the acceptance. In particular, a well-known brand which represents high quality wines could be very successful by introducing entry level wines in the bag-in-box packaging. The brand name creates trust and the availability of a variety of wines in bag-in-boxes could have mere-exposure effect on customers. As soon as the packaging is not perceived as risky either through the brand, the familiarity or the combination of those, customers will buy wine in these packagings as well.

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What does your wine label mean to consumers? A semiotic approach

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Abstract:

Purpose: A large body of research has shown that the packaging's graphic design influences consumers' perception of a product. Many marketing scholars and researchers acknowledged that a package graphic design is a critical tool for managers to communicate about the brands they manage. In the meantime, very little is known about how the visual component of a packaging does produce the desired meanings among consumers. Using a semiotic approach, this study aims to investigate this link using wine labels as a field of investigation.

Design/methodology/approach: In this study, a content and semiotic analysis of Bordeaux wines visual codes is conducted. Four labels, representative of the Bordeaux wine category, are tested on a sample of 932 French respondents using a free word association task. A correspondences factorial analysis is also conducted to identify the themes' association with the different labels.

Findings: We confirm that using a semiotic perspective can anticipate most of the ideas' associations that a package graphic design is likely to produce in consumers' mind. More importantly, semiotics allow to understand which visual attribute is likely to produce which idea association and why.

Practical implications: Conducting a semiotic study seems to be a reliable tool for managers to help them to design their packaging according to the positioning and brand's meanings they seek to communicate to their clients.

Keywords: Packaging, design, semiotics, communication, wine label

1. INTRODUCTION

Many authors have shown that the visual aspect of a product (especially food products) contributes to its perception (Ares et al., 2011; Hagtvedt, 2011; Henderson et al., 2004; Orth & Malkewitz, 2008; Pantin Sohier, 2009; Mizutani et al., 2012; Raz et al., 2008; Rebollar et al., 2012; Sester et al., 2013; Velasco et al., 2014; Westerman et al., 2013). Consequently, any modification of the package design would affect the brand's personality and quality perception, and ultimately, consumers' willingness to buy the brand (Mueller & Szolnoki, 2010; Orth & Malkewitz, 2008; Pantin Sohier, 2009; Westerman et al., 2013). Based on this background, marketers use the package design to communicate about their brands (Underwood, 2003). Several researchers have explored the theoretical bases of such a phenomenon (Ares et al., 2011; Henderson et al., 2004; Orth & Malkewitz, 2008), but very little is known about the relationship between the characteristics of the visual design and consumers' understanding and perception of these wine labels' design. In this study, we aim to respond to the following question: what do wine labels mean to consumers? In other words, we investigate and show that a semiotic approach is a relevant and effective approach to understand how the visual component of a packaging does produce the desired meanings among consumers. Three major methodological approaches have been used so far to understand this link. If two of these approaches are interesting to overview, we will focus in this paper on the semiotic approach to explain how wine labels are perceived.

2. LITERATURE OVERVIEW

2.1. From experimental to holistic design

Manipulating some visual attributes of the packaging (colors, typeface, etc) was often used to measure their impact on perceived quality or intent of purchase (Velasco et al., 2014; Mueller and Remaud, 2013). However, such experiments are unable to reflect the multiple interactions that determinate the global visual aspect of a packaging. Yet, as highlighted by Orth and Malkewitz (2008), consumers look at a packaging as a whole, and on the basis of this holistic perception, they establish specific beliefs with regard to a product.

Other researchers argue that there is no theory in the marketing field that provides concrete guidelines for defining a package (or logo) visual aspect according to the messages a manager wants to communicate about his/her brand (Henderson et al., 2004; Orth & Malkewitz, 2008). These researchers have proposed a two-step empirical approach to identify holistic designs (e.g., massive, contrasting, natural, delicate, etc.) and then test them with consumers. The advantage of this approach is its realism as it allows researchers and marketers to test the perception of real stimuli (real packages or logos). However, this approach also possesses a few limits: no theory supporting the empirical findings; difficulty to fully explain them; lack of stability in the observed relationships between holistic designs types and the dimensions of the brand personality. These limits suggest that the same visual attributes could generate different meanings across different product categories.

2.2. The semiotic approach

More recently, a few researchers started to use the conceptual and theoretical frameworks of the semiotic field to better understand how the visual aspect of a logo, brand, or packaging generates meanings for consumers (Ares et al., 2011; Piqueras-Fizman et al., 2011).

Semiotic can be defined as “the theory which describes and analyses the mechanism by means of which a sign system produces meaning” (Ares et al., 2011; Kehret-Ward, 1988; Piqueras-Fizman et al. 2011). Having this theoretical background in mind, Ares et al. (2011) and Piqueras-Fizman et al. (2011) have developed a three-step approach:

1. Run a content analysis of packages available on the market to identify the visual codes of a specific product category.
2. Decode the meanings usually associated with these codes through a semiotic study.
3. Test the visual codes previously identified with consumers using a free word association task.

Semiotic studies appear to be a relevant tool for marketers to guide them in the design of their package and logo. This approach presents several advantages, including taking into consideration the package visual attributes separately (i.e. colors, typography, forms, illustrations, materials...) and the overall aspect of the package (i.e. overall level of complexity or novelty of the visual, level of congruency among the different visual attributes, equilibrium of the composition, hierarchy among the different elements etc...). However, this approach suffers a lack of replication. The two articles of Ares et al. (2011) and Piqueras Fizman et al (2011) use the same experiment materials and analyze the visual codes of the same category (yogurt packages). On the top of it, one of the visual codes used in the experiment come from a well-known brand (Activia of Danone), potentially impacting and conditioning the respondent pre-existing awareness and knowledge of that specific brand positioning.

This study aims to contribute to this body of knowledge by extending the external validity of the results of Ares et al. (2011) and Piqueras-Fizman et al. (2011) as well as to add to the existing body of knowledge new results in relation to this new product category: wine.

3. RESEARCH PROTOCOL

3.1. Identification of the Bordeaux wines visual codes

To facilitate the research protocol and narrow down the research field, we focused on wine labels of the Bordeaux region. The first step of the study was about identifying the visual codes used on these wine labels. A selection of 117 Bordeaux wine labels have been analyzed using a content analysis method. Two coders independently coded the labels using a grid of observation (composition and layout, color, typography, illustrations themes, styles, etc...). The inter-judge reliability was measured by calculating the inter-judge rate of agreement and Cohen’s kappa coefficient. The inter-judge agreement was 91% and Cohen’s kappa was 0.87, which indicates great concordance among the judges.

3.2. Semiotic analysis of the Bordeaux wines visual codes

Following the codification of the labels, a semiotic study was conducted to interpret what these labels refer to. We used the binary model of signs of Ferdinand de Saussure (1917). According to Saussure, signs can be divided into two facets: the signifier and the signified (Crow, 2010; Celhay et al. 2015). The “signifier” (or the expression plane) is the physical manifestation of the sign. It can be a sound (for a verbal sign) or an image (for a visual sign). The “signified” (or the content plane) is the meaning that is attached to the signifier. From a semiotic perspective, a package design is a combination of several signifiers that communicate specific signifieds (i.e. meanings) to the consumer.

3.3. Designing the wine labels to be tested

Based on the content analysis results, a graphic designer created four typical Bordeaux wine labels. All labels include the same informational content but each presents some individual characteristics regarding its visual attributes (see Figure 1).

Figure 1: Typical Bordeaux wine labels used for the free word association task



3.4. Semiotic analysis of the wine labels to be tested; test of the labels

A semiotic analysis of each bottle was conducted in order to anticipate how the perception of each label was likely to differ according to its individual specificities.

Respondents were recruited using the client list of a Bordeaux wine merchant. Request to participate was sent by e-mail, inviting participants to forward the invitation to people they know (snowball effect). To encourage participation and participants to complete the full survey, a competition in which a few bottles of wine would be offered to randomly selected participants has been organized. People stating that they don't consume wine were excluded

of the study. Finally, 932 people fully completed the survey. The average respondent is 43 years old, and 59% of the participants are male.

The survey was conducted online using Qualtrics software. The four bottles of wine were tested based on a within-subject experiment design. First, the four bottles were presented all together to the respondents with the following sentence: "Here are four bottles of wine from Bordeaux in which the brand (chateau) name has been removed for the purpose of the study. Look at them carefully before continuing the survey." We wanted each respondent to clearly see and compare these bottles before answering the questions. Such a comparison also occurs in a real environment when consumers face many more labels and bottles to choose from. Then, each bottle was presented individually to the interviewees in a random order and respondents were asked to evaluate each of these four bottles using a free-word-association technique: "what does this bottle of wine evoke to you? Please write down all words, idea associations, emotions, or images that come to your mind when looking at these bottles" (Ares et al., 2011).





3.5. Data analysis

In order to analyze all idea associations generated by each label, a lexical content analysis was conducted following Celhay et al. (2015) approach. Because of the number of responses to analyze ($4 * 932 = 3,728$), Sphinx Quali lexical analysis software was used. Two researchers independently conducted this categorization and then compared their theme dictionary to obtain a consensus. Finally, when the main themes were identified, the software recoded the responses obtained from the free word association into close-ended variables in relation to the first 50 themes of the corpus. It enabled to calculate the frequency of occurrence of each theme for each label and for all the respondents (see Table 1) and then to conduct a correspondences factorial analysis indicating what themes were most associated with the different labels (see Figure 2).

4. RESULTS: Perception of the labels using the free word association task

Table 1 presents the results of the free word association task for each label. The lexical content analysis allows identifying the ten (restricted here to the 5 most important ones) themes which have been most frequently associated by the respondents to the different labels.

Table 1. First 5 lexical themes associated to each label

Stimuli	Themes	#	Freq.	Stimuli	Themes	#	Freq.
 Bottle 1	Ancient	296	31.8	 Bottle 3	Simple	163	17.5
	Outdated	183	19.6		Small château	141	15.1
	Heavy	179	19.2		Classic	140	15.0
	Tradition	120	12.9		Sober	116	12.4
	Wine of quality	103	11.1		Wine of quality	82	8.8
 Bottle 2	Modern	222	23.8	 Bottle 4	Classic	174	18.7
	Elegant	164	17.6		Tradition	128	13.7
	Sober	152	16.3		Ancient	115	12.3
	Simple	151	16.2		Terroir	106	11.4
	Wine of quality	84	9.0		Wine of quality	100	10.7

Label 1 evokes themes such as ancient, outdated, tradition and classicism. This was expected according to the ochre background, enlightened frames, centred layout, etching style of illustrations and gothic typeface. The “heavy” association was also expected according to the overall complex and fully “loaded” aspect of the label.

Label 2 evokes themes such as modern, elegant, sober, and simple. This was expected according to the overall simple aspect of the label: pristine white background with black text and subtle touches of gold and the use of a thin type.

Label 3 evokes themes such as simple, sober. This was expected according to the pristine white background with black text and the use of a thin formal script typeface for the brand name. The “small château” association was also expected according to the use of lower-case letter for the brand and region name and the absence of gold. The “classic” association was expected according to the layout and composition of the label as well as the use of etching as style of illustration.

Label 4 evokes themes such as classic, tradition, ancient. This was expected according to the use of a yellowing background, to the layout and composition of the label as well as the use of etching as style of illustration. Label 4 also evokes themes such as terroir, based on the use of brown colors, the irregular outline label style and the illustration theme which highlight more the vineyards than the château.

Thus, it appears that some ideas associations (classic, wine of quality) are generated by the four labels while other are more specific. This appears as a logical result as the four labels have common visual codes (layout and composition). This can also be explained with the overall reputation a wine region already generates in people’s mind. This general reputation (here wine of quality) acts as a general ‘landscape’ for the wine being offered to the

consumers. However, whatever the way a region is generally perceived, the label of each bottle still convey a distinctive message and meaning to the consumers that the region will not overshadow.

The correspondence analysis factorial map (Figure 2) allows us to better outline what the associations of ideas are with the perception of the four labels.

The first axis explains 62% of the total delivered information and represents two polarities: modern versus ancient. Thus, it appears that the labels (labels 1 and 4) on the right side of the map could be differentiated as being perceived as more ancient and traditional and the labels on the left side (labels 2 and 3) as being perceived as more modern. The second axis, explaining 28% of the total delivered information, represents two sides of the perceived price and prestige of the wine: small, modest and affordable châteaux on one side; prestigious, high-end and expensive châteaux on the other side. Thus it appears that the labels on the bottom of the map (labels 3 and 4) are perceived as being more affordable and the labels on the top of the map are perceived as being more expensive (labels 1 and 2). This however doesn't imply that the label 3 and 4 are perceived as being low quality wines as the theme "wine of quality" is associated to all the labels and appears at the centre of the map.

5. CONCLUSIONS

In line with previous researches, our study confirms the idea that different packaging (including signifiers and signified) convey different messages and specific positioning for wine products. Our study also supports the relevance of using a semiotic approach to better understand consumers' perception of signifiers and signified in the case of wine product.

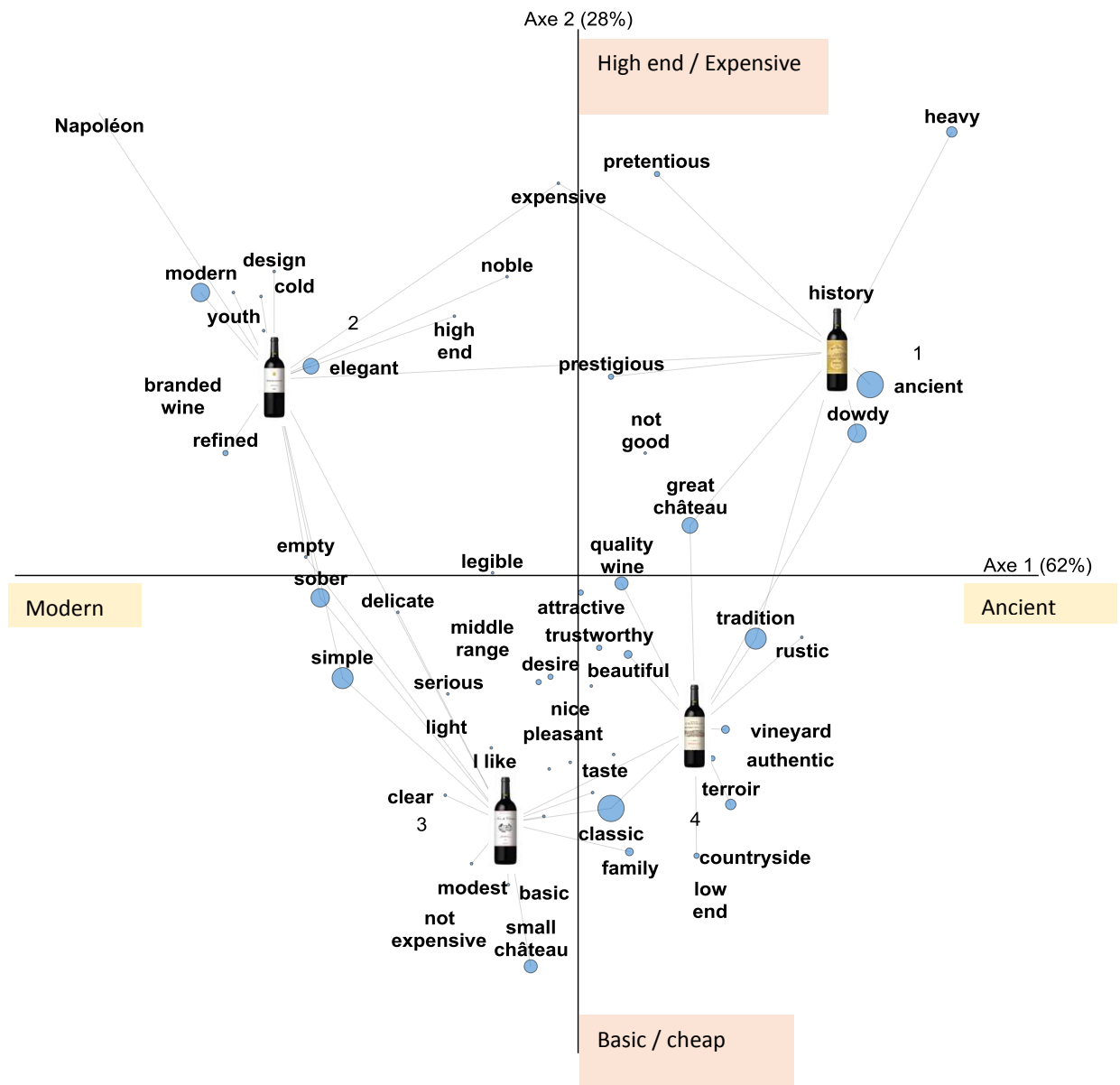
From a managerial perspective, our findings give relevant insights to wine producers wanting to position their wine labels in a way that delivers value to the consumers:

- Label 1 style and positioning is old fashioned, trying to encapsulate the historical aspect of the wine, but fail to be attractive (pretentious, heavy, bad, square) for most consumers.
- Label 2 style and positioning generates greater beliefs and perceptions: it's modern (elegant, design, young) and at the same time, perceived as ultra premium (referring to the 1855 classification, expensive). If the objective of many producers is about a premiumisation of their production, they would certainly consider this style of label.
- Label 3 is the archetype of the entry level wine: simple, modest, basic, light, cheap.
- In addition to label two, label 4 is the other label generating positive beliefs and perceptions to the consumers: authentic, terroir, classic, tradition, like, etc.

More than designing their labels based on their own style and taste, wine producers and wine marketers would gain to understand the meaning that specific font, color, shape, etc, generate in people's mind. Such an understanding of the signifiers and signified would help these producers and marketers to design wine labels in line with the positioning they want to achieve in line with consumers' expectations with these wines.

In a very competitive environment such as the one facing wine producers today, a better understanding of the signifiers and signified valued by consumers, would allow the producers to deliver greater value to their clients, assuming these producers understand and acknowledge what meanings their labels convey to the consumers.

Figure 2. Correspondence analysis factorial map



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Fantasy themes on wine labels: A good idea for practitioners?

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Abstract:

Purpose - This paper investigates the effects of fantasy wine labels on purchase intentions. While the use of fantasy themes (i.e., a fiction genre using imaginative elements and unreal creatures) is increasing in many product categories, yet it is unclear how consumers actually react to fantasy themes on wine labels.

Design/methodology/approach - Two on-line experiments were designed (using between-subjects design), and samples from New Zealand (Study 1: 237 participants) and USA (Study 2: 241 participants) were collected.

Findings - This research builds on the principle of hedonic dominance (Chitturi et al., 2007). The results of this research suggest that fantasy (vs. no-fantasy) labels enhance purchase intentions, but only when brand trust is well-established.

Practical implications - Wine companies could consider using fantasy themes on wine labels but only when trust in their wines is well-established. Our results suggest that (1) established brands (brand strength is a cue of brand trust) and (2) new brands that already hold quality recognitions for their wines (e.g., medals, awards, expert ratings) could use fantasy themes on wine labels to differentiate themselves in the marketplace.

Keywords: Wine labels, fantasy themes, trust, principle of hedonic dominance

1. INTRODUCTION

To what extent can our visual imagination determine what we taste? In an informative study, 54 wine experts tasted two glasses of identical white wine (one of which was red-colored with taste neutral food coloring). Surprisingly, none of the 54 experts were able to recognise that the 'red-colored wine' was, in fact, white wine (Brochet, 2001). Hence, people (even experts) struggle to differentiate accurately by taste; as other senses, in particular vision, interfere with their perception. Managers are well aware of that and invest heavily into product labels, providing visual and/or semantic information to influence taste perception. For example, in the US market alone, companies spend more than \$120 billion annually for packaging and labelling (Kerin et al., 2009) with particular emphasis on unique visual designs that engage consumers imagination (Hagtvedt and Patrick, 2008).

Fantasy themes are a current, fast-growing trend that is spreading out among product categories beyond movie business. For example, a selection of 12 Australian wines called the Wines of Westeros (inspired by the fantasy series *Games of Thrones*) is forthcoming (Common Ventures, 2015). This anecdotic evidence emphasises the current popularity of using fantasy themes to market products. Although visual designs that stimulate imagination (e.g., fantasy themes) seem to be an increasingly popular choice for marketing managers (Nenkov and Scott, 2014), it is still unclear whether these designs enhance or hurt consumers' product perception and purchase responses.

The principle of hedonic dominance suggests that people tend to make more affective evaluations than cognitive ones, once the functional requirements of consumers are met (Chitturi et al., 2007, 2008). This suggests that unusual package designs (such as fantasy) are only affectively processed and enjoyed when consumers first established trust in the product/brand. In this study, we aim to assess the effect of fantasy wine labels on purchase intentions. This current research makes two important contributions. First, to the best of our knowledge, this is the first study to examine the effects of visual designs that use fantasy themes. Therefore, this research contributes to the literature on visual designs that stimulate elaboration (Labroo et al., 2008; Landwehr et al., 2013; Nenkov and Scott, 2014). Second, we apply the principle of hedonic dominance and shed light on when visual designs stimulating elaboration such as fantasy wine labels are likely to have an effect on purchase intentions. On this basis, we derive important implications for marketing and brand managers involved in the wine industry.

2. THEORETICAL BACKGROUND

In this research, we define fantasy as a fiction genre that includes imaginative elements such as magical or mystical creatures: e.g., dragons and unicorns (Campbell, 2015; St. James et al., 2011). Because fantasy themes stimulate imagination (Belk and Costa, 1998; Kozinets, 2001; Martin, 2004), they also facilitate information processing by increasing the amount of visualisation and the generation of mental images (Zhao et al., 2009). Moreover, the literature suggests that fantasy themes allow the creation of a more pleasant world (Belk and Costa, 1998; Kozinets, 2001; Kozinets et al., 2004; Martin, 2004) because the "fantastic imaginary" (Martin, 2004) enables people to construct their own thoughts of a limitless world of possibilities (Kozinets, 2001; Schlosser, 2003; St. James et al., 2011), either visually or semantically (Wyer et al., 2008).

The principle of hedonic dominance suggests that people tend to make more affective evaluations once functional requirements are met (Chitturi et al., 2007, 2008). Specifically, consumers give greater weight to hedonic attributes when they take the functional attributes for granted (Chitturi et al., 2007). People tend to avoid losses (e.g., poor product quality), and trust in products/brands minimises these losses (Landwehr et al., 2012). Thus, an acceptable level of functionality is necessary to establish this trust relationship. Several strategies can help to establish trust in the product: e.g., brand strength and expertise cues (Dawar and Parker, 1994; Landwehr et al., 2012). We expect that fantasy labels increase purchase intentions when trust is well-established.

Recent research suggests that unique and atypical product design lead to positive affective responses when consumers engage in effortful cognitive processing (Bloch, 1995; Landwehr et al., 2013). Visual designs that use fantasy themes enable people to enjoy constructing imagery (Zhao et al., 2009). The creation of such an unreal world is a way of escaping from reality (Belk and Costa, 1998; Hirschman, 1983; Kozinets et al. 2004) and generating positive emotions from processing fantasy related-information (Holbrook and Hirschman, 1982). That is because the imagery is a sensory process (MacInnis and Price, 1987) which triggers positive affective reactions (Petrova and Cialdini, 2005; Schlosser, 2003). As a result, such elaboration enables consumers to enjoy processing the products' benefits (Nenkov and Scott, 2014). Thus, pleasing aesthetics increases affective reactions, yet consumers are likely to also consider indicators of functionality (e.g., brand information) that influence quality judgments of the product (Page and Herr, 2002). Hence, once the cut-offs for utilitarian benefits are met, and people establish trust in the product/brand, positive affective reactions are likely to be enhanced (Chitturi et al., 2007, 2008), resulting in the increased purchase intentions (Chaudhuri and Holbrook, 2001).

3. STUDY 1

Design. The experiment is a 2 (wine label design: fantasy vs. no-fantasy) x 3 (mode of information: picture-brand name congruence vs. picture-brand name incongruence vs. text only) between-subjects design. Two fictitious wine labels were designed. *Fantasy* was manipulated by a picture of a fantasy animal (dragon or pegasus) and/or a fantasy animal-evoked brand name (Dragon Estate) while no-fantasy labels had a real animal (falcon or heron) and/or evoked brand name (Falcon Estate). To cover the whole spectrum of how fantasy themes could realistically appear on the label, we also manipulated the mode of information and used it as a control variable. That is because the picture-brand name congruence (vs. incongruence) is easier to process by being meaningful (McCracken and Macklin, 1998). However, some individuals find it easier to comprehend semantic information than visual information (Wyer et al., 2008), that is why text only conditions were also used in this study.

Sample and Procedure. 237 adults over 18 years old (69% female) were contacted on-line via snowball sampling in New Zealand. Participants were randomly assigned to one of the six conditions. After respondents saw the wine label, they indicated their trust in taste of the assigned wine in an open-ended question "What would you expect this wine to taste like?"

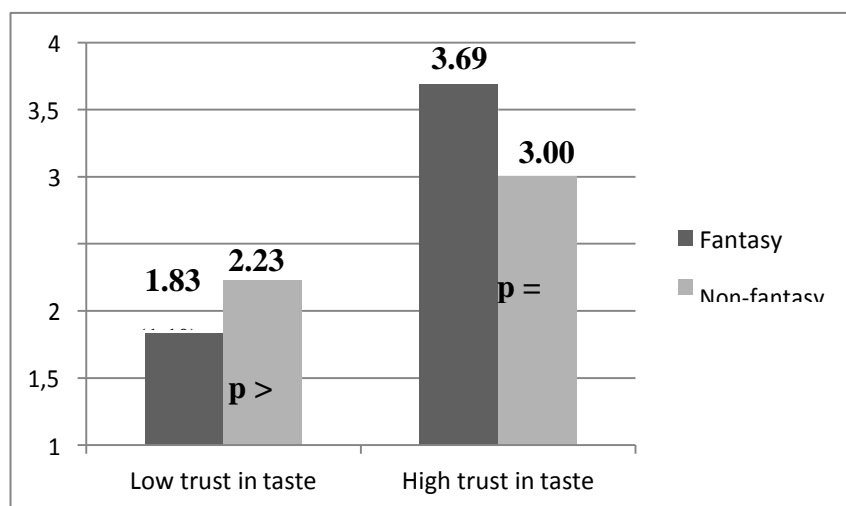
Purchase intentions were measured on a 7-point scale (1 = very unlikely to buy; 7 = very likely to buy, adapted from Landwehr et al. 2012). Next, to be able to include *trust in taste* as a moderator, we had to code the open-ended question "What would you expect this

wine to taste like?" The open-ended question was coded by two independent judges to reflect the participants' *trust in taste*. Participants' responses were coded into "0" when they used negative words and into "1" when they used neutral or positive words to describe their taste perception of the assigned wine label.

Fantasy manipulation check: Results confirmed that participants perceived the amount of fantasy (measured by "How much fantasy does this label contain?") to be higher in the fantasy conditions ($M = 4.02, SD = 1.97$) than in the no-fantasy conditions ($M = 2.88, SD = 1.78, t(235) = -4.62, p < .001$).

We estimated a 2 (wine label design: fantasy vs. no-fantasy) \times 2 (trust in taste: low vs. high) ANOVA with *purchase intentions* as the dependent variable and mode of information as a covariate. The main effect of fantasy on *purchase intentions* is insignificant ($p > .10$), while the effect of *trust in taste* is significant ($p < .001$). The main effect of the mode of information was significant ($F(2, 231) = 6.73, p < .002$). As expected (see Fig. 1), there was a significant interaction between fantasy and *trust in taste* on *purchase intentions* ($F(1, 231) = 8.85, p < .01$). To interpret this significant interaction effect, the follow-up results revealed that within the group of high *trust in taste*, participants were less willing to buy a bottle of wine with a no-fantasy label ($M = 3.00, SD = 1.57$) than with a fantasy label ($M = 3.69, SD = 1.67; t(147) = -2.60, p = .01$). In contrast, within the group of low trust in taste, although the means suggest that participants were less willing to buy a bottle of wine with a fantasy label ($M = 1.83, SD = 1.10$) than with a no-fantasy label, the difference is insignificant ($M = 2.23, SD = 1.23; t(86) = 1.58, p > .10$).

Fig. 1: Purchase intentions of fantasy labels in the presence of trust in taste (Study 1; standard deviation in brackets)



Discussion. The findings of Study 1 suggest that people are less likely to buy a bottle of wine with a no-fantasy label rather than with a fantasy label when their taste expectations are met or exceeded. Thus, trust in taste seems to be an important determinant of purchase intentions. In Study 2, we directly manipulated trust with using objective criteria (i.e., Parker rating points) to reflect the level of expertise of the wine producer and wine quality.

4. STUDY 2

Stimulus development. The experiment is a 2 (wine label design: fantasy vs. no-fantasy) \times 3 (perceived expertise: low expert rating vs. high expert rating vs. control: no expert rating) between-subjects design. Two fictitious wine labels were designed. *Fantasy* was manipulated by showing a picture of a fantasy animal (unicorn) and a fantasy-evoked brand name (Mystery Estate) while no-fantasy labels had a real animal (horse) and a no-fantasy evoked brand name (Mastery Estate). *Perceived expertise* was manipulated by using a 100-point scale from the wine specialist magazine Wine Advocate (established by the worldwide wine expert Robert Parker and commonly used in US wine market) and showing either no rating as no indication of perceived expertise or 71 points as low expertise or 94 points as high expertise. Below the wine rating indications, the Wine Advocate Rating System was provided (including the range of relevant values). This rating point scale, as an indicator of wine quality, is one of the practical examples of how wine companies that use fantasy labels could establish consumers' trust in their wines.

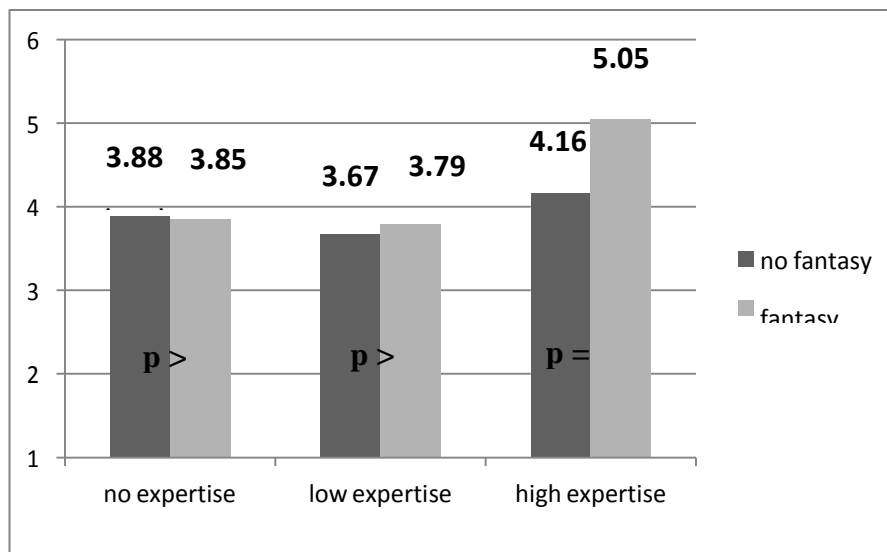
Sample and procedure. A sample of 241 adults (39% female) from across the United States was recruited through Mechanical Turk to participate in this online experiment in exchange for 40 cents. Participants were randomly assigned to one of the six conditions. *Purchase intentions* were measured in the same way as in Study 1.

Fantasy Manipulation Checks were conducted following the same procedure as in study 1. As intended, participants perceived the amount of fantasy to be higher in the fantasy conditions ($M = 5.51, SD = 1.39$) than in the no-fantasy conditions ($M = 3.92, SD = 1.81, t(228.52) = -7.66, p < .001$). *Perceived Expertise Manipulation Checks.* Participants answered a 2-item index of competence ($\alpha = .94$) "To what extent do you believe this wine producer is", using two items "credible" and "competent" (1 = not at all; 7 = very much, adapted from Aaker et al., 2010). As intended, results revealed that participants perceived the level of the wine producer's expertise to be higher in the high expert rating conditions ($M = 5.47, SD = .94$) than in the low expert rating conditions ($M = 4.65, SD = 1.07, t(157) = 5.09, p < .001$).

We estimated a 2 (wine label design: fantasy vs. no-fantasy) \times 3 (perceived expertise: no vs. low vs. high expert ratings) ANOVA with *purchase intentions* as the dependent variable.

Results revealed a marginally significant effect of fantasy labels ($F(1, 235) = 2.81, p < .10$) and a significant effect of perceived expertise ($F(2, 235) = 7.60, p = .001$). The interaction between fantasy and perceived expertise was not significant ($p = .12$). However, planned contrasts (see Fig. 2) showed that participants were more willing to buy a bottle of wine with a fantasy label (Mystery Estate) than with a no-fantasy label (Mastery Estate), but only in the high expertise conditions ($M = 5.05, SD = 1.15$ vs. $M = 4.16, SD = 1.50; F(1, 235) = 6.75, p = .01$). Within the no and low expertise conditions, the difference between fantasy and no fantasy labels was not significant ($P_s > .10$).

Fig. 2: Purchase intentions of fantasy labels in the presence of perceived expertise (Study 2; standard deviation in brackets)



Discussion. The results of Study 2 are consistent with findings of Study 1 and further reveal that even a subtle manipulation of the brand name (Mystery vs. Mastery) and using a unicorn versus horse can significantly increase purchase intentions for the wine labels, but only if consumers trust the producer's expertise. For wine companies that consider using fantasy labels, this study suggests that high rating points on the Parker scale are one of the ways of establishing trust in wines (by reflecting a high producer's expertise and wine quality) and increasing consumers' purchase intentions.

5. GENERAL DISCUSSION, LIMITATIONS AND FURTHER RESEARCH

Across two studies using different country samples and different ways of manipulating fantasy labels, we find a consistent pattern in the results. Namely, fantasy labels increase purchase intentions, but only when trust in the product is established. The findings demonstrate that unusual designs such as fantasy labels should be used with care and only when trust is well-established. Our findings have clear managerial implications for brand managers and practitioners dealing with wine labels. Strong brands could consider unusual wine labels because brand strength is a cue of brand trust (Dawar and Parker, 1994). Wine marketers should also ensure that consumers trust their existing products. For example, wine companies could use fantasy labels to differentiate themselves in the marketplace, but only when these companies already hold quality recognitions for their products such as medals, awards, and stickers with high expert ratings (e.g., from Robert Parker or James Halliday).

In line with previous studies (Chitturi et al., 2007; Melnyk et al., 2012), we focused on purchase intentions. That is because consumers' intentions are important to predict the direction of future purchases. In general, purchase intentions are positively linked to purchasing behaviour (Ajzen and Fishbein, 1980). However, they cannot always convert into purchasing behaviour (Chandon et al., 2005; Morwitz et al., 1993). Thus, further

research should address this point by investigating purchasing behaviour. For example, further research should look at actual sales of existing wine brands using fantasy labels in order to find how fantasy labels drive sales in the marketplace. This current research investigated how consumers react to fantasy wine labels in artificial settings. Other research should further explore how fantasy labels affect consumers' responses by conducting field studies (e.g., in a liquor store, supermarket or winery). Furthermore, this paper focused on the effect of fantasy wine labels on consumers using samples from "New World wine countries". This effect may differently affect consumers from "Old World wine countries" because they are perceived to be more traditional and attached to heritage/"terroir" values. For example, would including an 'unreal' animal on a French heritage-based label increase purchase responses for a bottle of wine? Finally, we used only one country of origin: Australia, future research should employ other countries of origin (e.g., "Old world wine countries"). That is because countries and regions of origin play an important role, as indicators of wine quality and reputation, in the consumer preference and consideration to purchase a bottle of wine (Ling and Lockshin, 2003; Orth et al., 2005). Therefore, these geographical cues may also affect consumers' reactions to wine fantasy labels.

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Demographics of U.S. Wine Consumers: A Comparison between Two Data Collection Approaches

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Abstract:

Purpose - Today, researchers can choose between various data collection methods. Recently, the use of Amazon Mechanical Turk (MTurk) has become a popular approach to subject recruitment. However, its soundness is often questioned. The goal of this paper is to compare and contrast subjects' demographic data collected with self-administered online surveys.

Design/methodology/approach - An identical survey, administered by Qualtrics, was distributed two ways. For study 1 ("Traditional"), subjects were provided with the survey link by restaurant staff, via one winery's Facebook page and another winery's newsletter, and via email by wine educators at three U.S. based universities. For study 2 ("MTurk"), data were collected using the Amazon Mechanical Turk platform. Data were analysed with SPSS version 22; the data set was split and independent sample t-tests were utilized to compare groups. The data collection was funded by the Nanshan America Group.

Findings - Diverse findings emerged from the comparison. Similarities between subjects of the two studies were found in regard to age, wine consumption experience, and ethnicity. Significant differences emerged for participants' levels of wine involvement, subjective knowledge, wine consumption while dining out, and willingness to pay for a glass of wine in a foodservice setting. However, in comparison to a 2014 study profiling the U.S. wine consumer, parallels with the MTurk participants emerged.

Practical implications - In line with other social sciences research, these findings suggest that MTurk is a viable option for wine consumption related data collection, in the United States.

Keywords: Demographics, Amazon Mechanical Turk, Research Methodology, Wine Consumer Research

1. INTRODUCTION

Since the emergence of the internet, more sources for data collection have become available to researchers in all disciplines (Dillman, Smyth, and Christian, 2009). Particularly, those interested in human behaviour (social sciences) have a variety of options to gather data, including wine consumption studies. For example, questionnaires or surveys are frequently utilized which often refer to tests and assessments administered to participants who self-report their opinions and behaviours on a voluntary basis (Gosling, Vazire, Srivastava, and John, 2004). In the past, such survey research required a significant timeline (e.g. distribution via postal mail) and cost commitment (e.g. for paper, postage, return-envelopes) (Dillman et al., 2009). Today, questionnaires can be more easily administered online. However, data quality of internet-based methodology has been questioned, particularly when using Amazon Mechanical Turk (MTurk) to recruit participants (Paolacci, Chandler, & Ipeirotis, 2010).

Amazon MTurk is a tool to collect data in a timely manner at relatively low cost. It has recently been used in various disciplines, including wine business research (Robson, Plangger, Campbell, and Pitt, 2014). MTurk is a platform of paid “workers” who complete various online tasks such as surveys and experiments that can be administered with tools like SurveyMonkey, Qualtrics or MTurk software. The person facilitating a task (requester), determines a compensation amount prior to study administration and the person completing a task (worker) gets paid automatically or manually (Buhrmester, Kwang, and Gosling, 2011). According to Paolacci, Chandler, and Ipeirotis (2010), compensation in the U.S. varies and can be as little as \$0.01 but rarely exceeds \$1 per task.

Data from such internet-based samples have raised questions of accuracy and generalizability pertaining to participants’ demographic representation, leading to a number of research studies (Casler, Bickel, and Hackett, 2013; Buhrmester, Kwang, and Gosling, 2011; Paolacci et al., 2010; Krantz and Dalal, 2000). Furthermore, the motivation level of participants has been questioned (Buchanan, 2000) to the point that some research proposed that samples were unreliable and not representative of study populations when compared with traditional methods (Krantz and Dalal, 2000). On the contrary, social psychology research investigating these issues proposed that differences between traditional and internet-based samples, including those recruiting participants via MTurk, are less dramatic than initially anticipated (Casler et al., 2013; Buhrmester et al., 2011; Paolacci et al., 2010; Gosling et al., 2004). A controversy emerges that warrants clarification as researchers of all disciplines agree that the benefits of faster and more economical data collection are appreciated as long as data quality is not jeopardized. Put into the context of wine business research, the question emerges to what degree social scientists’ claims of this nature apply to wine business research and particularly to the demographic profile of the U.S. wine consumer. A comparison between wine consumer data collected via MTurk and subjects recruited via email/Facebook/in-person was completed to explore demographic differences between the two samples.

2. METHODOLOGY

The same Qualtrics based online survey was distributed to participants in two ways: (1) via email, social media posting (e.g. Facebook), in person and (2) via Amazon Mechanical Turk (MTurk). Participants of study 1 were able to voluntarily join a drawing for one of five 2015 Food & Wine guides (~\$10), whereas MTurk workers were compensated with \$0.70 for each fully completed questionnaire. Funding for the study incentives (study 1) and study compensation (study 2) was provided by the Nanshan America Group.

The following measurement scales were utilized:

- **wine consumption experience** (in years);
- **wine consumption frequency** in foodservice establishments, 2-item-scale, 6-point Likert, adopted from Hammond, Velikova, and Dodd (2013);
- **involvement**, 3-item-scale, 7-point Likert, modified based on Lockshin, Spawton, and Macintosh (1997), Cronbach α .80 (study 1), Cronbach α .79 (study 2);
- **subjective knowledge**, 3-item-scale, 7-point-Likert, modified based on Brucks (1985), Cronbach α .77 (study 1), Cronbach α .75 (study 2);
- **use of information sources**, 10-item-scale, 5-point-Likert, modified and extended based on Hammond et al. (2013), Cronbach α .83 (study 1), Cronbach α .89 (study 2);
- **willingness to pay** (in U.S. dollars) for a glass of wine in a foodservice establishment.

Prior to data analysis, total scores were calculated (if applicable), the normality of the data distribution was assessed, and reliability analyses were conducted. Following Pallant's (2013) assessment strategy and recommendations, the data were considered reasonably normal and reliable with Cronbach's alpha above .70. Data from the two studies were compared in regard to variables specific to wine consumption such as wine involvement, subjective knowledge, and consumption experience. Additionally, socio-demographic information like income, gender, and education was examined.

3. FINDINGS

The comparison of the two studies (see Table 1) showed diverse findings. For study 1, participants were recruited from 22 states with the majority residing in CA, IN, and TX. The participants of study 2 indicated residency in 35 states, predominately living in CA, FL, GA, and PA. In regard to participants' use of wine related information sources, data suggested that interpersonal exchange with others, such as family, friends, and restaurant service staff, is more widely and frequently used than mass media information sources like books, blogs, and magazines. Similar usage frequency was found for both studies.

Table 1. Comparison between two data collection approaches.

Variable	Study1 ^a “Traditional”	Study2 ^b “MTurk”	Sig. (2-tailed)
Consumption Experience (in years)	$\mu=14.19$ (14 years) n=144	$\mu=12.43$ (12 years)	.24
Consumption Frequency			
(1) <i>Excluding fast food how often do you dine out?</i>	$\mu=3.50$; n=147	$\mu=3.19$.03*
(2) <i>How often do you order wine when dining out?</i>	$\mu=2.61$; n=147	$\mu=3.47$.000***
Involvement	$\mu=18.37$; n=146	$\mu=15.02$.000***
(1) <i>I enjoy drinking wine with my meals.</i>			
(2) <i>It does not have to be a special occasion to enjoy wine with dinner.</i>			
(3) <i>I have a strong interest in wine.</i>			
Subjective Knowledge	$\mu=15.03$; n=146	$\mu=12.23$.000***
(1) <i>Relative to people you know (e.g. friends), how would you rate your knowledge of wine?</i>			
(2) <i>Based on your current knowledge of wine, how comfortable would you be ordering wine in a restaurant.</i>			
(3) <i>Relative to a wine expert (e.g. certified sommelier), how would you rate your knowledge of wine?</i>			
Education	n=138		
<i>High school/diploma/GED</i>	4	10	
<i>Some college work</i>	27	29	
<i>Bachelor’s degree</i>	72	55	
<i>Master’s degree</i>	21	13	
<i>Doctoral degree</i>	7	3	
<i>Professional degree</i>	7	3	
Ethnicity	n=138		
<i>White/Caucasian</i>	122	94	
<i>African American</i>	3	6	
<i>Hispanic</i>	2	4	
<i>Asian</i>	8	6	
<i>Native American</i>	1		
<i>Pacific Islander</i>			

<i>Other</i>		3	
Income	n=138	n=110	
<i>\$19,999 or less</i>	12	10	
<i>\$20,000-\$39,999</i>	8	31	
<i>\$40,000-\$49,999</i>	2	12	
<i>\$50,000-\$59,999</i>	4	18	
<i>\$60,000-\$69,999</i>	8	13	
<i>\$70,000-\$79,999</i>	13	3	
<i>\$80,000-\$89,999</i>	9	5	
<i>\$90,000-\$99,999</i>	6	5	
<i>\$100,000-\$119,999</i>	8	7	
<i>\$120,000-\$139,999</i>	11	1	
<i>\$140,000-\$159,999</i>	6	2	
<i>\$160,000 or more</i>	27	3	
Gender	n=142		
<i>Female</i>	100	48	
<i>Male</i>	42	65	
Age (in years)	$\mu=38.56$ (38 years); n=136 21 (min.) – 75 (max.)	$\mu=35.89$ (36 years) 22 (min.) – 65 (max.)	.12
Willingness to Pay (in USD)	$\mu=11.40$ (USD); n=141	$\mu=8.61$ (USD)	.000***
<i>Glass (5oz.) of red wine</i>			
<i>Glass (5oz.) of white wine</i>	$\mu=10.26$ (USD); n=134	$\mu=8.61$ (USD)	.01**

Note. * Significant at .05 level. ** Significant at .01 level. *** Significant at .001 level. ^a due to missing responses sample size is indicated for each variable, ^b unless noted otherwise n=113.

The data comparison showed that participants of both studies have been consuming wine for similar durations of time, which appears reasonable considering that participants indicated comparable average ages. As far as dining out and consuming wine when dining out is concerned, MTurk workers who are visiting foodservice establishments report drinking wine significantly more often even though they dine out slightly less often than consumers who participated in study 1. Significant differences between participants emerged in regard to consumers' involvement with wine and their subjective wine knowledge. MTurk workers considered themselves significantly less involved and knowledgeable than study 1-participants. Examining education and ethnicity, the samples did not differ much; participants of both studies were predominately Caucasian and had completed at least some college work while a Bachelor's degree was the most frequent reported educational degree in both samples. Despite the similarities in educational background the majority of MTurk workers (n=84) indicated earnings below \$70,000; whereas, over half of study 1-participants reported annual household incomes of above \$70,000. According to Paolacci et al. (2010) this is not unusual; MTurk workers are known for lower income along with higher than average (U.S.) education levels. In regard to gender, the vast majority of study 1 participants were female whereas the

MTurk sample was more equally made up of males and females. Interesting findings emerged from the comparison of participants' willingness to pay for a glass of wine in a foodservice setting. MTurk participants were inclined to spend about \$9 per glass for either white or red wine. On the other hand, subjects who participated in study 1, were not only prepared to spend significantly more per glass of wine but also showed different willingness to pay for red and white wine.

This comparison highlights interesting similarities and differences between these two studies. Based on research conducted by Thach, Olsen, and Atkin (2014) with the aim to profile the American wine consumer, the findings can be compared further. Data from the 2014 study indicated that U.S. wine consumers are predominately Caucasian, residing in states such as CA, FL, NY, IL, and TX, and earning above \$50,000, while holding a college degree (Thach, Olsen, and Atkin, 2014). Additionally, U.S. wine consumers can be found in any generation between 21 and 68+ years of age. As far as wine purchases in foodservice establishments are concerned, Thach et al. (2014) suggested that the majority of consumers were willing to spend between \$5 and \$10 per glass of wine. The study (Thach et al., 2014) did not include information pertaining to wine involvement and levels of subjective knowledge, however, similarities between this U.S. wine consumer profile and MTurk study participants are intriguing, particularly in terms of ethnicity, residency, income, education, age, and willingness to pay for wine by the glass.

4. DISCUSSION

Similar to other survey research with human subjects, the two studies were limited in regard to self-reported data and unequal representation of gender (study 1) and participants from all U.S. states. Additionally, for study 1 various recruitment opportunities (email, in person, Facebook) were used which may limit the generalizability of the findings. Furthermore a connection between recruitment method and responses cannot be drawn; hence, a distinction between the three recruitment sources is not possible. Considering the time it took participants to complete the survey it should be noted here that MTurk workers spent roughly half the time (on average) to respond in comparison with "traditional" participants.

Acknowledging that people who partake in the MTurk platform are more experienced in completing online tasks such as surveys, it might be warranted for future research to further explore the time spent per task in relation to data quality. No attention checks were used in either one of these studies.

The comparison of the two studies for which surveys were distributed (1) via email/social media/in-person and (2) via Amazon Mechanical Turk showed some significant differences (see Table 1). However, similarities emerged when taking into consideration recent findings of a large study (n=1028) profiling the American wine consumer (Thach et al., 2014) which was in turn proposed to have vast similarities to other studies of the American wine consumer. Especially, socio-demographically the differences between study 2 and the 2014 wine consumer profile were rather small. This falls in line with Paolacci et al. (2010) who compared demographics of MTurk workers with a student sample and a sample of online discussion board participants, finding little demographic differences. Furthermore, this is in

agreement with findings of Buhrmester et al. (2011). It can therefore be suggested that wine consumer data collected via MTurk is only marginally different than the average American wine consumer in regard to gender, income, education, and ethnicity.

An additional aspect from this study comparison emerged due to the distribution method for online-based surveys. With the aim to capture a cross-section of U.S. wine consumers, various methods were utilized to distribute the survey link for study 1 (e.g. winery newsletter recipients, winery Facebook followers, wine education students, restaurant visitors). Heightened levels of wine involvement and subjective knowledge are therefore not surprising; however, they might not be fully representative of the average American wine consumer. The average U.S. wine consumer might be closely represented by the MTurk sample; however, if due to study purpose a narrower subset of wine consumers is required (e.g. highly involved consumers or people interested in wine tourism or fine dining), MTurk may not be recommendable as a recruitment tool. In other words, MTurk might be a suitable and convenient instrument to aid the collection of data for broad wine consumption study contexts. Due to the exploratory nature of this study, further comparative research exploring MTurk versus other recruitment methods should be conducted.

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Developing Resource Integration Capabilities in Wine Industry R&D Collaborations

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Abstract:

Purpose: This project aims to identify the resource integration capabilities needed by all parties involved in R&D focused collaborations between the wine industry and its research partners and determine how such capabilities can be mutually developed.

Design/methodology/approach: 20 in-depth interviews were conducted with a series of experts from universities, government research institutions, and industry partners from the wine industry in South Australia regarding wine-related R&D collaborations. The interviews were analysed by thematic coding of the transcripts.

Findings: The results reveal a range of capabilities critical for the successful resource integration in R&D collaborations, which can be grouped into technical capabilities (technological competence and market knowledge competence), as well as relational capabilities, related here to capabilities enabling the resource integration between partners (absorptive capacity, network competence and co-creation capability). We also identify evidence of the co-development of these capabilities over time among collaboration groups.

Practical implications: Identified capabilities should be developed in a broad range of wine industry participants to facilitate more far-reaching collaboration and resource integration in R&D across the wine sector. Findings from this research will provide a framework to enable these skills to be developed among further participants in the wine sector.

Keywords: Co-creation, resource integration, capabilities, R&D collaborations, competencies

1. BACKGROUND

The global wine industry has undergone a period of dramatic modernisation and transformation, founded in changes of market and production characteristics as well as technological advance (Giuliani et al., 2010). To develop their competitive advantage in the global wine industry, new wine producing regions in particular have responded, investing heavily in research and development (R&D) activities. Indeed, the search for innovation and competitive advantage has led to an increasing frequency and intensity of interactions between researchers and members of the wine industry (Cusmano et al., 2010). University-industry collaborations are now recognised as important mechanisms for providing R&D services known to stimulate the economic cycle of innovation and growth (Berbegal-Mirabent et al., 2015), with scientists being acknowledged as playing a key role in the advancement of the industry (Giuliani et al., 2010). University-industry collaborations offer a unique opportunity to integrate the diverse resources that exist within the respective partners. Strategy research has acknowledged for some time that inter-organisational collaborations involve the sharing of resources for improved outcomes (Hardy, Phillips and Lawrence, 2003). Indeed, the primary driver of such collaborations is the reliance each partner has on the resources of others to achieve the desired outcome (Berbegal-Mirabent et al., 2015). For example, while the involvement of regional wine producers enables research institutions the physical resources (e.g. the grapes) and practical insight to facilitate research that will benefit the industry, researchers offer the scientific expertise and tools facilitating innovation.

While previous strategy literature has recognised that resources are *shared* in collaborations; recent literature has highlighted the importance of the *integration* of partner resources so value is co-created (Vargo and Lush, 2015). We draw from the comprehensive reviews of the literature on resources by Madhavaram and Hunt (2008) and Kozlenkova et al. (2014), to further develop our knowledge in this area. We also draw on the theoretical foundations of resource-based theory (Barney, 2014) and dynamic capabilities theory (Teece et al., 1997). Resource-based theory recognises that both *operand* resources (those on which an act or operation is performed e.g. grapes) and *operant* resources (those that act on other resources e.g. scientific knowledge) provide an avenue for competitive advantage (Vargo and Lusch, 2015). Recent commentaries point out that a strategic advantage requires resources that are ‘socially complex’ and thus are difficult to imitate by others (Barney, 2014). This points to the operant resources of a firm, which can be conceptualised as competences, capabilities and dynamic capabilities (Madhavaram and Hunt, 2008).

In this exploratory study, we focus primarily on capabilities and thus a “subset of resources” (Kozlenkova et al., 2014, p. 4) representing the “organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm” (Makadok, 2001, p. 398). In particular, this research seeks to identify key capabilities (resources) that (1) are integrated within R&D collaborations in the wine industry and (2) enable resource integration in this context. Despite the increasing conceptual and empirical evidence as to the relevance of resource integration for the creation of value (Gummesson and Mele, 2010), surprisingly little is known about the specific capabilities partners bring to the collaboration. This leads us to our first research question.

Research Question 1: *What are the key capabilities that (a) are integrated between partners, and (b) facilitate resource integration in wine-industry R&D collaborations?*

In wine industry R&D collaborations, various partners integrate these capabilities (or operant resources) to gain value from the collaboration (Madhavaram and Hunt, 2008). By coming together, the partners develop and grow their own as well as each others' capabilities. This reflects the notion of dynamic capabilities espoused by Teece et al., (1997, p. 516) as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments". As R&D collaborations progress over time the integration of resources among the partners leads the capabilities themselves to develop and evolve, and reconfigure to be more effective in the R&D collaboration. In addition, the collaboration partners get more efficient and effective at the process of integrating their resources to create value for themselves, their partners and for the industry. They potentially further build the capabilities required for this process. This leads us to our second research question.

Research Question 2: *How are capabilities developed in wine-industry R&D collaborations?*

2. METHOD

To explore the role of capabilities in wine industry R&D collaborations, a series of in-depth interviews were conducted with key informants in South Australia. Since the 1980s, Australia has developed a reputation of innovation leadership in the global wine industry, with strong centralisation of R&D levy collection and distribution and research priority setting to help maximise the industry uptake of innovation (Aylward, 2007). This has had the desired outcomes of high-quality and consistent output from the region, and duly a strong and marketable reputation, making Australia and its largest wine producing State South Australia a relevant region to conduct this study. South Australia, in particular, leads wine innovation through its Wine Innovation Cluster, comprising the Australian Wine Research Institute, CSIRO Plant Industry, South Australian Research & Development Institute and the University of Adelaide, in collaboration with national and international partners.

Semi-structured in-depth interviews were deemed the most appropriate methodology, as they allow for an exploration of complex concepts (Fern, 1982; Kinnear et al., 1993) and thus, in this context, the meaning and nature of particular capabilities and their change within the context of wine industry R&D collaborations. In total, 20 interviews were conducted, with personal contacts and snowball sampling used to recruit participants. Initially, individuals and organisations well-known as current and proactive contributors to R&D efforts were invited to participate in this study. At the completion of the interviews, participants were welcomed to refer the investigators to others with relevant expertise.

A diverse sample was sought so as to capture a broad range of perspectives on the topic under investigation from those involved in R&D collaborations in the Australian wine industry. Hence, interviewees were chosen to represent the different stakeholders involved in wine industry R&D collaborations, including a variation in the number of years/ collaborations interviewees had been involved in. The interview sample comprised of 6 university-employed

researchers, 8 researchers employed by government-funded research bodies, and 6 employed by regional wine producers. Interviews were primarily conducted face-to-face (with two telephone interviews) and were digitally recorded for later transcription. Notes were also taken during the interviews to capture emergent themes and ideas.

Interviews were analysed by thematic coding of interview transcripts using qualitative analysis software NVivo. Following Miles and Huberman {Miles, 1994 #342}, coding nodes were developed based on themes inducted from the literature and were modified during the data analysis, meaning a simultaneous process of coding and analysis. Thematic coding also permitted the inclusion of emergent themes that did not directly inform the interview questions, but were relevant to the research problem and warranted exploration.

3. RESULTS AND DISCUSSION

The results are structured in line with the aims of this paper. The first section details findings and related literature of the key capabilities (a) that partners integrate as part of wine industry R&D collaborations and (b) that facilitate resource integration between partners. A discussion of the development of capabilities in this context follows.

3.1 Core Capabilities involved in Wine Industry R&D Collaborations

The results reveal a range of capabilities critical for R&D collaborations, which can be grouped into technical capabilities, and thus the capabilities that are integrated as part of the R&D collaboration (technological competence and market knowledge competence), as well as relational capabilities, representing that capabilities that enable the resource integration between partners (absorptive capacity, network competence and co-creation capability). The relational capabilities are foundational factors that facilitate the sharing of more technical competencies among the R&D collaboration partners leading to greater innovation success (Ritter and Gemünden, 2004; Li and Calantone, 1998).

3.1.1 Technological Competence

An organisation's technological competence manifests in its ability to understand and utilise internal state-of-the-art technology (Ritter and Gemünden, 2004; Madhavaram and Hunt, 2008). Technological capabilities emerged from the data as central to the scientific partner, reflected in specialised scientific knowledge, methodological and analytical skills. Commonly, a variety of researchers coordinate so as to fully cover the technological skills required to bring about the mutual value creation and specifically innovation success: *"We needed some skills that we don't have to do the work ... we needed those skills, and I've talked to them in the past, and there's trust there, so we decided to try to put in the grant together."* (Researcher#3)

3.1.2 Market Knowledge Competence

Market knowledge, on the other hand, emerged from the data as an important resource brought to R&D collaborations by the wine industry partner(s) involved. Such competence has long been touted as critical for new product development (Li and Calantone, 1998). While research organisations such as universities contribute the scientific staff expertise to

conduct the research, they rely upon the commercial partners' knowledge of the industry and market to develop technologies that are applicable and successful (Debackere and Veugelers, 2005). Market knowledge competence is a specific operand resource of a firm, and represents the process, or series of activities, that generates and integrates market knowledge (Li and Calantone, 1998 p. 14). As expressed by one of the researchers interviewed:

“At the start of any work, we would want to develop varieties that the industry wants. We consult with industry about the types of specifications that they'll be interested in There's a knowledge that we have to have from industry feedback at the start of that sort of process”.
(Researcher#12)

3.1.3 Absorptive Capacity

As the wine industry goes through a period of dramatic change (Guliani et al, 2010), organisations need to be able to recognise new external knowledge, assimilate it and apply it for the purpose of creating value (Jansen et al., 2005). This ability, referred to as absorptive capacity, recognises a set of organizational processes by which firms not only acquire and assimilate new knowledge, but also integrate it with existing knowledge to transform and exploit this knowledge and learn from this to enhance the market knowledge capability (Zahra and George, 2002). Absorptive capacity emerged from the data as relevant to both research and industry partners, both of which recognised the necessity of seeking and utilising new knowledge in wine R&D collaborations.

“Sometimes, you do get a genuine feedback loop happening where they're bringing their industry experience to the table; you're bringing the ideas to the experience, and they say, “That's great. That would never work, but this could,” and that can help narrow your focus.”
(Researcher#1)

3.1.4 Network Competence

All interviewees indicated the importance of developing relationships and networks, not only to enable the development and maintenance of R&D collaborations and the ability to exploit potential opportunities as they arise, but also to ensure resources offered by the different partners can be integrated in the process. Drawing on extant literature, network and alliance competence emerge as relevant capabilities to draw on in this context. Network competence is an organisational capability oriented towards managing business relationships across all life-cycle stages, including relationship initiation, development, and termination (Ritter and Gemünden, 2004). The conceptualisation of networking capabilities captures the behavioural routines that are followed within the organisation, such as building an image to attract potential business partners, embedding systems and setting expectations to work with partners, and implementing procedures built around termination (Mitrega et al., 2012).

“I think that getting together [and] making sure that you've got a good understanding of what each other want. Managing the stakeholder relationship all the way along, because research never goes the way you think and there's inevitably a tension in terms of pace. Industry always wants it faster than you can usually do it scientifically robustly, but that's where you just need to have a group of people who understand each other's requirements.” (Researcher#7)

In addition to the ability to initiate, maintain and, if necessary end, relationships, interviewees also commented on the importance of developing experience in partnering by being involved in a multitude of collaborations, as well as the need for individuals taking responsibility for managing the collaborations and relevant interactions. These facets are part of alliance competence as conceptualised by Lambe et al. (2002). Experiences working within R&D collaborations, or alliances, can be leveraged into new and existing collaborations, as it contributes to the knowledge of how to effectively work within the alliance to achieve value co-creation (Lambe et al., 2002).

“If you had a raft of potential collaborators to work with you could probably choose the one that you thought had the greatest industry visibility... There's some real value of interacting with that company by virtue of what you got through the connections from work with somebody like that. Like I said before, it's relationship management.” (Researcher#8)

Companies that have collaborated previously often have superior capabilities in selecting and negotiating with potential partners, and planning the day-to-day operations so that everyone has a clear understanding of role expectations (Day 1995). Firms with a strong alliance capability are also able to develop capable alliance managers that facilitate effective management of the R&D collaboration (Spekman et al., 1996), with one interviewee noting that different people may take on roles as communicator versus general manager.

There needs to be at least one or two very good communicators in the overall collaboration ... making sure that nothing is misinterpreted. ... It's definitely good to have one person who —it doesn't have to be the communicator—but one person who is very good at keeping track of where everything's up to.” (Researcher#1)

3.1.5 Co-creation Capability

While respondents varied in their use and predilection for the term “co-creation”, the relevance of having the capability to integrate resources through activities and interactions emerged clearly from the interviews.

“A researcher's job is to find the value and then the user's job is to make use of that to improve their business That's one-on-one co-creation. You couldn't create that value if this other party didn't work with you to define what it is that is the value. Otherwise you could be working on something which is totally esoteric and of no value to anyone.” (Industry#5)

Drawing on recent marketing literature, authors identify that organisations need to possess an “ability to facilitate and enhance mutually beneficial interaction and resource integration processes with individual actors within the service system” (Karpen et al., 2015, p.91) or in this context to integrate resources with partners in the R&D collaboration. Co-creation capability comprises six dimensions that explicate the interaction that occurs between the R&D collaboration partners and facilitates the co-creation of value in an organizational setting, namely individuated, relational, ethical, developmental, concerted and empowered interaction capabilities (Karpen et al., 2015).

3.2 Co-development of Capabilities

In addition to identifying key capabilities that (a) are integrated between partners and (b) facilitate the integration between partners in wine-industry R&D collaborations, an important contribution of this research lies in the identification of capabilities that not only support resource integration within wine-related R&D collaborations, but also facilitate the development of relevant capabilities missing in one or all of collaborative partners. Importantly, the results show a clear ability of capability co-creation as part of R&D collaborations, with one interviewee stating that *“At this stage, I feel as though we’re co-creating more resources and expertise than actually products that...have reached commercialisation”* (Industry#3). This is illustrative of the notion that successful collaborations involve the co-development of capabilities, not just specific research outcomes or commercial results.

It was evident throughout the interviews that collaborative R&D participants see the collaborations as sources of long-term competitiveness, a primary reason why co-development of capabilities is critical. Wine producers discussed how they wanted to *“[build] expertise within our researchers so as we keep using them they’ve got the expertise that we want them to have to support us”* (Industry#3). It was also acknowledged that co-development of knowledge was a *“two-way process,”* and industry input developed researchers’ *“technical knowledge of our processes and... a better feeling for the way we think”* (Industry#3), but that at the same time, wine producers knew they should *“be open to some new ideas that they [the researchers] will show us.”*(Industry#3)

4. CONCLUSIONS

Driven by increasing competitive pressure in the global wine industry, significant funds are invested into the development and uptake of innovation in the Australian wine industry (AGWA, 2015). While reflected in a greater frequency and intensity of R&D collaborations so as to unite unique strengths and skills of researchers and industry, few have sought to understand the integration of resources in this context. This paper contributes to the literature by identifying key capabilities, or operant resources, that are integrated or facilitate R&D collaborations, with a specific focus on the wine industry. It acknowledges that these resources are not simply shared among partners but form the basis of their interactions and are integrated to create value for the mutual betterment of all parties. Moreover, the results identifies the co-development of capabilities as part of R&D collaborations that enable the effective and efficient integration of resources as a distinct operant resource.

This research provides important insight not only for individuals and organisations engaged in wine R&D collaborations but also to related funding bodies. In particular, it suggests the need to consider relational capabilities when seeking to develop new collaborations, as well as to develop guidelines or support programs aimed at strengthening those capabilities to ensure partners can integrate their resources to achieve maximum value from the collaboration. Importantly, such capabilities should be developed in a broader range of wine industry participants to facilitate more far-reaching collaboration in R&D across the wine sector. While this research provides initial insight into wine R&D collaborations and their

resource integration, its limitations should be acknowledged, such as the focus on South Australia. Future empirical research should be conducted to test our results across multiple regions and over time, so as to better understand the mutual development of capabilities.

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Sustainability: A tale of two New Zealand wineries

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Abstract:

Purpose: This paper examines and compares how the sustainability concept is defined and practiced in two small, representative New Zealand wineries.

Design/methodology/approach: This study employed a grounded field research methodology to collect qualitative data from the owners of two wineries.

Findings: The findings show that the wineries are similar in terms of how they define sustainability but there are clear differences in how they have chosen to implement sustainability. These differences are particularly apparent with regard to their use of environmental management systems; one winery follows organic and biodynamic practices and the other bases their actions on the science of ecology.

Practical implications: Although sustainability is practiced in different ways, the two wineries demonstrate that the concept is in reality both an ideology and a set of practices. This paper provides support for earlier research that has suggested there is no single set of sustainable practices that are best for every producer in every situation; the implementation of sustainable practices is determined by each individual wine business and depends on the nature of their unique environment. There is no definitive evidence that one set of practices is any more or less sustainable than any other set of practices.

Keywords: Sustainability, wine, definition, practices

1. INTRODUCTION

There are two major issues associated with sustainability: the lack of a single, standard definition for the concept and the disparate practices that are implemented by businesses under the guise of sustainability. These issues exist across all sectors, including the wine industry, and they affect the trust that consumers place in sustainability claims on products. This paper provides a comparison of two 'sustainable' New Zealand wineries. In terms of sustainability, one winery has adopted an approach based on the owners' personal convictions and emotions about organic and biodynamic production methods. This is a small, family owned company based in Marlborough, New Zealand's largest wine region. The other winery has approached sustainability based on their knowledge of the science of ecology. This winery is also a small, family owned company and is located in Hawkes Bay.

2. LITERATURE REVIEW

Although sustainability has been around for several decades, the forming of a single, clear definition for the concept is continuing to prove a challenge. Owens (2003) stated that there is no single, meaningful definition of sustainability and a number of other authors have variously described the concept as vague, woolly, toothless, or all-encompassing (e.g. Aras and Crowther, 2009; Hrivnak, 2007; Jabareen, 2008). The most often cited definition comes from the Brundtland Report and refers to sustainable development as that "which meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987, p. 1). This was followed by the introduction of the term 'triple bottom line' by Elkington (1997) to suggest that sustainability contains environmental, economic and social dimensions.

This lack of a firm foundation for the concept is all the more surprising given the deluge of sustainability literature in academia since the 1980s (Toman and Pezzey, 2002). Whilst the business community initially rejected sustainability as being detrimental to the pursuit of economic profitability, it is now increasingly incorporated into business models and annual reports. This is evidenced by the growing membership of companies in the Dow Jones Sustainability Index (Dow Jones, 2014). Just as the concept is now widely accepted as important to academics and businesses, so too is it an increasingly important one to consumers. In particular, consumers are concerned by ethical, environmental and health issues they associate with conventional agriculture (e.g. Brugarolas et al., 2005; Vermeir and Verbeke, 2006). These concerns have led to an increased demand for 'green' or 'environmentally friendly' products (D'Souza et al., 2006; Williams, 1992). However, it is argued that consumers are (a) confused by environmentally sustainable labels, (b) sceptical of 'green' claims, and (c) unable to process complicated agricultural information (e.g. Bhaskaran et al., 2006; Vermeir and Verbeke, 2006; Warner, 2007). The lack of a single definition for the concept of sustainability almost certainly contributes to consumer confusion and scepticism of sustainable product claims.

Sustainable agriculture is a related and equally popular term. As with the concept of sustainability, however, it has been noted that the literature offers numerous definitions for sustainable agriculture (Fretz et al., 1993). Schaller (1993) suggested that sustainable agriculture is a code word for environmentally sound, productive, economically viable, and socially desirable agriculture. Keeney (1990) suggested that most definitions of sustainable agriculture include themes such as maintenance of natural systems, adequate economic returns, optimal production with lowered inputs, and the provision of the social needs of farmers and wider society. Hansen (1996) reported that sustainable agriculture can be viewed either as an ideology or as a set of strategies. In other words, some see it as a philosophy or system of farming that integrates responsible land stewardship with farming, whilst others see it as a range of strategies, practices and technologies that are used to reduce the issues associated with agriculture. These issues include: (a) contamination of water, (b) hazards to humans and animals from agri-chemicals, (c) loss of biodiversity, (d) destruction of habitats, (e) increased resistance to agri-chemicals, (f) soil degradation or loss, (g) food safety and quality concerns, and (h) depletion of non-renewable resources (e.g. Fretz et al., 1993; Hansen, 1996; Ikerd, 1993; Schaller, 1993). Despite the increasing focus in the marketplace on issues arising from conventional agriculture, there remains no single, widely accepted definition or set of optimal practices relating to sustainable agriculture.

Gips (1988) proposed that sustainable agriculture is an umbrella term and one that encompasses several ideological approaches to agriculture, including organic, biological, ecological, low-input, biodynamic and regenerative farming, thus suggesting that the term relates to a documented set of practices for producers to adopt. These sets of practices are often focused on environmental sustainability and are generally referred to as Environmental Management Systems (EMSs). A number of formal EMSs have been developed at a national or regional level in the global wine industry. For instance, the Californian wine industry developed a Code of Sustainable Winegrowing in 2002 (Warner, 2007) and the South African wine industry has a voluntary EMS entitled the Integrated Production of Wine scheme (Renton et al., 2002). Sustainability is also an important concept to the New Zealand wine industry. The national industry body, New Zealand Winegrowers, define sustainability as “delivering excellent wine to consumers in a way that enables the natural environment, the businesses and the communities involved, to thrive” (nzwine.com/sustainability). New Zealand Winegrowers introduced their Sustainable Winegrowing (SWNZ) programme in the late 1990s. SWNZ is designed to provide an optimal model of environmental practices, provide quality assurance from the vineyard to the winery, address consumer concerns, and protect New Zealand’s reputation in its export wine markets (Renton et al., 2002). Aside from SWNZ, many New Zealand wineries have adopted other formal EMS’s such as ISO 14001, Bio-Gro (organic), CarboNZero, Demeter (biodynamic), Cemars and CertNZ (Forbes and De Silva, 2012).

Despite the development of these various environmental programmes, Ikerd (1993) stresses that one set of farming practices is not inherently more or less sustainable than any other set. He introduces the idea that agricultural sustainability depends on the nature of the whole farming system, and as such is very much specific to an individual farmer and their unique

farm environment. This approach is centred on the knowledge of an individual farmer to manage the physical, biological and financial components of their farming system in order to achieve the goal of long-term sustainability. Similarly, Schaller (1993) also stresses that it is almost impossible to define a single set of sustainable farming practices, given that the optimal practices will not be the same in every location and circumstance and that a farmer's individual beliefs and values play a critical role in determining what sustainability means.

Following from this literature review, this study seeks to address the following research questions:

How do wineries define the concept of sustainability?

How do wineries put the concept of sustainability into practice?

What is driving sustainable behaviour in wineries?

3. METHOD

A semi-structured interview technique was used to obtain information from the owners of two New Zealand wineries. The interviews focused on the owners' views regarding sustainability, the sustainable practices they had implemented, what factors were driving their actions, and their views of sustainability going into the future. These interviews took place in late 2013 and were carried out in person at the two wineries, by the same researcher. There are a number of similarities between the two wineries, particularly in terms of size and years in operation (see Table 1). Both wineries are Category 1 businesses, with annual sales of less than 200,000 litres. Small wineries dominate the New Zealand industry, with 88 percent being classified as Category 1 producers (www.nzwine/info-centre/statistics/). This indicates the two selected wineries are representative of the industry as a whole.

Table 1. Characteristics of Winery A and Winery B

	<i>Winery A</i>	<i>Winery B</i>
<i>Wine region</i>	Marlborough	Hawkes Bay
<i>Company size</i>	Small (less than 50 FTEs)	Small (less than 50 FTEs)
<i>Annual wine sales</i>	Less than 200,000 litres	Less than 200,000 litres
<i>Vineyard size</i>	23 hectares	10 hectares
<i>Ownership structure</i>	Privately held company	Privately held company
<i>Years in operation</i>	Between 11-20 years	Between 11-20 years

4. COMPARISON OF THE TWO WINERIES

Whilst the two wineries are similar in terms of size, ownership and history, differences between the two become apparent when the owners views of sustainability are examined.

4.1 Defining Sustainability:

The owners of Winery A define sustainability as the “long term viability, health and integrity of our land, wines, business and people with no compromise through short cuts that do not fit with our organic philosophy”. This definition illustrates that they perceive a relationship between sustainability and organic production methods and they incorporate the planet, people and profit dimensions introduced by Elkington (1997). The focus on the long term also coincides with the Brundtland definition of sustainable development (WCED, 1987). However, the owners say they don’t utilise the term sustainability in their communications because they believe it is confusing to consumers; they prefer to use the term ‘organic’.

To the owners of Winery B, sustainability is strongly linked to their knowledge of ecology. They define sustainability as “the maintenance of ecological processes in a manner that is economically viable, socially acceptable and rewarding for the various stakeholders”. Again, this definition includes mention of Elkington’s (1997) three pillars of sustainability. The owners also discuss sustainability as passing something beneficial on to the next generation by improving what they started with; this also relates to the Brundtland definition (WCED, 1987). They note that the concept is a bit confusing, especially for consumers, and they are concerned that they have never heard the word ecology mentioned in terms of sustainability.

4.2 Importance of the Sustainability Dimensions:

The owners of Winery A ranked environmental sustainability as the most important of the three dimensions to them. However, they also state that “you cannot have one dimension in isolation from the others”. In other words, they believe that a company cannot be environmentally or socially sustainable unless it can support this financially.

At Winery B, the economic dimension of sustainability is ranked as being the most important. The owners state that many businesses might have an environmental awareness, but this doesn’t necessarily lead to environmental behaviour unless their economic situation permits some action. They are very aware that they can only do (in terms of environmental or social sustainability) what is financially viable.

4.3 Drivers of Sustainability:

For Winery A, the biggest driver of their sustainability actions has been a desire to protect their physical vineyard environment. Their organic and biodynamic beliefs underpin everything they do in the vineyard and follows through to their winemaking and marketing strategies. Their actions are also driven by providing a physical environment that is enjoyable for staff to work in and one that encourages bio-diversity in the vineyard.

One of the major drivers of sustainability at Winery B is the owners' desire for their wines to express the unique physical characteristics of their vineyard. They believe that their vines and soils are healthy as a result of the ecological practices they have implemented in their vineyard, and the harvested grapes are thus clean and flavourful. Whilst the ecology of their physical environment is important to the owners, they are also driven to act sustainably in order to achieve economic viability. They have implemented strategies and practices that have reduced input costs; this is especially important for profitability in small businesses.

4.4 Environmental Practices:

In terms of environmental management systems (EMSs), Winery A is a certified organic (i.e. Bio-Gro) and biodynamic producer. This means that no synthetic chemicals are used in the vineyard and that the principles of biodynamic production are followed. The owners have also implemented the New Zealand Winegrowers SWNZ programme. Whilst they made a conscious choice to produce wine organically and biodynamically based on their personal beliefs and values, they feel that initially they had little choice regarding adoption of SWNZ. As New Zealand Winegrowers are now beginning to recognise other certified programmes as surrogates to SWNZ, the winery will drop their SWNZ accreditation to save both time and money. They also feel that Bio-Gro is a more internationally recognised environmental accreditation and one that is more thoroughly audited than the SWNZ programme is.

In terms of EMSs, Winery B owners have predominantly implemented their own informal practices based on their knowledge of ecology. For example, steel posts are used in the vineyard rather than chemically treated wooden posts. Minimal soil disturbance allows natural biological processes to be maintained and prevents soil erosion. Beneficial insects are attracted into the vineyard to control unwanted pests and thus reduce the need for pesticides. The environmental focus continues in the winery, with light weight bottles, recycling or reusing of wastes, and reduced packaging. Winery B has also implemented the SWNZ programme, but they believe their own practices surpass those that are documented in SWNZ. Nevertheless, joining SWNZ allowed Winery B to put a recognised environmental logo on their wine bottles. They don't necessarily approve of what SWNZ does, but they also don't wish to adopt organic or biodynamic certification and they realise that their own ecological practices do not have any recognition globally.

4.5 Social and Economic Practices:

Winery A owners believe that their staff enjoy working at a site that is free of chemicals and their high employee retention rate provides some support for this. The organic and biodynamic practices they have adopted are used as an important point of difference in the global marketplace; this differentiation is an economic benefit to Winery A in some markets. Whilst this may be the case, the owners stress that they are committed to organic production because that is what they believe in and they believe the quality of wine is improved through this; any economic benefit such as premium pricing is not their primary objective.

Winery B also incorporate social and economic sustainability within their business operations. For example, the sloping, limestone vineyard site was specifically selected because it negated the need for frost protection, the soils were naturally fertile, and there was little need for irrigation; all of these factors reduce the financial costs associated with grape production and thus help with long-term economic viability. They also believe that the health of their vines is reflected in the quality of their wines and this affects the price they can achieve for them. In terms of society, Winery B mainly employs seasonal staff; they offer flexible working options, on the job training and monitoring of job satisfaction. They support events, charities and volunteer programmes in their community and try to do business with local suppliers whenever possible.

4.6 Sustainability in the Future:

Whilst Winery A has had a focus on operating sustainably from day one, they believe that sustainability is a fad and that it has become a buzz word to many in the wine industry. The owners think that there is a lot of confusion over the use of the word sustainability and that some wineries are making claims that simply aren't true. Winery A anticipate that organics will be the next big thing in the wine industry.

Winery B doesn't necessarily view sustainability as a fad that will diminish over time, but they do believe that there is a long way to go until all players in the wine industry are operating in a truly sustainable manner. They are adamant that sustainability needs to incorporate the key principles from the science of ecology.

5. DISCUSSION AND CONCLUSIONS

This paper demonstrates that the two wineries are quite similar in how they define the concept of sustainability. Both wineries include a long-term focus within their definitions, illustrating their knowledge of the Brundtland definition (WCED, 1987). This provides some evidence that the Brundtland definition is both well-known and widely accepted by business owners. The two wineries also view sustainability as including the triple bottom line dimensions (i.e. economic, social and environmental) as proposed by Elkington (1997). Again, this suggests that, for business owners, the concept of sustainability incorporates a focus on planet, people and profit and the triple bottom line approach is widely recognised. Whilst the two wine businesses ranked the importance of the dimensions differently, it was apparent that both understood the relationship between the dimensions and that they do not

operate in isolation from each other. They recognised that they could not implement environmentally or socially focused practices if their business was not economically viable.

Another similarity between the owners was their view that sustainability is confusing to consumers. These views have been developed through interactions with their own customers and these support earlier literature highlighting this issue (e.g. Bhaskaran et al., 2006; Vermeir and Verbeke, 2006; Warner, 2007). This confusion amongst consumers likely contributes to scepticism or distrust of sustainability claims on products. This study has added to knowledge by reporting confusion with the sustainability concept from the viewpoint of the producers who are interacting with intermediaries and end consumers.

Although the term sustainable agriculture was not specifically used in the interviews, both wineries provided sustainability definitions that contained elements of those expressed by Schaller (1993) and Keeney (1990). Hansen (1996) suggested in earlier research that sustainable agriculture is either an ideology *or* a set of practices; this study provides some evidence that for these two wineries sustainability is *both* an ideology and a set of practices. The owners began their businesses with very clear beliefs and these have driven the practices they have implemented in their vineyards and wineries. The ideology and the actions go hand in hand at the wineries, and both are a key component of how they view sustainability.

Where the wineries differ most is in the environmentally sustainable practices they have chosen to implement, as driven by their views, values and ideologies. One winery is focused on organics and biodynamic production systems and regards these practices as being best for the health of their land. The other winery is focused on an ecologically sound production system and they are convinced this is best for their land and vines. This paper has not set out to prove whether one ideology and set of practices is any better than the other; what this demonstrates is that both producers believe they are doing the best that they can for their land today and into the future. This provides support for Ikerd (1993) and Schaller (1993) who both suggested that there is no single optimal set of sustainable practices; it does come down to decisions made by individual producers based on their views and their own unique farming environment. Schaller (1993) stated that the beliefs and values of the producer are most important as these determine what sustainability means and how it is achieved. This study provides clear support of this statement; the practices implemented by Winery A may be best for their physical environment but the same practices may be far from optimal if they were implemented in Winery B (and vice-versa). This result suggests that formally documented EMS's may be flawed in that they cannot possibly deliver a 'one size fits all' solution to every producer in every location.

Both wineries include environmentally accredited labels (i.e. Bio-gro or SWNZ) on their bottles; in some markets, they achieve an advantage through this focus on sustainability. This suggests that there is also no common view of sustainability across consumers, as the two wineries are achieving marketplace benefits from their very different 'sustainable' practices.

A clear limitation of this study is the focus on only two wine businesses. However, this focus on only two wine producers allowed an in-depth analysis of owner attitudes, views and

beliefs to be obtained; this would not have been logistically or financially possible if a larger number of businesses had been included. The views of these two small wineries are important as they are likely to be indicative of many wineries in New Zealand where similar sized businesses dominate. Further quantitative research with a larger sample of wineries, in New Zealand or internationally, could be done to (a) affirm the common elements in how sustainability is defined, (b) the importance of values, attitudes and beliefs as drivers of sustainable behaviour, and (c) the range of sustainability practices that are being implemented in the wine industry.

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The Triple Bottom Line in the Global Wine Industry

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Abstract:

Purpose: Sustainability is increasingly becoming important to global business, and the wine industry is no stranger to this trend. The purpose of this research was to empirically explore the extent to which all three dimensions of sustainability are practiced within the global wine industry to begin to form theory on the future of sustainability in this industry.

Design/methodology: A qualitative study of 112 wine businesses from thirteen regions around the world was conducted over the course of six years to determine sustainability practices. Data consisted of depth interviews with wine business managers, organization documentation, website information, operation observations and photographs. The data were analyzed using accepted practices from grounded theory and content analysis to examine how the dimensions of sustainability are practiced.

Findings: Few participants practiced the comprehensive triple bottom line; the majority were focused on financial sustainability of their company and a large percentage were concerned with both financial and environmental sustainability. Applying legitimacy theory, we found that companies influenced by moral legitimacy motivated practice of more comprehensive sustainability, whereas pragmatic and cognitive legitimacy drove the practice of more specific (single) dimensions of sustainability.

Practical implications: Our findings suggest that the comprehensive sustainability perspective is not prevalent in the wine industry, primarily due to a lack of attention to social sustainability. The primary driver for the triple bottom line is moral legitimacy, or the internal desire to “do the right thing”. Customers have a great deal of power in influencing company behavior; therefore they could play a role in moving the industry toward the triple bottom line.

Keywords: Sustainability; triple bottom line; grounded theory; legitimacy theory

1. INTRODUCTION

Sustainability, often defined at the macro level as meeting the needs of the present without compromising the ability of future generations to meet their own needs (UN Documents, 1987) has developed into a critical topic for both scholars and industry that now contemporarily involves a “triple bottom line” perspective on the environmental, social and financial longevity of organizations. All three of these pieces of the “triple bottom line” impact and are impacted by the wine industry - businesses in this industry are trying to profitably create and sell an agricultural product that is regulated. Thus, sustainability has been prevalent in wine research over the past decade; however, much of that has focused specifically on environmental sustainability (e.g., Flint and Golicic, 2009; Forbes et al., 2009; Silverman, Marshall and Cordano, 2005) or what it means (e.g., Carter and Rogers, 2009; Lahneman, 2015; Szolnoki, 2013). Recently, there has been some work examining managerial philosophies with respect to sustainability and managing the supply chain (Signori, Flint and Golicic, 2015), but even this work picks apart the dimensions of sustainability.

An important question is: are there specific motivations that drive a more comprehensive implementation of sustainability versus a single dimension? While there has been research examining the motivations driving sustainability practices (e.g., Gabzdylova, Raffensperger, and Castka, 2009; Windolf, Harms and Schaltegger, 2014), there are only a few exploring sustainability comprehensively as the triple bottom line within the wine industry (e.g., Pullman, Maloni and Dillard, 2010; Santini, Cavicchi and Casini, 2013). The purpose of this research is to begin to fill this gap and answer practical questions such as the following. Are wine businesses truly sustainable from the triple bottom line perspective? Are there any differences in these views based on timing, region, or position in the supply chain (or type of business)? More importantly, are there different motivations driving whether a business implements a single dimension or sustainability as a whole? Using a grounded theory study and the application of legitimacy theory to our findings, we begin to develop theory about the pursuit of the triple bottom line in the wine industry. Because we use a grounded theory methodology, pertinent literature was sought as part of the data interpretation and is therefore presented as part of the results.

2. METHOD

This empirical research is part of a large, multi-year (2009-2015), multi-region exploration into business practices and issues in the wine industry. We adopted aspects of ethnography, grounded theory and phenomenology in data collection and interpretation and followed accepted procedures. The ethnographic aspects included observation, interviews and artifact collection within clusters of wine regions around the globe seeking norms of behavior, assumptions, roles played by actors, and meaning making (Arnould and Wallendorf, 1994). The grounded theory aspects involved the same data collection aspects but added coding processes which helped to explain social processes in which participants were engaged as they tried to solve problems in their everyday lives (Glaser, 1992). The phenomenological aspects focused on the interviews specifically where we sought what it meant to be a wine

maker, winery marketer and so forth (Thompson et al., 1989; Thompson, 1997). To address our specific research questions, we also content analyzed the findings to categorize each business on the three dimensions of sustainability (Harris, 2001).

In total we visited 112 wine businesses (wineries, retail locations, and suppliers such as growers and distributors) of various age and size in thirteen regions of six countries, conducting interviews with owners or managers, collecting marketing collateral, and photographing/observing operations over a four year period. The convenience sample was selected based on practices they described on their website (e.g., sustainability, innovation) and through personal contacts in order to ensure variability in the sample. Table 1 provides the breakdown of the businesses in our sample. All documents were scanned for interpretation, and all interviews were audio-recorded and transcribed verbatim. Three researchers well-trained in qualitative research shared interviewing responsibilities, and all interpreted the data, coming together regularly to reconcile interpretations. Executive summaries were sent to study participants along the way to gage the relevance and accuracy of the interpretations.

Table 1: Research sample

Region/Country	Type of Business(es)*	Number of participants
Waipara and Marlborough, New Zealand	Retail and wineries	9
Margaret River and Barossa Valley, Australia	Retail, suppliers, and wineries	28
Walla Walla, Willamette Valley, Napa and Sonoma, USA	Retail, suppliers, and wineries	32
Veneto and Tuscany, Italy	Retail, suppliers, and wineries	24
Rheingau and Pfaltz, Germany	Wineries	11
Bordeaux, France	Suppliers and wineries	8

*Retail includes bottle shops, restaurants, bars; suppliers includes growers, distributors/wholesalers, material suppliers

3. FINDINGS

3.1 The Triple Bottom Line in the Wine Industry

Based on the data collected at the time in which it was collected, we categorized all of the businesses as either low or high on financial sustainability, environmental sustainability and social sustainability. These categorizations were determined based on information provided by those interviewed and their perceptions of these terms.² For instance, if an interviewee spoke about a particular dimension and any company efforts, then they were categorized as high. Organic, biodynamic and natural farming are often used in the wine industry, and these practices were perceived by the study participants as being environmentally sustainable and

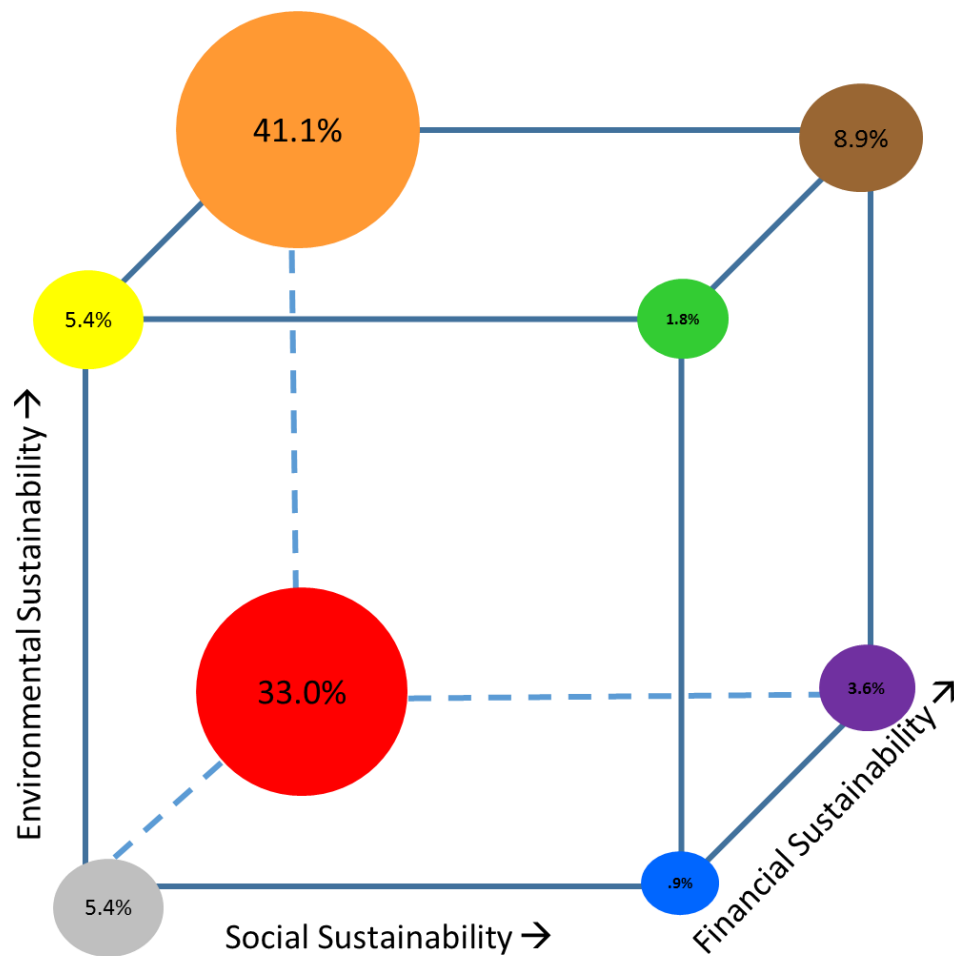
² Financial was perceived as activities that positively impacted long term financial performance (revenue, costs, profit) of the company. Environmental was perceived as any activity that lessened the impact of the product and operations on the environmental. Social was perceived as any activity that improved social conditions for employees or lessened the impact of the production and operations on society.

therefore earned a business a high environmental sustainability rating.³ This Oregon wine producer was categorized as high on social sustainability for explaining their philosophy. *“We feel like we have a responsibility for each of the people who are on the vineyard, and there’s a great organization out here that provides healthcare to Oregon’s vineyard workers and their families – and since we’ve opened the tasting room we’ve always given all of our tasting fees to that organization.”* If they did not mention sustainability or discussed it negatively, they were categorized as low. As an example, the following quote from a small Australian producer demonstrates how one was categorized as low on financial sustainability. *“And all of our work was associated with developing a premium wine. There was no desire to make money as a final objective; the objective was to create a lifestyle in the process of making premium wine.”*

Figure 1 shows the overall categorizations in a three dimensional diagram. Only nine percent of the companies interviewed were truly concerned about the comprehensive triple bottom line (in brown). An Australian wine producer that had a sustainability manager was not surprisingly categorized as high on all three dimensions, and this manager noted, *“The primary reason being we’re doing what we’re doing because it’s the right thing to do morally, economically, socially and environmentally. In other words we want to survive and sleep comfortably at night.”* Forty-six percent were considered to practice two of the three dimensions (41% environmental and financial in orange, 2% environmental and social in green, 3% financial and social in purple), and thirty-nine percent practiced one (33% financial only in red, 5% environmental only in yellow, 1% social only in blue). A California winemaker demonstrated being high on environmental and social sustainability when he said, *“The mission is to take care of the vines, take care of the property, make great wine, run it responsibly and turn the profits over to the [non-profit] foundation - that’s pretty much the mission.”* That left nearly six percent that were not considered to be sustainable at all.

³ While the authors and others may not agree that these practices are always environmentally sustainable, the study participants discussed them as being so; therefore, we rated them as such.

Figure 1: Sustainability categorizations of businesses



The categorizations were then compared across countries, their position in the supply chain (supplier, winery or retail), and the year in which the data were collected. Across time, the categorizations seem to be consistent with the exception of social sustainability. The interest in this particular area is growing, and our data supported this. The position comparison yielded interesting results from the suppliers (e.g., vineyard managers, custom crush facilities, contract winemakers); they were all low on social and high on financial sustainability. Regional differences were detected for Italy (lower than the rest on social sustainability), Germany (lower than the rest on environmental sustainability) and France and New Zealand (all participants from these countries were high on financial sustainability).

3.2 Motivations for the Sustainability and the Triple Bottom Line

When discussing sustainability practices in whatever form adopted, the participants in our study mentioned different motivations driving those business decisions. These motivations ranged from external influences such as customers to internal philosophies of the company and its management. Some businesses mentioned a particular stakeholder influencing their practices while some expressed the desire to practice sustainability simply because it was a deeply held personal belief. A review of the literature related to what drives organizational behaviors led to legitimacy theory (LT) because it considers both external and internal

influences on organizational decisions (Deephouse and Suchman, 2008). Legitimacy is defined as "...a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995, p. 574). Only one other study has applied this lens to sustainability in the wine industry, but it only examined the environmental dimension (Lahneman, 2013).

There are three primary forms of legitimacy: pragmatic, moral, and cognitive (Suchman, 1995). The first of these, pragmatic legitimacy, has an external focus and is very "self-interested" legitimacy, in that it deals with meeting the expectations of trading partners in order to appear legitimate (Cousins and Robey, 2005). As long as the organization is satisfying the needs or providing some value to stakeholders, the stakeholders will see the organization as legitimate (Castello and Lozano, 2011). In our study, many wine businesses were driven to sustainability based on demands from their customers, particularly distributors and retailers. For example, when describing relationships with their customers (notably Tesco in the UK), an Australian producer noted "*I think sustainability is a concept that is driven largely by the supermarkets because they believe it's what their consumers want.*" An Oregon producer echoed this when telling the story of selling their product to Whole Foods (a natural food store in the U.S.). "*The wine buyer at Whole Foods is absolutely more likely to put you on the shelf if it says OCSW or if you can give him some other reason to believe that you're one, one of the sustainability "good guys". In other words he knows he's going to say yes to that wine partly because it's carbon neutral.*"

Those businesses that noted their practices were driven by the customer discussed one or possibly two dimensions of sustainability. Distributors largely required attention to pricing, which would influence a desire for financial sustainability. Indeed, working with a distributor at all implied a smaller profit margin for a producer. Likewise, producers were often concerned with cost when it came to purchasing grapes from growers, while some demanded their growers use environmental practices in their vineyards. Research in the wine industry supports stakeholder demand for environmental practices (Forbes et al., 2009; Gabzdylova, Raffensperger, and Castka, 2009; Silverman, Marshall and Cordano, 2005). Retailers often required certain pricing as well, but some were also concerned with the product being organic or biodynamic. We did not find any instances where a customer drove comprehensive sustainability. Therefore we propose the following.

P1: Pragmatic legitimacy influences adoption of specific dimensions of sustainability based on stakeholder demands.

The other two types of legitimacy are more internally focused. Moral legitimacy focuses on whether an action is "the right thing to do," without regard to evaluation of how external parties view the situation. This exists when sustainability is the personal philosophy of someone within the company, such as the founder or upper management. An Oregon producer practiced organic and biodynamic farming from its inception in the 1970s. They were quick to participate in any newer sustainability initiatives, and our participant stated the founders, "*started the 'green program' long before anyone had really started the 'green*

program.’ You know we were just on the cusp too of people starting to recognize organic and biodynamic.’ Some companies were conceived with this as part of the way in which they would operate. One Australian producer told stories of growing up in a family that practiced sustainability in everything they did and so it was ingrained in him. When describing sustainability practices, another producer noted, *“It’s definitely a feeling from the inside of this is what we should be doing anyway.”*

One restaurant owner discussed their sustainability practices which ranged from capturing and treating rainwater to serve in the restaurant to using entire animals to growing their own produce and making their own vinegars. He also noted that these practices provided them more control over what was served and how much was charged for it. He stated, *“that’s our goal...that’s how this restaurant runs.”* He had been exposed to these practices in the years of training that occurred before opening this restaurant; thus it was in his DNA to practice sustainability. All of the businesses that were concerned with the comprehensive triple bottom line had this sort of perspective, and research in the wine industry has shown that internal pressures to be good stewards drive sustainability (Silverman, Marshall and Cordano, 2005). Therefore we offer the following proposition.

P2: Moral legitimacy influences adoption of a more comprehensive triple bottom line perspective of sustainability.

The final type of legitimacy, cognitive legitimacy, is more nebulous, a “take-it-for-granted” view of the organization or its activities, that the organization and its behaviors are as they should be; they are congruent, and are thus accepted (Aldrich and Fiol, 1994; Suchman 1995; Deephouse and Suchman, 2008). This basically supports a business adopting practices it wants to implement simply because they feel they have some reason for it, and likewise not adopting something if they do not feel they need to. Some of the companies we interviewed were pretty adamant that what they were doing, whether practicing dimensions of sustainability or not, was just fine, and they had no intention of changing that. For example, a producer in Washington explained, *“We could say that our grapes are grown biodynamically, but the paperwork right now is pretty cumbersome and I think that – well we just have enough on our plates that we don’t really need to add that to it.”* A marketing manager for an Italian producer felt what they were already doing was acceptable and that if sustainability certifications were going to change what was required, then they might not be interested. *“So I think for us the first issue would be before changing, before taking a short cut, before using technology or chemistry in order to change a process we really have to take an account if it’s a real advantage or not. Again we do believe that we are coming from something which was by definition organic...agriculture of 150 years ago it wasn’t an issue whether to be organic or not.”*

This type of legitimacy often played out when a business considered a trade-off to exist among the dimensions (i.e., one has to decrease for the other to increase). An example of this is between environmental and financial sustainability. When asked about sustainability practices and certifications, one Australian producer said, *“I’m not interested. The other thing about it is that my wife and I have always said that if we come to a point where we find*

to decide if we stick to organics, biodynamics and watch our crop fail or do we spray, it's a no brainer isn't it? We're going to spray so we can pick our grapes so we can make wine which is our income." This perspective inevitably leads to the business implementing some practices and not others based on whatever management thinks is currently important, which leads to our final proposition.

P3: Cognitive legitimacy influences adoption of specific dimensions of sustainability based on current managerial philosophies.

4. CONCLUSIONS AND IMPLICATIONS

This research set out to explore if there were specific motivations that drive a more comprehensive implementation of sustainability versus a single dimension. Our findings showed that the comprehensive triple bottom line perspective was not prevalent in the wine industry. Pursuing one or two dimensions was the norm (86%). Social sustainability was generally the missing dimension; however, the attention to this has grown over the past few years. This is interesting given that wine is an alcoholic beverage with implications to society tied to it.

Being sustainable is tied to the desire for the actions of an organization to be appropriate or legitimate within some socially constructed system (Suchman, 1995). Motivations contributing to the pursuit of sustainability included demand from customers (i.e., externally-focused pragmatic legitimacy), the philosophy of doing the right thing (i.e., internally-focused moral legitimacy), and the view that the behaviors of the organization were as they should be (i.e., internally-focused cognitive legitimacy). Our data supported moral legitimacy as the one that drove a more comprehensive implementation of sustainability, while the other two types generally contributed to the pursuit of one or two of the dimensions. However, it is likely that if customers required all three dimensions, the desire for pragmatic legitimacy could also propel achievement of the triple bottom line.

The data for this study were collected over seven years. It would be interesting to update the data to see if regions where data were collected earlier (e.g., New Zealand in 2009) had changed their sustainability philosophies. The study was exploratory and relied on qualitative data. We relied on practices discussed by respondents to categorize companies on high or low sustainability; it is likely there are more than two levels and further exploration into this (quantitative) could tease out what those are. Propositions were offered from the results; these should be formulated into hypotheses and tested. Sustainability is growing in importance in nearly all industries, and it has been receiving increasing attention in the wine industry. To date, only a few wine businesses are truly sustainable from the triple bottom line perspective. However, there are means available to businesses to drive this further into the industry.

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A Sustainable Performance Measurement System for the Chilean Wine Industry's Supply Chain

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Abstract:

Purpose: To propose a sustainable performance measurement system for the Chilean wine industry's supply chain. The new system is based on industry's current performance measurement systems and Elkington's sustainability approach (1997), allowing wine companies to manage the business in two dimensions: 1) Sustainability, which will measure how sustainable is the business and 2) Spatial dimension, which focuses on measuring the performance of the actors that comprise the industry's supply chain.

Design/methodology/approach: In order to attain the objective before raised, a research initiative is to be developed on industry sustainability and inter-organizational performance measurement systems, along with a diagnosis of the Chilean wine industry. The work is supported by a series of in-depth interviews to executives from 50 of the main Chilean wineries.

Findings: On the basis of the diagnosis made of the current state of Chile's wine industry, the study confirms that the conditions for a future implementation are given.

Keywords: Sustainability, Performance Measurement Systems, Wineries, Supply Chain

1. INTRODUCTION

There is no doubt today that sustainability is a very relevant and desirable characteristic for any industry worldwide, especially the agricultural sector, where the wine industry is no exception. The wine industry has been hard pressed by customers and regulators to assess, reduce and communicate its environmental and social performance (Christ and Burritt, 2013), reason why it has had to incorporate sustainability into its management. However, management control systems have sought to measure sustainability, focusing mainly on the impact that production inputs and processes have on the environment and economic performance, leaving aside social perspectives (Henri and Journault, 2009, 2010). In light of this scenario, where sustainable control systems do not generally consider the three dimensions of sustainability, the present work undertook two methodological approaches: the first consisted of a literature review on sustainability and inter-organisational performance measurement systems. This made possible to generate the necessary theoretical basis for a sustainable performance measurement system for the wine industry's supply chain (SMDSCS) to help measure business sustainability. At the same time SMDSCS helps measures the performance of the players comprising said supply chain. The second consisted of carrying out a diagnosis of the wine industry through a survey of 50 in-depth interviews to executive level management of a selected sample of Chilean wineries to know the reality of industry in terms of performance measurement so as to assess the viability of the new model being proposed.

Therefore the main goal of this article is to propose a sustainable performance measurement system (SMDSCS) for the Chilean vineyards' supply chain. In order to achieve this, the following objectives were set: Review of the literature on sustainability and inter-organisational performance measurement systems; diagnose the wine industry current performance measurement systems and propose a conceptual framework for the SMDSCS implementation.

2. LITERATURE REVIEW

2.1. Sustainability

Recognizing that there is no consensus on its definition (Gjøølberg, 2009), we used the most widely accepted model to understand sustainability which is that of Elkington's triple bottom line (1997). This model defines the three principles that underlie it: environmental integrity, social equity, and economic prosperity. Although sustainability has already been discussed in the literature of management control systems (MCS) to describe the emergence of sustainable control systems (SCS) such as eco-control, this line of research focuses mainly on the impact of such systems on the environmental and on the company's financial performance (Henri and Journault, 2009, 2010). Yet little is known about the nature and mode of integration of SCS with more traditional MCS (Durden, 2008). Nevertheless, SCS can effectively contribute to the integration of sustainability into the company's strategy only when they are integrated with MCS and not used as autonomous strategic tools (Burgelman, 1991; Simons, 1995). Sustainable control systems include: Sustainability BSC for environmental services (Dias-

Sardinha et al., 2007); Sustainability planning and Control (Bonacchi and Rinaldi, 2007) and Sustainability BSC (Hubbard, 2009).

2.2 Inter-organizational Performance Measurement System

Attention has been given to the design of performance measuring systems (PMS) inside of the organization (Intra-Organizational), although the development of PMS to assess performance standards among companies (Inter-organizational) is taking on growing relevance, as a result of a more competitive and integrated world, where the increase in integration leads to better performance (Narasimhan and Wook 2001). The development of an inter-organisational performance measurement system requires an extended vision of the company, which can be achieved with a supply chain management (SCM) perspective. SCM is to be understood as one of the most integral parts of business management in the design of the different services, from suppliers to customers (Five Winds International, 1999; Christopher, 1998). The integration of the supply chain actors is studied from the perspective of internal integration which examines the interaction among the different areas of the same organization, and also from the external integration perspective, which examines the integration at the interfaces of the different organizations (Flynn et al., 2010). Gunasekaran et al. (2001, 2004), pointed out the need to study performance measures and metrics in the context of the SCM due to the lack of a balanced approach and the lack of clarity among metrics used at the strategic, tactical and operational level. A first proposal to design a supply chain measuring system was made by Van Hoek (1998), which provided a first look at how – in the context of supply chain performance measurement – the contents of the measuring system can vary, depending on the operation format of the supply chain and on the strategic focus or the evolution of the strategies employed. Indeed SCM has a strong and profound impact on the environment, since it deals with resources procurement and administration for a company's production of goods or services (Mentzer et al., 2001). Therefore it has an impact on the exploitation of renewable and non-renewable resources (Srivastava, 2007). Purchasing practices can also impact suppliers to improve their management of sustainability, using purchasing power to instil good environmental and social practices in small and medium-sized enterprises through the supply chain (Hart, 1995); World Commission on Environment and Development, 1987). Nonetheless, there is a scarce integration of sustainability in supply chain activities, due to lack of knowledge of how to integrate them, both internally and externally (Wolf, 2011). Likewise, Seuring (2013) also suggests that the intersection of sustainability with SCM needs further research, especially from a quantitative perspective to improve support to decision makers. An investigation of Taticchi et al. (2014), concludes that more research is needed on indicators measuring the dimension of sustainability in the SCM. Within sustainable control systems one can highlight: Supply Chain Operation Reference Model (SCOR) Supply Chain Council (1996), Balanced Supply Chain Scorecard (BSCS) (Park et al., 2005), and performance measurement system in the wine industry logistics (García et al., 2012). Additionally we highlight a research, which, among its various findings emphasizing the social dimension, becomes a key element in order for organizations to achieve a more competitive performance, aligning the company with its customers' preferences. (O'Brien, 2015)

3. METHODOLOGY FOR THE DIAGNOSIS OF THE CHILEAN WINE INDUSTRY.

In order to know the industry's needs and elaborate a theoretical proposal for the SMDSCS that is connected with the reality of the Chilean wine industry, an industry's diagnosis was carried out in three stages (choice of sample, survey design, and field work) which was followed by a statistical analysis of the data gathered by the survey. The sample was selected from 99 exporting vineyards in 2012, all members of the Wines of Chile association, which represented 28% of the 351 wine companies currently present in the country (Fundacion ProChile, 2012); and because these companies are present in the most competitive international markets, which implies that a greater technological and management systems development exists. The design of the survey began with 26 questions and after three months of evaluations by a panel of experts (professionals of the business world and academics), it was reconfigured in two parts totaling 36 questions (open type, multiple choice, dichotomous and psychometric scale). Out of the 99 wine companies selected, 94 agreed to be contacted wherein the general manager or area manager were invited to take part in the research interviews. Finally 50 companies (May 2013 - September 2014) agreed to be interviewed and responded the survey. This represents 50% of the total sample and 14.2% of the universe of Chile Wines. The interviews applied structured survey questions, and were conducted by the principal researcher, recorded in audio and transcribed in writing, of sessions lasting between 30 minutes and 1 hour.

4. DIAGNOSTIC RESULTS

As a result of the survey's design structure, the 50 companies interviewed produced two distinct set of results: characterization of the sample and main findings. Of the 50 respondents, 18% are CEOs, 43% correspond to areas managers, 9% sub-managers and 30% to heads of areas. 51% of the sample corresponds to large companies with an annual turnover exceeding \$ 4.5 million; 31% are medium-size companies that billed between US\$1,050,000 and US\$ 4,500,000; 16% are small enterprises with billing ranging between the US\$100,787 and US\$ 1,050,000; and 2% are micro-businesses with a billing range of less than US\$100,786. The labour profile distribution of the workforce was also investigated in the survey. In this regard, the distribution of the labour force in these companies, as it is commonly found in companies within the agricultural industry sector, showed the following: 81 % of employees are technical or non-professional, 12% are engineers, and the remaining 7% are other professionals. Figure N° 1 below identifies the supply chain players of the Chilean wine industry, something which was supported by the information gathered from the interviews and by Chandes & Estampe (2003) and García et al. (2012).

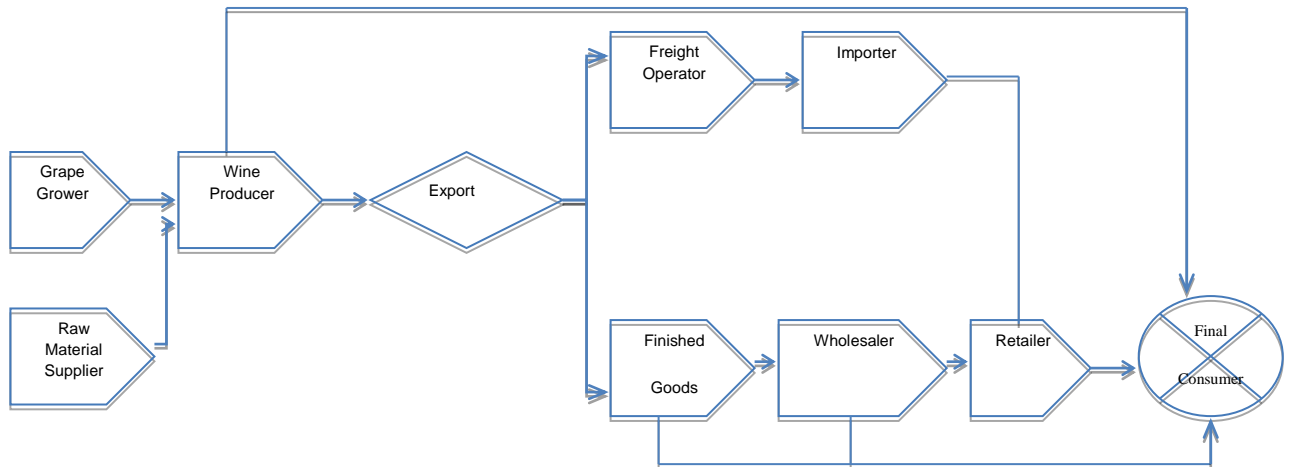


Figure No. 1: The supply chain players of the Chilean wine industry. Source: own elaboration.

- Grape Grower: responsible for the production and harvesting of the grapes.
- Raw Material Supplier: supplier of other inputs required for the production, filling and packaging of the wine.
- Wine Producer: Chilean companies that are usually responsible for harvesting the grapes, ferment wine, control the wine in barrels or ponds, mix the wine, bottling, labeling process and the palletizing process. Next is Table N ° 1, where industry activities are classified in: centralized activities (own vineyard), externalized (a collaborator develops it), or mixed (some developed internally and the others outsourced).

ACTIVITY	CENTRALIZED	OUTSOURCED	MIXED (centralized and outsourced)
Grape harvest	40%	6%	54%
Wine fermentation	80%	0%	20%
Control of wine in barrels or tanks	86%	0%	14%
Mixing of wine	90%	0%	10%
Bottling process	82%	10%	8%
Labelling process	86%	6%	8%
Palletizing process	92%	4%	4%

Table 1: Distribution of activities in the production of wine in Chile.

- Freight Operator: the provider of the transport of products from the warehouse to the importer or another player (Distributor, wholesaler, retailer, etc.).

- **Importer:** buyer of the wine companies' products. It is responsible for the reception, storage, inventory management and dispatch of finished goods.
- **Finished Goods Distributor:** responsible for the reception, storage, inventory management and dispatch of finished goods.
- **Wholesaler:** agents which receive the pallets from the distributors of finished products, and then ship products to the retail stores.
- **Retailer:** retailers receive finished products from wholesalers or distributors of finished products and sell directly to customers.
- **Final Consumer:** final consumer of the product.

5. Conceptual proposal of the SMDSCS

The basis for the SMDSCS will be the supply chain of the wine industry and sustainability in its three dimensions: environmental, social and economic. Table 2 below presents the objectives and respective measurements (in brackets) that ought to be pursued by each of the players that takes part of the industry's supply chain in order to achieve sustainability of the vineyard. The approach takes into consideration only upstream and downstream activities of the supply chain. The level of sustainability is therefore dependent on the strategic coherence and performance alignment of the company. Hence sustainability is to be achieved to the extent that the interrelationships that exist among the company objectives and their respective performance indicators are duly identified and matched. The latter should ensure a positive impact on the economic results of the vineyard.

Axis operations and sustainability	Suppliers	Vineyard	Distributor
Operations	<p>1) Develop high quality suppliers. (Right quality grapes percentage)</p> <p>2) Achieve just in time delivery. (New demand response time)</p> <p>3) Reduce logistic costs of reception. (Electronic buys percentage)</p> <p>4) Increase productivity. (Resources utilization percentage)</p>	<p>1) Reduce production costs. (Cost per unit of production)</p> <p>2) Improve processes continuously. (Percentage of defective products)</p> <p>3) Improve capacity used in fixed assets. (Process duration)</p> <p>4) Identify new products. (Number of new products)</p> <p>5) Develop rapport with customers. (Qualification provided by Premium customers)</p>	<p>1) Improve the quality of the delivered products. (Percentage of flawless products delivered)</p> <p>2) Improve delivery cycle time. (Delivery cycle time).</p> <p>3) Reduce logistic costs of delivery. (Storage and delivery cost to customers)</p> <p>4) Increase productivity. (Resources utilization percentage)</p>
Social	<p>1) Own codes of ethics. (Own codes of ethics)</p> <p>2) Respect the workers. (Rates of injury, occupational diseases, lost days)</p> <p>3) Increase engagement with the community. (Number of Community programs)</p>	<p>1) Improve working conditions. (Rates of injury, occupational diseases, lost days, and absenteeism)</p> <p>2) To increase engagement with the community. (Amount of community support programs)</p> <p>(3) Consumption healthier and safer. (Solution of potential problems arising from products)</p> <p>4) Respect for the privacy of consumers. (Claims for misuse of customers' information)</p>	<p>1) Own codes of ethics. (It has a code of ethics. Displays ethical practices)</p> <p>2) Respect the workers. (Rates of injury, occupational diseases)</p> <p>3) Increase engagement with the community. (Amount of community support programs)</p>
Environmental	<p>1) Increase the quality and use of water. (Percentage of technified irrigation systems use)</p> <p>2) Improving the management of solid waste. (Total weight of waste by type and disposal method)</p> <p>3) Increase energy efficiency. (Initiatives to provide energy-efficient or renewable energy based products and services)</p> <p>4) Reduce greenhouse gases. (Initiatives to reduce greenhouse gas emissions and reductions attained)</p>	<p>1) Increase the quality and use of water. (Percentage of technified irrigation systems use)</p> <p>2) Improving the management of solid waste. (Total weight of waste by type and disposal method.)</p> <p>3) Increase energy efficiency. (Initiatives to provide energy-efficient or renewable energy based products and services)</p> <p>4) Reduce greenhouse gases. (Initiatives to reduce greenhouse gas emissions and attained reductions.</p> <p>5) Reduce the use of chemicals. (Percentage of chemicals use).</p>	<p>1) Increase energy efficiency (Initiatives to provide energy-efficient or renewable energy based products and services).</p>

Table No. 2: Proposal of structural objectives of the SMDSCS

6. CONCLUSIONS

The need for a more effective and efficient use of resources in the wine industry supply chain must be accompanied by the means to measure not only economic and environmental performance metrics but also the social ones in order to achieve true sustainability. Based on the work carried out, it can be concluded that it is feasible to propose a conceptual design for a sustainable performance measurement system for the wine industry's supply chain (SMDSCS). Such a system is expected to allow vineyards to manage their supply chain from both, the operational and the sustainability perspective of the vineyard. That is why, as a way to continue with the validation of the SMDSCS, we will implement the proposed system and validate its application in three Chilean vineyards which have already been contacted and have confirmed their interest in participating.

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Communication orientations on Facebook: How do consumers perceive brand posts?

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Abstract:

Purpose: To present quantitative results exploring wine brand communication orientations on the social media platform Facebook, and to examine how consumers perceive different orientations of communication.

Design/method/approach: An online quantitative survey was implemented to 1099 wine consumers. The consumers were exposed to a number of posts which varied in their communication orientation, indicating their perception of each post.

Findings: We found empirical support for the typology proposed by Dolan, Goodman and Habel (2013) as consumers do perceive different types of communication as different orientations and there is the overlap that was proposed in this earlier work.

Practical Implications: Wine brand marketers should examine how consumers perceive their posts, what may be intended as relationship driven might in fact be perceived by consumers as sales driven. The examples shown in this research give some insight into how different perceptions of consumers are and shows that what might appear obvious to the marketers is not necessarily how the consumer perceives communication.

Keywords: Social Media Marketing, Communication Orientation, Facebook

1. INTRODUCTION

The conceptual typology shown in Figure 1 (Dolan, Goodman & Habel 2013) proposed that wine brand communication on Facebook did not fall exclusively into a one domain. Brands may have a one, two or multi-dimensional orientation. Understanding and exploring such orientations, including the value of each orientation in terms of consumer response provides an important platform for researchers and practitioners within this area. As social media developed from a ‘personal social’ to an environment in which brands and organisations ‘joined in’ the conversation, it is important to assess if consumers do indeed see different types of communication as being oriented to either of the three domains in Figure 1. Previous research (Dolan, Goodman, 2011) used a Netnographic approach (Kozinets 2002) to identify a typology of social media marketing communication. Research (Dolan, Goodman & Habel 2012, 2013) to develop this into a communication orientation was conducted using qualitative in depth interviews to propose the typology shown in Figure 1. Whilst the qualitative insights derived from in-depth interviews with wine consumers and netnography of Facebook pages supported the proposition of this typology, further research was needed using a quantitative approach to confirm if in fact consumers did perceive different types of communication as having a different orientation. Given the space limitations of this paper, the method and results only are presented, for the literature and conceptual model see the papers cited above.

Figure 1: The Brand Communication Orientations



2. METHOD

This study used an online Qualtrics survey to determine wine consumers perceptions of Facebook posts. The survey was completed by 1099 wine consumers, obtained through a paying panel provider and screened for Facebook use and wine consumption behaviour as well as a proportionate age split. A secondary data set was collected from 233 Winery Brand Managers. Using a database of Australian wineries, we emailed address to ‘the marketing person that looks after social media for your winery’. Respondents were exposed to 18 different Facebook posts. These posts were embedded into the survey using screenshots from Facebook pages. Each communication orientation had three different posts that had text only, and three that had an image and text. Respondents were presented with posts in blocks of six, at the start of each block they were presented with a ‘definition’ of what constituted a Sales, Customer and Event Oriented post; the definitions, shown in Figure 2 below, were compiled from work undertaken in focus groups after the in-depth interviews used in Dolan, Goodman and Habel (2012). A ‘slider’ scale was used, enabling respondents to allocate a percentage to which they felt the post was aligned to the relevant communication orientation. Data were exported to Excel and Euler diagrams were prepared. Euler diagrams are a means of representing sets and their relationships; they are closely related to Venn diagrams in that they show area proportions and overlap of sets (Flower & Howse 2002; Stapleton et al 2007). This enables us to present data in line with the original Venn diagram typology proposed. In the tables below, No. refers to the number of respondents that indicated a score in that orientation and the percentage being the average score given.

Figure 2: Brief given to respondents

Option 1: *Sales Orientation:*

These types of posts involve the wine brand trying to *sell*. Information may include product availability, promotions, wine reviews, sales and exclusive discounts.

Option 2: *Customer Orientation:*

These types of posts involve the brand trying to build a relationship with you. They may post photos, links and comments with Information that may not actually be relevant to selling the product, but rather giving an insight into the brand from a friendly perspective.

Option 3: *Event Orientation:*

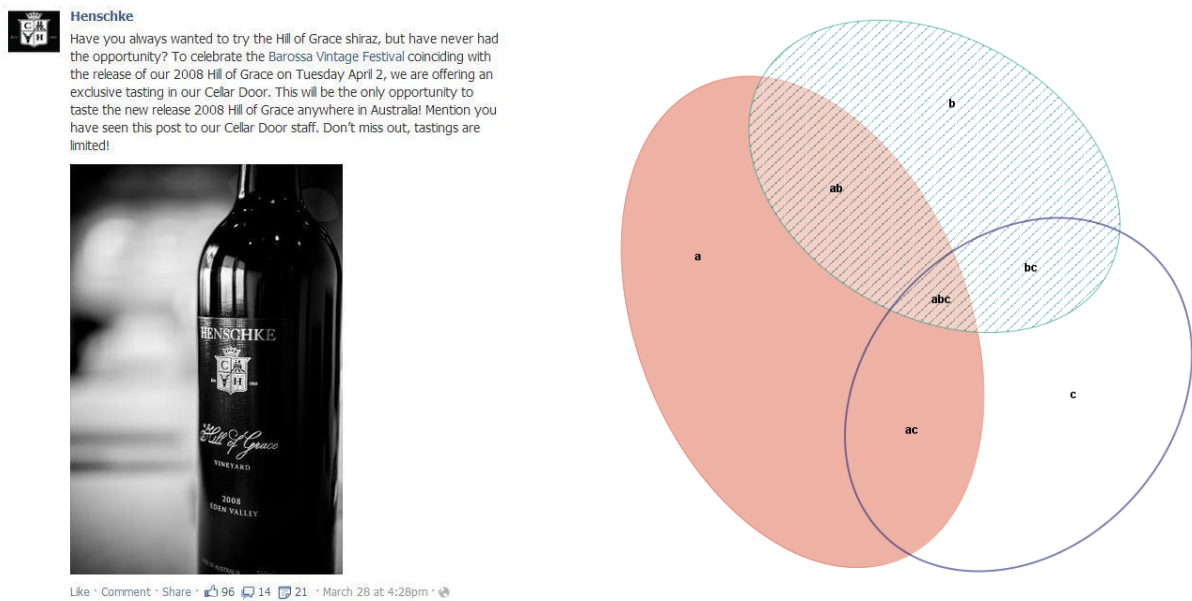
These types of posts involve the brand promoting events. They may be events at the winery, or events in the local region that the brand is supporting.

If you think a post is two types of orientations, or even three, you can use the sliding scale to determine the percentage of each orientation.

3. RESULTS

Due to space limitations, this paper presents a selection of key posts used in the Qualtrics survey which vary in their degree of sales, event and customer orientations. Each post is combined with the relevant Euler diagram, which reflects the consumer perceptions of the post.

Figure 3. Sales oriented post



This post was expected to be perceived as sales oriented, with a large overlap to event oriented (Column AC). The post mentions the variety, vintage level, range, ‘cellar door’ and offers an exclusive tasting for Facebook fans. The overlap with the event orientation perception is expected to result from the mention of the Barossa Vintage Festival and use of a specific event date.

Table 1. Post Perceptions

	A	B	C	AB	AC	BC	ABC
Orientation	sales	customer	event	sales + customer	Sales + event	customer + event	Sales + customer + event
No.	780	429	509	267	253	138	39
Percentage	32.3	17.8	21.1	11.1	10.5	5.7	1.6

Sales orientation was the most commonly selected orientation for this post. This was followed by event orientation as expected. The high result for customer orientation was unexpected but may be explained by the fact that the post uses words like ‘celebrate’ and offers Facebook fans something special and personalised. Interestingly, whilst the event orientation score was higher than the customer orientation score (509 and 429 respectively, the sales + customer orientation score (column AB) was marginally higher than the sales + event (column AC) orientation score. We could also propose here that the length of written text in this post may contribute to the higher degree of overlap.

Figure 4: Customer oriented post



This post was expected to be perceived as customer oriented. We expected little overlap, as there is only a short piece of text shown. The text does not relate to the brand or product, has a friendly nature and uses the words ‘hope’ and ‘happy’ which we would expect to be associated with customer orientation. There is potential for event orientation perceptions given the post discuss Easter.

Table 2: Post perceptions

	A	B	C	AB	AC	BC	ABC
Orientation	sales	customer	event	sales + customer	sales + event	customer + event	sales + customer + event
No.	219	843	369	146	53	156	23
Percentage	12.1	46.6	20.4	8.1	2.9	8.6	1.3

Customer orientation, as shown in the blue ellipse was the most dominant orientation. This was followed by event orientation, the white ellipse, expected to appear as a result of the post referring to Easter. This was the only text only post that demonstrated a clear, dominant

orientation, indicating that the length of the post (text) may contribute to a lack of clarity regarding orientation.

The post shown in Figure 5 was expected to be perceived by respondents as customer oriented. This post discusses the families associated with the brand and makes no mention of a sale. The post does mention a grape variety however we don't expect this to contribute to a sales oriented perception based on the context of the post. Given that the post uses both text and a photo, we expected that respondents will be able to more clearly distinguish the orientation.

Figure 5: Customer oriented post



Table 3: Post perceptions

	A	B	C	AB	AC	BC	ABC
Orientation	sales	customer	event	sales + customer	sales + event	customer + event	sales + customer + event
No.	438	842	272	259	77	152	35
Percentage	21.1	40.6	13.1	12.5	3.7	7.3	1.7

Customer orientation was the strongest orientation as shown in the pale blue ellipse. There was some overlap with sales orientation, which was very unexpected (259 respondents) and suggests that as a brand operating in a social media space there is likely to be some perception of sales orientation, despite the lack of mention of product and pricing details which would be expected in a sales oriented post.

The post displayed in Figure 6 was expected to be perceived most frequently as event oriented. We expected this to be strong due to the use of an image taken at the event. In

addition, it includes the title of the event, the word ‘event’ and details of the tour and workshop. We expect there may be some overlap sales orientation if they perceive the post to be ‘selling’ the event. In addition, there may be some cross over with customer orientation given the tone of the post is friendly and personal

Figure 6: Event orientation

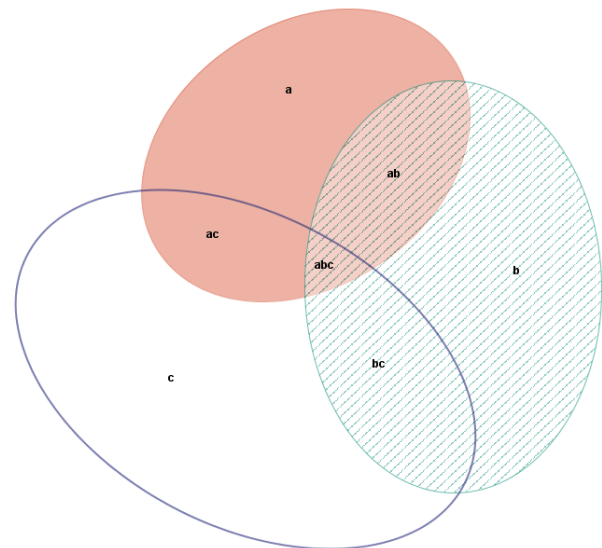
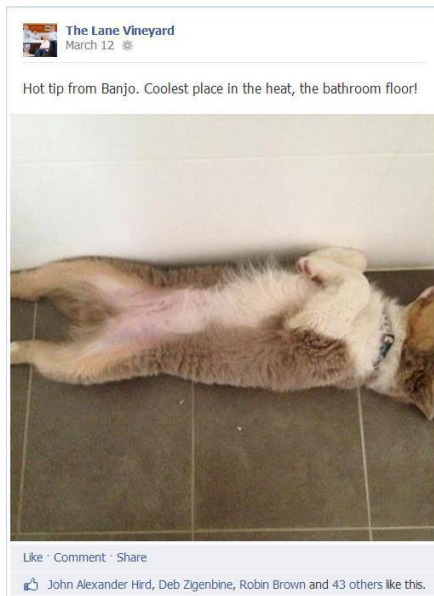


Table 4: Post perceptions

	A	B	C	AB	AC	BC	ABC
Orientation	sales	customer	event	Sales + customer	Sales + event	Customer + event	Sales + customer + event
No.	367	487	768	178	133	237	25
Percentage	16.7	22.2	35.0	8.1	6.1	10.8	1.1

Event orientation, shown in the largest ellipse (C) was the most dominate orientation as expected. There was some overlap particularly with customer orientation as shown in the BC section, and overlap with sales orientation to a lesser extent as shown in the AC section. This is possibly as the event itself focusses heavily on consumers being brought ‘inside the business’ and sales purely as it is a brand operating within social media.

Consumer: Marketer Discourse



The contribution of this paper, both academically and managerially, is seen in the one example given where we compare the results from 233 Winery Brand Managers. The original communication orientations were developed from a consumer view, though generated by marketers. We undertook this second phase to see to what extent Marketers viewed Facebook posts in the same manner as consumers.

Figure 7: Customer Orientation

This post was expected to be perceived as customer oriented as the post does not focus on the product or a sale. The post includes a picture of the family/winery pet and attempts to use humour to engage their customers. The post makes no mention of wine, or the brand.

The practitioners were shown the same definitions as provided in Fig. 2. We expected to gain similar responses to perceptions, but as shown in Figure 9, Marketers perceptions are much narrower. Whilst just under 50% of consumers perceive this post to fit under the customer orientation, nearly 80% of Marketers felt it was customer (relationship) oriented. Nearly twice as many consumers felt it was sales related as Brand Managers did.

What we see is that, although marketing definitions might seem to fit, as marketers (academic and practitioners) they seem to be relevant, the media they are communicated in might impose a consumer perception askew with marketing thought. In social media at least, brand communication appears to be tainted with ‘they’re trying to sell to me’

Figure 8: Consumer vs Practitioner Perceptions

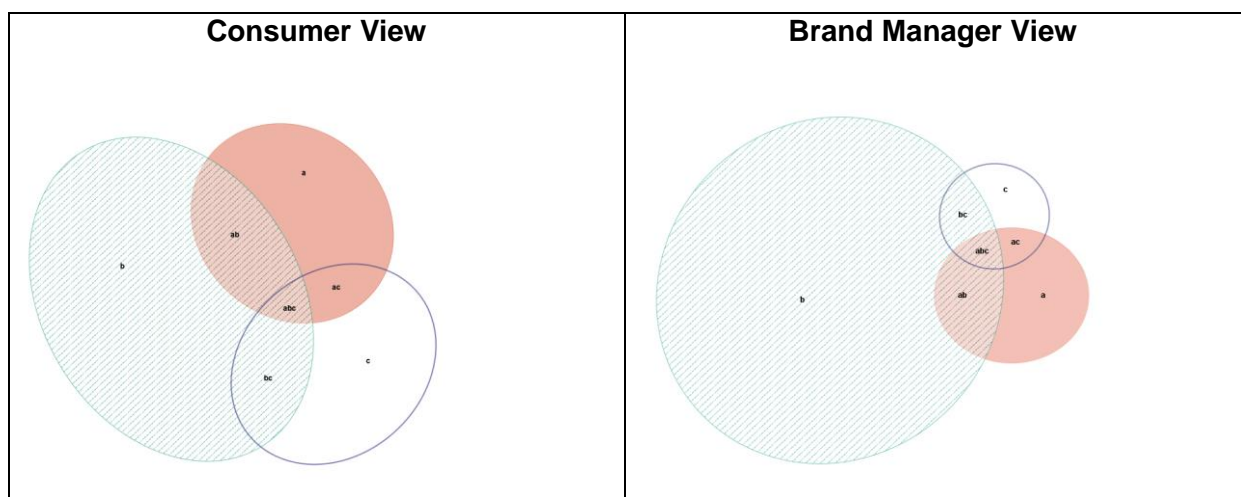


Table 5**Consumer vs. Practitioner**

		A	B	C	AB	AC	BC	ABC
Orientation		SO	CO	EO	SOCO	SOEO	COEO	SOCOEO
Consumer	Count	277	829	310	160	53	129	25
	Percentage	15.5	46.5	17.4	9	3	7.2	1.4
Brand Manager	Count	20	198	9	12	3	6	3
	Percentage	8.0	78.9	3.6	4.8	1.2	2.4	1.2

4. CONCLUSIONS

Consumers do perceive different types of marketing communication in social media, Facebook in this example, differently. Across all of the eighteen posts we used, in combinations of text only and text + photo, there were clear distinctions that aligned with the definitions proposed in earlier research (Dolan & Goodman 2011; Dolan, Goodman & Habel 2012, 2013). The definitions developed for the communications orientations are not mutually exclusive, some consumers see things outside of the definitions developed. However in each case there was some reason that could be seen as influencing the perception. We suggest that the prominence of a sales perception by some consumers in posts that have very low sales slant might be attributed to the fact that the overall perception that consumers have of a wine brand attempting to communicate in what they view as personal, social space. This was explored in follow up focus groups and is a sentiment expressed by several participants. Future research should further investigate why consumers perceive posts in the way that they do, which would help confirm the definition rules for the orientations in the typology.

The contribution of this paper is to demonstrate that whilst marketing might apply definitions and think of communication as achieving a desired aim, we must be careful not to over estimate the power of that message. If a message is designed to specifically achieve a desired orientation, the data we gathered shows that consumer perception of it is like to be much less than the way we as marketers perceive it. This potentially leaves much less room for copywriting ‘fluff’, and is worthy of further investigation.

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Facebook for Wine Brands: An Analysis of Strategies for Facebook Posts and User Engagement Actions

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Abstract:

Purpose: This paper provides an insight into the strategies for Facebook posts of 12 Australian wine brands over a 12 month period. The results show the average post engagement figures, in addition to post scheduling implications regarding the time of day of Facebook posts and the day of the week of Facebook posts.

Design/methodology/approach: The data for this study was derived from Facebook Insights. Facebook Insights data was collected from 12 wine brands over a 12 months period. Descriptive analysis was undertaken to determine the average engagement metrics used to derive key results.

Findings: The findings demonstrate an alarmingly low rate of engagement among the fans of the wine brand Facebook pages. The average number of comments, likes and shares on a post are provided. The results also indicate that engagement actions vary depending on the day of the week and hour of the day in which the post is made.

Practical implications: Australian wine brands can use the findings from this paper as a guideline and benchmarking tool for assessing their own post performance and user engagement metrics on Facebook.

Keywords: Facebook, social media, Facebook Insights, engagement

1. INTRODUCTION

Social media has become a mainstream media platform that connects one-third of the world's population {Nelson-Field, 2012 #553}. It offers advertisers access to eighty per cent of global consumer expenditures, a \$29 trillion market {Nuttney, 2010 #493}. Communications budgets continue to be re-balanced as advertisers move away from traditional media and invest greater resources into digital advertising and social media. For example, it is estimated that over 15 million brands globally are registered with the social media site, Facebook {Koetsier, 2013 #656}. The emergence of social media platforms and increasing customer adoption of these platforms has precipitated a paradigm shift, significantly altering the way customers communicate and interact with each other and with businesses. For example, there are more than one billion members of Facebook, and Twitter now has more than 280 million monthly active users {Stieglitz, 2014 #679}. Considering the high levels of competition within the Australian wine industry, it is not surprising that many brands are seeking new and innovative ways to communicate with consumers. Social media sites such as Facebook have become an increasingly popular customer touch point, with the viral and social capabilities of these online networks creating a new forum for customer interaction with wine brands {Barber, 2008 #33;Bulearca, 2010 #29;Keller, 2009 #24;Barber, 2008 #33;Bulearca, 2010 #29;Keller, 2009 #24}.

Marketing practitioners have been quick to recognise the value of social media platforms, rapidly integrating such platforms into the marketing mix {Stelzner, 2014 #552;Sinclair, 2014 #547;Bergen, 2014 #548}. There are currently more than 2.500 Australian and New Zealand wineries with a presence on Facebook {Mastermind, 2015 #770}. Wine is an experiential product {Bruwer, 2009 #634}, and as Australian wine brands compete to attract and retain consumers, many are embracing social media to reach their consumers and communicate their brand experience, quality and personality {Vinography, 2012 #771}. Further, research has suggested that 90 percent of wine drinkers use Facebook for at least 6.2 hours per week {Breslin, 2013 #772}. Some wine brands are achieving success through social media, with documented examples demonstrating that small and large wineries have achieved a positive return on investment through the implementation of successful social media strategies. Several scholarly studies have explored social media practices within the wine industry. Of wineries studied in Australia, Canada, New Zealand, Spain, Italy, South Africa and the US, 35% have reported using social media for the primary reasons of communicating with customers about events at the winery, and promoting wines {Alonso, 2013 #775}. Scholars have also suggested that social media assists with wine sales as word of mouth is particularly effective among wine consumers {Leigon, 2011 #777}, with the socialisation aspect of social media acting as an appropriate fit with wine, allowing consumers to exchange information and encourage others to try different wines {Wilson, 2012 #779}.

While the use of social media to interact with customers is increasing, many practitioners have identified a lack of awareness and knowledge regarding effective social media strategy, including limited understanding of how customers might engage with posts and post scheduling information. This has created a significant challenge as practitioners navigate this forum with little guidance and empirical understanding {Stelzner, 2014 #552}. In order to contribute to a deeper understanding of social media strategies for wine brands, this paper focusses on two main research questions and resultant contributions;

1. What data is available to wine marketing practitioners and researchers to enhance knowledge regarding social media marketing strategies and user engagement within social media?
2. How does this data provide insight into the marketing activities of Australian wine brands and the corresponding performance metrics, such as post engagement scores, for these activities?

The research questions are addressed through the use of Facebook Insights data, a source of data available to the administrators of Facebook pages. By analysing this data, the paper contributes to our understanding of wine brand marketing efforts through social media by providing academics and marketing practitioners insight into the nature of the data available, and greater detail surrounding the design and delivery of social media content in the wine industry.

The paper is structured as follows. Firstly, the research method is introduced, outlining the use of Facebook Insights data derived from Australian wine brands. The key results derived from this data are presented, including insights into post engagement in terms of the average number of comments, clicks, likes, shares, dormancy and negative feedback on Facebook posts. Key findings regarding post scheduling are also presented, including analysis of the post time of day and day of the week.

2 RESEARCH METHOD

In order to address the first research question, this paper demonstrates how Facebook Insights data can be used by wine marketing practitioners and researchers. This study is conducted with data derived from the Australian wine industry. Facebook Insights is a tool accessible by administrators of Facebook brand pages which enables high-level monitoring of the activities on occur on that page. Facebook Insights allows administrators to download data concerning the performance of a post. The post performance metrics used in this study are provided in Table 1. For each of the 12 wine brands that participated in the study, Facebook Insights data for 'Post Performance' was captured for all posts from the 1st of January 2013 through to the 31st of December, 2013. Each 'Insights' data set was collated into a master excel file which was then uploaded into SPSS Statistics v22 for further analysis. Descriptive results were generated using the descriptive statistics function of SPSS Statistics v22.

Table 1 provides a summary of the metrics used in this study as sourced from Facebook Insights.

Table 1. Facebook Insights Post Metrics

Metric	Description
Type	Status, photo, video
Comments	Total number of comments made in response to the page post
Likes	Total number of likes received by the page post
Shares	Total number of shares received by the page post
Created Time	Date, day and time that the post was created
Clicks to play	Relevant to video post type only. Total number of times the video was clicked to play
Link click	Total number of clicks on a link within the page post
Other click	Number of clicks on the page post (excluding link clicks, clicks to play video and photo view clicks)
Photo view	Total number of times the page post photo was viewed
Post reach	Post reach is the number of people who have seen the post. The post counts as reaching someone when it's shown in the "News Feed". Figures are for the first 28 days after a post was created and include people viewing the post on desktop and mobile.
Negative Feedback	Total number of negative feedback clicks, separated into four metrics; 'hide post', 'hide all posts', 'report as spam' and 'unlike page'
Post time	Time of day in which the post was delivered by the wine brand to the fans news feeds
Post day	Day of the week in which the post was delivered by the wine brand to the fans news feeds
Post month	Month of the year in which the post was delivered by the wine brand to the fans news feeds

4 RESULTS

4.1 Overall Post Engagement

Table 2 presents the average results for post engagement for the entire data set, irrespective of the type of the post, post time of the day or post day of the week. The average number of times a post is commented on is 2 times. This figure is extremely low. To put this in to perspective, the average number of people a post reached was 730. This means that less than 1% of users who see the Facebook post, make a comment. The highest number of comments a post received was 121. Posts receive on average 22 'likes'. This is just 3% of people who saw the post in their news feed. On average posts are shared 2 times, within a maximum of 105 shares achieved. Again, this is a very low level engagement, with less than 1% of the total fans reached (average reach = 730) engaging by sharing a post. These findings coincide with an alarmingly high rate of dormancy. The figures in Table 2 indicate that on average only 10% (90% dormancy rate) of users who see a post from a wine brand in their news feed engage by actions such as commenting, liking, sharing, watching video, clicking on the post, viewing photos, hiding post, reporting posts or un-liking the page.

Table 2 Descriptive Results for Post Engagement

Engagement action	Min	Max	Average
Comments	0	121	2
Likes	0	629	22
Shares	0	105	2
Click to play video	0	36	0.1
Link click	0	76	2
Other click	0	491	27
Photo View	0	473	17
Dormancy*	14%	100%	90%
Hide all posts	0	6	0.2
Hide 1 post	0	2	0.04
Unlike page	0	3	0.05
X button	0	8	0.2
Report post as spam	0	2	0.01

*Dormancy = percentage of people who saw the post in new feed (post reach) and did not engage through commenting, liking, sharing, clicking to play video, clicking on link of photo, or giving negative feedback through hiding all or one post, ‘un-liking’ page, clicking ‘x’ button or reporting post as spam.

4.2 Post Type

Within Facebook, wine brands have the option of posting various types of content. This includes text only status updates, photos and videos. Of the 2,236 posts collected over the 12 month period, the most common type of post used by Australian wine brands was the use of photos. A total of 1,500 photos were shared by the wine brands analysed (67.1% of posts). The second most common type of post used was a status, posted 687 times (30.7% of posts). Of the 2,336 posts made, only 49 were videos (2.2%).

It is interesting to compare how the engagement metrics provided through Facebook insights data vary with regard to the three types of posts. In Table 3, it can be seen that posts which are photos have the highest average number of comments (3 comments). Additionally, posts which are photos have the highest average number of likes (28 likes). Posts which are photos also have a slightly higher average number of shares (2 shares) than posts which are statuses or videos.

Table 3 Average Engagement Actions by Post Type

Post type	Frequency	Average comments per post	Average likes per post	Average shares per post
Status	687	1	8	1
Photo	1500	3	28	2
Video	49	1	6	1

4.3 Post Scheduling

4.3.1 Day of the week

Previous studies of temporal interaction patterns have shown that most of the user activities on Facebook are undertaken during workdays {Golder, 2007 #579}. Further, studies have shown that click through rates of online advertisements decrease significantly on weekends, and people perform less internet searching during weekends than on weekdays {Rutz, 2011 #580}. It can be seen that the lowest level (4.8%) of activity in terms of number of posts

delivered by wine brands over a seven day period occurred on Saturdays with 107 occurrences, while the highest number of posts were shared on Thursdays with 476 occurrences (21.1%).

Figure 1 Post Distribution by Week

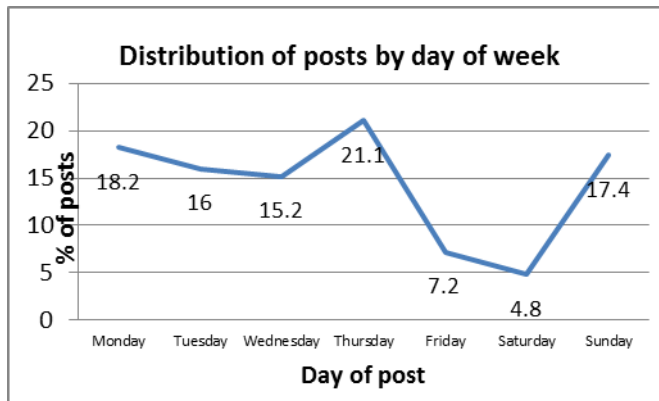
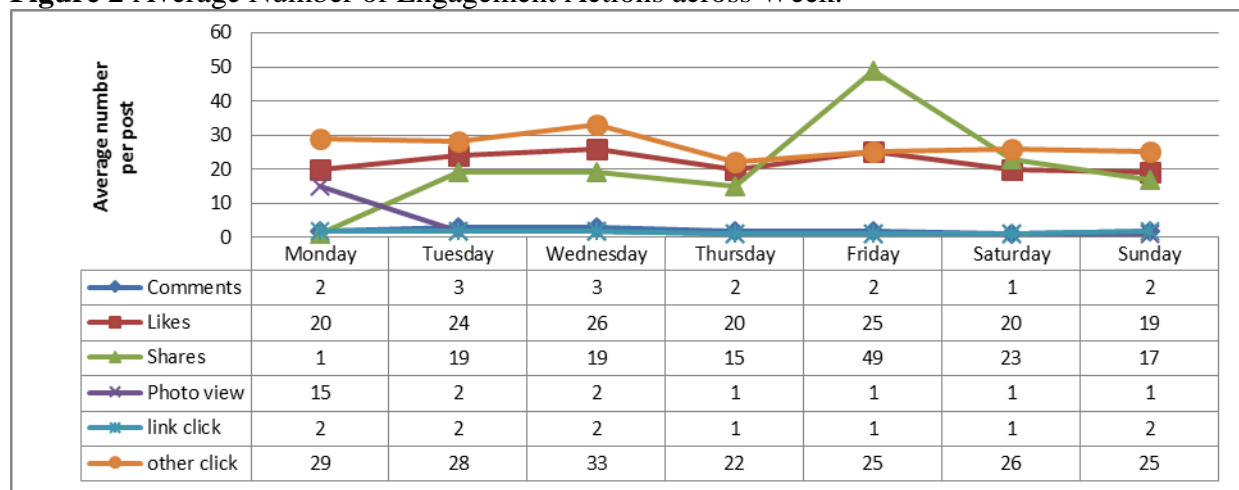


Table 4 Post Distribution by Week

Post Day	No. Posts	Percent of posts (%)
Monday	408	18.2
Tuesday	357	16.0
Wednesday	341	15.2
Thursday	472	21.1
Friday	162	7.2
Saturday	107	4.8
Sunday	389	17.4
Total	2236	100

A comparison of engagement actions across each day of the week provides an interesting insight for wine brands, as shown in Figure 2 below. Figure 2 shows the distribution of average engagement actions across each day of the week. The average number of comments made on a post remains relatively stable across each day of the week. Similarly, the average number of likes made on a post is relatively consistent across each day of the week, with a slight peak on Wednesday (average = 26 likes). The average number of shares made on a post is significantly higher on Fridays (49). Interestingly, only 7.2% of the total posts were made on a Friday. The average number of times a photo is viewed is higher on a Monday (average of 15 times) and consistently low for the remainder of the week. Similarly, the average number of times a link is clicked on is consistently low regardless of the day of the week. The average number of ‘other clicks’ on a post are slightly higher on Wednesdays, compared to other days of the week.

Figure 2 Average Number of Engagement Actions across Week.



4.3.2 Time of the day

The distribution of posts by time was also included the study. Social media users have been

found to engage less during the morning and early afternoon, with increased engagement toward the evening, reaching a steady, high level during the night {Golder, 2007 #579}. Hence, if a post is created in the period when Facebook fans are more active, there is a greater possibility for the brand post to be seen on the wall, resulting in greater potential engagement. Based on this reasoning, this study also controls for the effect of posting time. Figure 3 shows the lowest level of activity in terms of number of posts shared by the wine brand across the day occurs at 10am (.0%, 1 occurrence). The highest number of posts were shared between 5.00 and 7.00pm.

Figure 3 Post Distribution by Hour

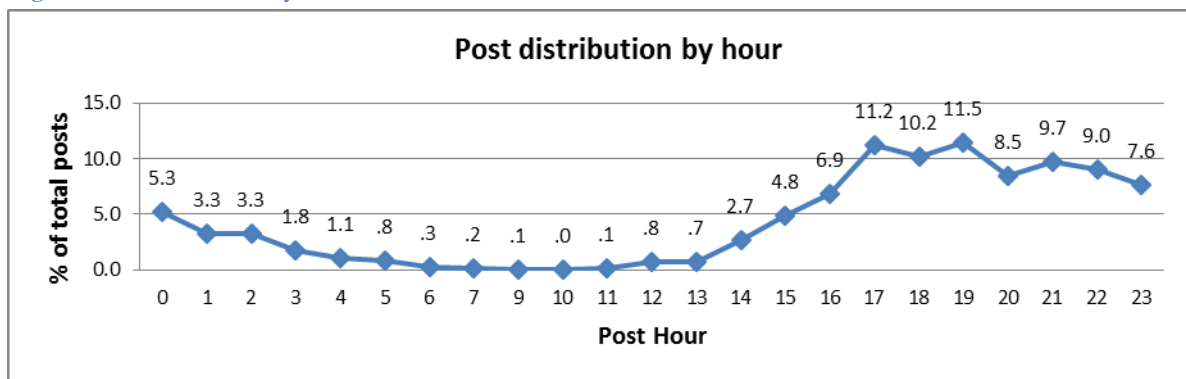


Table 3 provided descriptive statistics for post engagement. A comparison of engagement actions across the day provides an interesting insight for wine brands, particularly with regard to post scheduling in order to enhance engagement.

Figure 4 Average number of engagement actions by hour

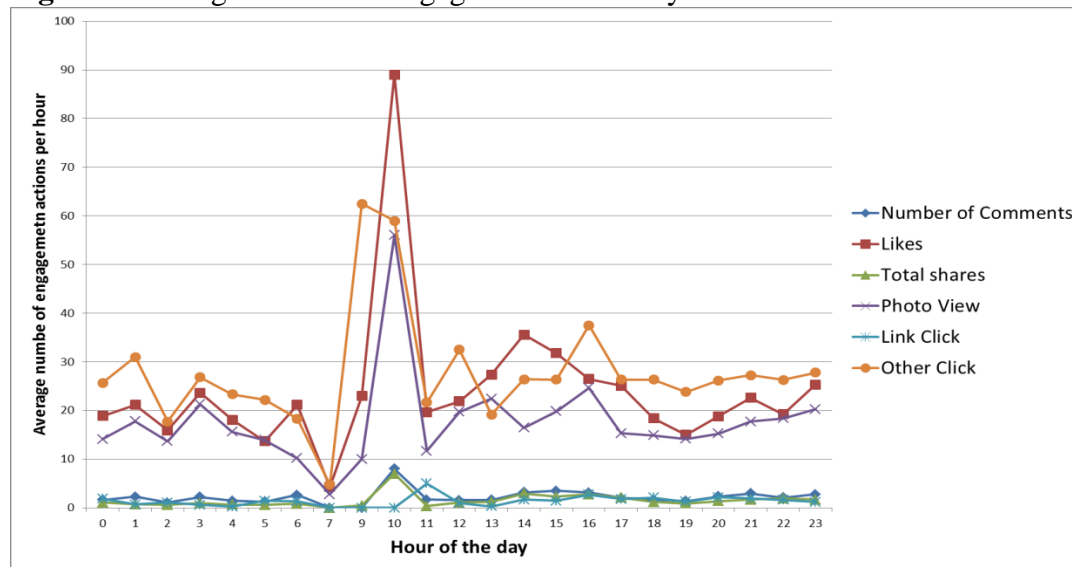


Figure 4 above shows a sharp increase in the average number of engagement actions between 7am and 11am. Interestingly, Figure 3 showed that wine brands rarely deliver Facebook posts at this time of the day.

5. MANAGERIAL IMPLICATIONS

The high dormancy rate shown in Table 2 demonstrates that there is a significant challenge for marketers who seek to stimulate engagement amongst their brand fans within social media. A majority (90%) of wine brand fans remain dormant and do not actively engage with wine brand content within Facebook. The results also provide significant implications with

regard to determining effect post scheduling strategies in terms of day of the week. Whilst we see in Figure 1 that a majority of posts are made on Thursdays, Figure 2 shows that engagement actions increase on Fridays. It is important for the wine industry to take into consideration when consumers make purchases and consume wine, and schedule their content to be delivered at the relevant time. The {ABS, 2015 #783@ @author-year} reported that consumption of wine is greatest on weekends (Friday, Saturday, and Sunday). It is recommended that Australian wine brands interested in analysing their own post performance and user engagement metrics could use these figures to determine industry averages and benchmarks.

6. CONCLUSIONS

This paper provided an overview of the posts made by Australian wine brands on Facebook. A total of 2,236 posts were collected over a 12 month period through the use of the program Facebook Insights. The nature of posts was considered, with specific consideration of the post scheduling patterns and the types of posts used by Australian wine brands. Brands most commonly post photos through Facebook, which have the highest average engagement rates from the number of comments, likes and shares. Analysis of post distribution across the week showed that Australian wine brands post most frequently on Thursdays, and rarely on Saturdays. This was compared to an analysis of how the average number of engagement actions made by users changes across the week, which showed that engagement actions occur more often on Fridays and Wednesdays. A similar analysis was conducted in order to investigate the number of posts made by hour. A large number of wine brand posts are made between 4pm and 9pm. However, Figure 4 showed that the average number of engagement actions is higher for posts made between 8am and 10am. Future research is required to empirically test the relationships between the provision of social media posts and their embedded content with the engagement behaviour of users. This will allow enhanced understanding of how wine brands can strategically design and deliver content in order to facilitate increased engagement amongst users.

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THIS IS MY PERFECT MATCH! UNDERSTANDING LUXURY WINE CONSUMPTION

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Abstract:

Purpose: Relatively little has been studied in the areas of consumer perceptions, motivators for consumption, and lifestyle characteristics in luxury consumption. The underdeveloped understanding of the luxury consumer perspective is especially pronounced when looking at luxury wine. Using self-congruency and self-identity theories, the aim of this paper is to investigate the phenomenon of luxury wine consumption.

Design/methodology/approach: Using a review and analysis of the current literature on luxury marketing and branding, the following gaps were identified: the definition of luxury wine, motivators for luxury wine consumption, consumer perceptions of luxury wine, and method and context of luxury wine consumption.

Findings: Based on existing literature, the paper develops a conceptual framework that captures the dimensions of luxury wine based on likely consumer perception. This should provide a deeper understanding of consumer perceptions and motivators for consumption of luxury goods. The definition of luxury wine, along with the perceptions, motivators, and indicators of consumption are currently underdeveloped. This framework will broaden the understanding of luxury wine consumption.

Practical implications: Defining the dimensions of luxury wine based on consumer perceptions will not only broaden the understanding of luxury wine consumption but also allow managers to make strategic marketing decisions in promoting their luxury wine brand and/or in creating a luxury wine brand.

Keywords: Luxury, wine, consumption behaviour, consumer motivation

1. INTRODUCTION

Although there is contention over how much the luxury market accounts for, estimates of its value range from US\$80 billion to \$263 billion (Miller and Mills, 2012). The global wine market value is expected to reach US\$303 billion by 2016 (Plant and Food Research, 2013). Even with the staggering growth seen in both markets, there is relatively little literature in understanding how consumers perceive, and their motivators for purchasing, luxury wine.

Literature on luxury branding has provided a rich stream of research (Kapferer, 1997; Miller and Mills, 2012; Berthon et al., 2009; Atwal and Williams, 2009). Even so, there is no conclusion as to the actual meaning of luxury. This could be attributed to the ever shifting meaning of the word throughout history. In English, the word luxury comes from the Latin *luxuria* meaning “excess, extravagance, profusion, or ‘indulgence as a vice’” (OED, 2015). The earliest surviving written works in the west use the Old French *luxurie* or *luxure* meaning lust, lasciviousness, or sinful self-indulgence, and it wasn’t until the early 19th century the word lost its pejorative tone (OED, 2015).

Given the changing nature of the perception of luxury, if there is to be any understanding of the consumption of luxury wine, the consumer’s perception needs to be clearly identified. There are some attempts at understanding the consumer’s perception of luxury, but perception is used interchangeably with motivators for consumption (Dubois et al., 2005; Shukla and Purani, 2012). Currently several gaps exist in the literature on the phenomenon of luxury wine consumption. These gaps can be found in the definition of luxury wine, motivators for luxury wine consumption, consumer perceptions of luxury wine, and method and context of luxury wine consumption. Understanding the above research gaps is important as not only is there a lack of understanding of what exactly *is* luxury wine, consumers and producers have differing perceptions of luxury. This paper will review the current literature, highlighting the gaps as outlined above, and suggest contributions which can be made in this area.

2. LITERATURE REVIEW

The review itself is divided into three sections: Section one contains an overview of the meaning of luxury in the marketing literature and highlights the lack of consensus and paucity of definitions of luxury wine. Section two provides an overview of luxury consumers and their characteristics. Section three provides a brief description of luxury consumers’ motivators and perceptions of luxury, highlighting the gaps in scholarly understanding.

2.1 DEFINITION OF LUXURY

The first problem with the literature is that there is no consensus as to what defines a luxury (Miller and Mills, 2012; Berthon et al., 2009; Kapferer, 1997). The luxury in a luxury good is defined by many different variables. Miller, Mills and others define luxury as old lux, with self-indulgent, hedonistic motivators (eg. Miller and Mills, 2012). Atwal and others define it not by the tangible aspects of a product but by the individual experience (eg. Atwal and Williams, 2009). For Beverland and Preece luxury products are the tangible manifestation of authenticity (Beverland, 2005; Preece, 2015). According to Kapferer and others, luxury is any product with a high enough price (eg. Kapferer et al., 2014). While Godey, among others, agree a high enough price is important, luxury must also be exclusive to only a select few (eg. Godey et al., 2009).

The definition of luxury wine is no less contentious than the definition of luxury itself. The role of region in wine marketing and branding is well-established in the literature (eg. Johnson and Bruwer, 2007). This is no different in luxury wine; the stronger the tie to region and the longer the history of the region the more the wine produced in that region is perceived to be luxury (eg. Moulard et al., 2015). The problem with this explanation is it does not account for wines defined as luxury which are produced in New World countries (Hojman, 2015). Beverland (2005) expounds on the role of region by identifying the attributes of region which lend it a perception of luxury, and acknowledges these attributes are found in New World wine as well, but limits his definition to only those wines priced \$100 US and above. Reyneke et al. (2011) also use high price to identify luxury wine, additionally, the rarity and exclusivity of the wine, such as Bordeaux first growths, are included in the definition. This is problematic since using only high price and ultra-rarity as defining attributes of luxury wine is that they limit luxury wine to only the upper levels on the scale of luxury as defined by Kapferer (1997). A review of the literature shows there is a paucity of definitions of what constitutes a luxury wine. To understand the consumption of luxury wine, the definition of what a luxury wine is must first be created.

Looking at the etymology of luxury, as well as the different scales and definitions of luxury, it is clear luxury is multi-faceted. Part of the problem in defining luxury is that luxury is at the same time a concept, a subjective impression, and a tangible aspect of a good or service (Kapferer, 1997). A review of the literature shows there is a paucity of definitions of what constitutes a luxury wine. To understand the consumption of luxury wine, the definition of what a luxury wine is must first be created.

Berthon et al. (2009) expand on Kapferer's (1997) scale of luxury, creating a typology of luxury which includes aesthetics (consumer knowledge) and ontology (transience of the product/experience). Until such time as a specific definition of luxury wine is developed, this definition of luxury is best suited to luxury wine as it shows luxury as a spectrum along which products and consumers can move as their knowledge and tastes change.

2.2 THE LUXURY CONSUMER

Luxury and luxury wine definitions are all from a producer's perspective; but what about the consumer's perspective? While the consumer does agree with most of the producer perceptions, in most quantitative studies the producer perceptions were the only ones offered as choice to the consumer, which pre-assumes the consumer and producer perceptions would be the same. This pre-assumption of consumer perceptions limits our understanding of how consumers perceive luxury (eg. Lockshin and Corsi, 2012).

2.2.1 Social segments of luxury consumer

Historically luxury has been available only to an exclusive few, the aristocracy and elite. With the democratization of luxury in recent history, luxury goods are now available to any for the right price, and that price is low enough to include many (eg. Seo and Buchanan-Oliver, 2015). This democratization has created three distinct social segments of luxury consumer: luxury gourmards, luxury regulars, and the luxury nibblers (Seo and Buchanan-Oliver, 2015). These segments of luxury consumer are not the connoisseurs and experts typically identified as luxury wine consumers.

2.2.2 Consumer perception of luxury value

The value, or utility, of the luxury good is based on the perception of the individual consumer and is generally viewed similarly across segments of luxury consumer (Vigneron and Johnson, 2004). The social segments defined above buy luxury for reasons different to those of the traditional elite (Seo and Buchanan-Oliver, 2015). These consumers tend to buy luxury for the purposes of emulating the traditional elite, the superior quality of the product, or for self-rewarding, hedonic motives (eg. Han et al., 2010). For these consumers the status that the luxury good gives them is the primary motive for consumption (Berthon et al., 2009; Han et al., 2010; Miller and Mills, 2012). The reasons for these are usually two-fold; one, if the consumer is trying to emulate a higher social class, the products they consume need to show to others they are in the higher social class; and two, as these consumers tend to be less knowledgeable of particular nuances in luxury wine, a louder brand and label cues can be used as a risk reduction strategy in purchasing (Han et al., 2010; Johnson and Bruwer, 2007). It can be assumed consumers looking for status will tend to consume luxury wines which are “loud” in their brand prominence.

For more traditional luxury consumers, or connoisseurs, status signaling is not the primary motive for luxury good consumption. These consumers tend to consume luxury goods for hedonic, self-indulgent motives, and brand prominence is less emphasized (Han et al., 2010; Miller and Mills, 2012). These consumers tend to be more knowledgeable in luxury wine and their risk reduction strategy is mitigated by their knowledge (Hershey and Walsh, 2001). Connoisseurs tend to prefer less information on a wine label, and are more likely to perceive the wine to be a luxury wine if, among other characteristics, the bottle label is simple (Beverland, 2006).

2.3 LUXURY CONSUMER BEHAVIOUR

Understanding who consumes luxury wine is only part of the question; understanding why the luxury wine is consumed is equally important. Luxury consumption is emotionally invested behaviour; one dimensional explanations of consumer behaviour limit a full understanding of the phenomenon of luxury wine consumption. A review of the literature offers several interpretations of luxury consumer behaviour.

2.3.1 Consumer value dimensions

Consumers choose products which possess the value, or utility, dimension(s) best suited for each individual consumption situation (Berthon et al., 2009; Seo and Buchanan-Oliver, 2015; Shukla and Purani, 2012). Shukla and Purani (2012) identify four dimensions of value: social, personal, functional, and financial. With the exception of financial, these dimensions are used for the purpose of establishing status, and gaining others esteem, for the consumer. Berthon et al. (2009) agree with the first three dimensions identified by Shukla and Purani (2012) but the utility of the dimensions is more than status. Based on the spectrum of luxury Berthon et al. (2009) created, the dimensions create different values for the different luxury segments. Status is the value of the dimensions for the Modern and Postmodern segments, although it is specified as *bought* status for Modern and *conspicuous* status for the Postmodern. The utility of the dimensions for the Classic segment is the knowledge and experience gained, while Wabi Sabi is only concerned with the experience.

2.3.2 Motivators versus perceptions

Motivators for the consumption of luxury wine may in fact influence the perception of the wine's luxury value (Hojman and Hunter-Jones, 2012; Han et al., 2010). The consumer's perception of a wine being a luxury wine is most often tied to elements of authenticity, region of origin, and price (Beverland, 2006; Moulard et al., 2015; Reyneke et al., 2011). Knowing the perception of the consumer does not explain their motivation for consumption of the luxury wine. Additionally, the perception of the wine as a luxury wine may in fact change dependent on the motivators for consumption. Beverland (2006) found luxury wine consumers preferred, and were more likely to perceive a wine as luxury, if the label was simple and unassuming. If, however, the luxury wine is being consumed for the purpose of signaling status to others, a more prominent label may in fact be necessary and desired. While there are studies explaining how a consumer might perceive a wine to be a luxury wine, there is very little on the motivators for purchase, and how these motivations might change the consumer perception (Lockshin and Corsi, 2012).

2.3.3 Signaling status

Consumption of luxury goods as a way of signaling status to others is a popular explanation for luxury consumer behaviour (Han et al., 2010; Shukla and Purani, 2012). One of the ways consumers use signaling tactics is to influence others to identify them with a particular group (eg. Braun and Wicklund, 1989). When using luxury products to signal status, it is important for the individuals receiving the status to be aware of the significance of the product or brand (eg. Han et al., 2010). Consumers who are not as secure in a particular group association tend to be more invested in this behaviour, and are more likely to use "loud" brand-prominence products (Braun and Wicklund, 1989). Those consumers who are connoisseurs or experts, because they are not necessarily interested in conspicuous consumption, tend to use "quiet" brand-prominence products, which are only recognizable to a small number of other experts (Han et al., 2010; Miller and Mills, 2012).

Interestingly, the more committed to group identity, the more the individual is likely to adopt group norms and consume products or brands that may not be their personal preference if it is the group norm to do so (Thomas et al., 2015). If consumption of luxury is looked at through the lens of social facilitation theory it makes a compelling argument for status signalling as the primary motivator for luxury consumption. Zajonc (1965) states the simple act of being around others even without the possibility of competitive or imitative behaviours, stimulates individuals to have stronger emotions toward brands or experiences. Pozharliev et al. (2015) found when measuring participants brain patterns; the mere presence of another individual increased the participants' positive emotion when viewing luxury brands as opposed to generic brands.

3. SELF-CONGRUENCY AND LUXURY WINE CONSUMPTION

Consumer purchase behaviour can be explained by the self-congruency theory, which shows a consumer is more likely to purchase those brands which they feel match their self-image (eg. Ericksen, 1997). When looking at the use of luxury consumption as a way of signalling status, the theory of self-concept further explains this phenomenon. Grubb and Stern (1971) theorized self-concept is developed for an individual through the interaction of the individual and others in their reference group; the individual uses symbols to express something about

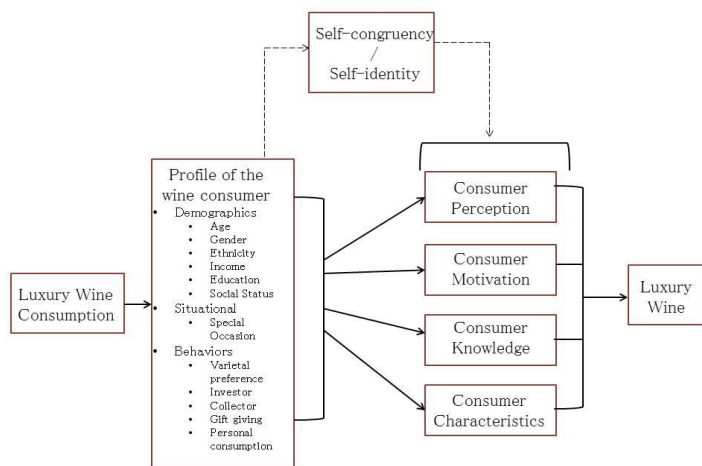
themselves to the other members of their reference group and to identify with their reference group to outsiders.

Consumers are most likely to purchase the brands and goods which will match their self-identity and the norms of the group(s) they associate with (Edson Escalas and Bettman, 2003). However, if the norms of their associated group(s) do not match their own self-identity how does the consumer reconcile the possible non-congruent behaviour? Thomas et al. (2015) state the more a consumer identifies with a group the more likely they are to adopt the norms of that group; if the consumer's brand preferences are different from those prescribed by the group, the more likely the consumer will hide their brand consumption behaviour. While hidden consumption behaviour may be present in non-luxury brands, Roy and Rabbanee (2015) found in luxury consumption, a consumer who identifies with a group is more likely to adopt the normative consumption behaviours of that group and perceive greater congruity between self-image and user image for the luxury brand.

Luxury brand consumption as a status symbol has been established in the literature (Han et al., 2010; Shukla and Purani, 2012). However, the studies are predominately focused on branded goods (e.g. fashion clothing). According to Aguirre-Rodriguez et al. (2012, p. 1183) "the self-congruity construct is a valid and robust foundation for current and emerging consumer identity and symbolic consumption research". This is also seen in luxury consumption (Roy and Rabanee, 2015) but not in luxury wine consumption. Luxury wine is by its nature a good which can be easily consumed in privacy and relative anonymity. This would seem to imply greater ease for hidden consumption behaviour if the wine brand preferred by the consumer does not meet the prescribed norms of the group. If, however, the consumer is consuming the luxury wine brand in an aspirational manner, then Roy and Rabanee (2015) would argue the consumer is more likely to self-identify with the groups norms.

This inconsistency seems to lend itself to describing possible differences in perceptions, motivators for purchase, and context of consumption in luxury wine. Building on existing segmentation of wine consumers, the framework (fig. 1) looks specifically at consumers who have or do consume luxury wine, and develops a profile of their characteristics, motivators, and perceptions of luxury wine, which are defined through the lens of self-congruity theory. Identifying if consumers purchase and/or consume luxury wine as a means of self-identification allows for a broader understanding of luxury wine consumption.

Figure 1: Conceptual Framework



4. CONCLUDING REMARKS

This paper has reviewed the existing literature on luxury and found although there is a rich stream of research in luxury branding, it focuses almost predominantly on the producer's perspective and specific luxury goods (e.g. fashion clothing). Relatively little has been studied on consumer perceptions, motivators for consumption, and lifestyle characteristics in luxury consumption. The underdeveloped understanding of the luxury consumer perspective is especially pronounced when looking at luxury wine. To broaden the understanding of luxury wine consumption further research is needed in order to validate if self-congruity and self-identifying theories can be used to develop an understanding of luxury wine consumption.

Given the worth and continued growth of the luxury segment of the wine sector, not possessing a better understanding of the consumer's motivation and perception has not only managerial implications but theoretical ones as well. Defining the dimensions of luxury wine based on consumer perceptions will not only broaden the understanding of luxury wine consumption but also allow managers to make strategic marketing decisions in promoting their luxury wine brand and/or in creating a luxury wine brand.

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Talking With You - Not At You: How Brand Ambassadors Can Spark Consumer Brand Attachment

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Abstract:

Purpose: To investigate the potential of a brand ambassador, who is the designer or maker of a product, to influence feelings of attachment towards the brand through unscripted co-created brand related events.

Design/methodology/approach: Contrary to using paid endorsers via traditional advertising or other forms of promotion, consumers and ambassadors engaged and interacted directly via brand hosted, non-sales oriented product events. This was achieved via the use of live streaming technology and actual brand wine makers. Respondents completed pre and post event online surveys to quantify changes in brand attachment, price willing to pay and likelihood to provide positive word-of-mouth.

Findings: The spontaneous interaction in even one event, via the satisfaction of cognitive, social and emotional needs driving engagement in these events lead to substantial and significant changes in brand attachment with flow on to changes in willingness to pay a price premium and positive word-of-mouth.

Practical implications: The research illustrates that low cost, web based technology can be used to provide wine consumers and brand ambassadors the opportunity to interact freely and co-create interesting and motivating brand related experiences that can stimulate and enhance brand attachment with flow on effects to achieving higher prices and consumer lead endorsements.

Keywords: Brand ambassador, attachment, engagement, co-creation, brand-building

INTRODUCTION

Previous ways to reach groups of consumers via advertising have been related to traditional mass media advertising. Whilst such channels may offer important opportunities for marketers, brand managers must fully understand how to exploit them for maximum benefit and effective information transfer {Kucuk, 2010 #296}. Therefore, the use of spokespersons in advertising and other forms of promotion has been of interest to both academics and practitioners for years, with previous research concentrating on the influence of celebrity endorsers as brand endorsers transferring information in an effective way (Kamins, Brand, Hoek and Moe 1989). These studies show that celebrity endorsement can enhance advertising effectiveness, brand recognition and recall, with positive flow on effects on purchase intentions (Misra and Beatty 1990). Research has also established that celebrity attractiveness, expertise and trustworthiness can drive brand perceptions as well as attitudes towards an advertisement (Kahle and Homer, 1985; Lafferty and Goldsmith; 1999), although the credibility of an endorser, and his/her 'fit' with company and brands they represent, were actually found to be more important in predicting consumers' positive evaluations and subsequent purchase intentions (Lafferty and Goldsmith 1999). Therefore, whilst many different types of endorsers can promote and influence consumer beliefs about a brand, the credibility and fit of the source can be more critical factors in determining the effectiveness of a brand representative on these opinions.

Therefore, more and more consumer brands like Sony, Microsoft or Virgin use their company 'pioneers' as brand ambassadors to promote their products and services. However, while consumer research has investigated the effect of spokespersons, celebrity endorsers and employees and consultants as corporate endorsers of brand perception, studies about brand ambassadors are rare (e.g., Andersson and Ekman 2009). Brand ambassadors are special spokespersons as they are company owners or senior employees who cultivate the idea of the company's brand and shape its products and services. These ambassadors can embody the product in the closest and most credible way. In the relationship literature, brands are defined as a relationship partner with human characteristics (Thomson 2006) or as an exchange partner interacting with customers (Fournier 1998). Given the notion that a brand ambassador is shaping a brand's characteristics, a brand ambassador should have the capability to deepen brand attachment. Brand attachment has become a focal construct in both consumer and brand research due to its strong influence on behavioral outcomes (Park, MacInnis, Priester, Eisingerich and Iacobucci 2010; Thomson, MacInnis and Park 2005). As in the relationship literature, brands are defined as a relationship partner with human characteristics (Thomson 2006) or as an exchange partner interacting with customers (Fournier 1998), this study investigates the effect of an 'in-house' wine brand ambassador (embodying and speaking for a brand) on brand attachment. This was investigated at both the wine region (brand) level and the individual wine brand level via three distinct studies.

LITERATURE SUMMARY AND CONCEPTUAL FRAMEWORK

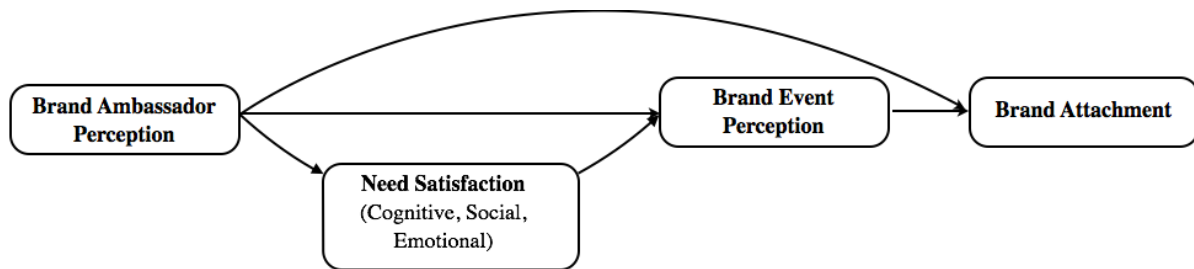
Today's consumers are ever more confident and outspoken about their views regarding the products that they buy. They want their voices to be 'heard' by those who own and control the brands they consume (Miller, Fabian and Lin 2009). They also expect to get information, not only from each other, but also directly from credible brand 'sources' (Kozinets, Hemetsberger and Schau 2008; Schau, Muniz and Arnould 2009; Tarnovan 2011). This phenomenon has been encouraged and promoted via brand media strategies, such as reality TV shows and the use of social media (Yubo and Jinhong 2008; Jie and Daugherty 2009). This research focuses on brands' ability to leverage these trends and employ their own brand 'ambassadors', in the context of internet-based live streaming technologies, using them to bring consumers and brand ambassadors together in unscripted non-sales oriented events. Forms of online and offline consumer networking strategies have the potential to reach consumers in a different way {Trusov, 2009 #170}. Usually, where brands have been involved, contact has been through forms of sponsorship or via a paid endorser, where direct interaction between consumers and brand representatives is extremely limited, scripted or non-existent. Consequently, direct interactions between brands and consumers, both on and offline, are not truly co-created experiences where value is given and derived by both parties. This is because such contexts have typically excluded marketers' direct brand involvement. Hence, the ability to stimulate and build brand attachment via the satisfaction of consumer needs in the context of brand-initiated, as opposed to consumer initiated, interactions is unknown. Therefore, this research uses interactive brand events to investigate the direct interaction between a brand's ambassador and consumers.

Furthermore, recent research in both social (La Guardia and Patrick 2008) and consumer psychology (Proksch, Orth and Cornwell, in Press; Thomson 2006) advocates taking a motivational perspective when researching attachment formation. In fact, recent brand attachment research suggests cognitive (Proksch et al., in Press 2006), social (Escalas and Bettman 2003) and emotional (Reimann, Castano, Zaichkowsky and Bechara 2012) needs as important drivers explaining the attachment formation process. Furthermore, consumers engage in online interactions to satisfy their cognitive, social and emotional needs in a way that emulates traditional face-to-face contexts {Jae Wook, 2008 #12}. Therefore, the present research investigates cognitive, social and emotional needs in order to explain the suggested brand ambassador-provoked attachment process.

While previous research has concentrated on the influence of endorsers on perceptions and behavioral responses (usually related to an advertising context), this research concentrates on brand attachment (with potential follow-on benefits in terms of positive word-of-mouth and willingness to pay a price premium) by specifically investigating the potential role of a brand ambassador to 'spark' or instigate brand attachment where little or none existed previously, or to reinforce an existing relationship. Specifically, we examined the processes underlying the influence of the brand ambassador on brand attachment (with flow-on effects to WOM and WPPP) based on brand event perception as mediator, something not previously investigated. Specifically, the influence of the wine brand ambassador on brand event

perception, participants' satisfaction of event-related needs (cognitive, social, emotional) was investigated. Figure 1 illustrates the hypothesized relations.

Figure 1. Hypothesized relationships between model constructs.



METHOD

The research comprised of three different studies with a consistent context, an online live video streaming wine brand event hosted by wine makers in the Adelaide Hills, the Clare Valley and the Barossa Valley in South Australia. Respondents were recruited from the general population of regular wine buyers in the Adelaide metropolitan area and participated by logging in to a specially designed website portal. Wine makers were on camera, in open dialog discussing their wines. Essentially, this was a form of online tasting where participants would be consuming the same wine as the one being presented by the ambassador or a wine of their own choosing. These events were totally unscripted, meaning that ambassadors typically provide information about themselves, the wines and varietals they were presenting but remained open to all types of questions from the participants (product and non-product related) to which the hosts would answer accordingly. Participants also engaged and interacted with each other in a live chat forum. The video streaming permitted participants to listen to the information and the responses made by the wine makers and allowed them type in questions or comments as they wished. The wine makers could see the questions on a computer monitor and respond accordingly. Each event ran for approximately one hour. In studies one and two a specific wine region was the 'brand' framework and different brand ambassadors presented at each event, whereas in study three the same brand was the focus of each event and the ambassadors were the same each time.


Study one, involving wines from the umbrella brand of the Adelaide Hills Wine Region, was designed to provide insights in the interaction between the brand ambassador and participants in the wine events in order to determine if the brand ambassadors influence was strong enough to engage participants and if it satisfied their needs. To understand the impact and perceptions of the brand ambassador, two types of interpretation of the transcripts of the recorded chat from 24 events that were conducted (with between six and ten participants) were completed. First, idiographic analysis (Thompson et al. 1990; Thompson et al. 1994; Fournier 1998) was used to analyze the meaning of the brand ambassador in the social and bidirectional interaction facilitated by the event. In a second step, an across-event analysis of comments and interactions between respondents and the ambassadors was conducted in order to find patterns of underlying basic mechanisms explaining and supporting the literature and our posited relationships between the constructs described. As the influence of such an

ambassador on consumer reactions and perceptions has never been explored, qualitative data and debriefing comments were also needed for the development of a scale to measure quantitatively consumer opinions about the ambassador that could also be used empirically in later studies (α 0.96 with 80% of variance explained). Similarly, a measure to determine consumers' opinion regarding their perception of the event (uniqueness and engagement) was also developed (α 0.86 with 70% of variance explained). The development and validation of these measures constitute an important contribution to future theoretical development in these areas of research. In summary, analysis of the text from these events provided robust evidence supporting that the events were thoroughly enjoyed, particularly when ambassadors were friendly, knowledgeable, approachable and 'down to earth', any actions such as ignoring respondents' questions or comments or hints of 'elitism' from ambassadors were met with comments in kind from respondents and negative feedback to the researchers post the event. Importantly, valuable product oriented information was also exchanged extensively between the ambassadors and the participants.

Studies two and three employed a quantitative experimental design whereby respondents were again recruited from the general population of wine consumers (males and females over 18 that buy wine at least 2 times per month) in the metropolitan area of Adelaide, South Australia, with the assistance of the brands involved. In contrast with study two, where the same brand ambassadors (a couple) from a single brand hosted some 26 events ($n=114$), study three represented a regional wine brand (Barossa Valley South Australia) where 24 different brands were represented by their own brand ambassadors ($n=111$). Respondents completed an online pre-event survey where wine consuming habits and wine preferences were collected along with demographic details. These surveys were completed at least one week prior to an event. Consumers' current levels of brand attachment were quantified, along with their WPPP for a bottle and their likelihood of voicing positive WOM on the brand's behalf. Respondents' needs for cognition (Cacioppo, Petty and Feng 1984), need for social engagement (Leary, Kelly, Cottrell and Schreindorfer 2013) and emotional satisfaction (Raman, Chattopadhyay and Hoyer 1995) were also measured. Between 8 and 15 respondents were invited to attend a computer suite at the University of Adelaide, where they logged into the event and participated. Small sample tastings were provided to allow participants to experience the wine and discuss it with its creator and each other. Respondents completed a post-event survey where their levels of cognitive, emotional and social satisfaction were measured and their opinion of the brand ambassador was captured along with their perception of the event. They were also asked again, what they would be willing to pay for a bottle of wine linked to the event and their likelihood of passing on positive WOM. The analysis of the data from both studies was focused on quantifying the degree of change in the dependent variables due to the influence of the brand ambassador and the mediating variables of needs satisfaction and impression of the event itself.

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Barossa HQ: St Hallett EPISODE 10 - WEDNESDAY, 18TH OF JULY 2012



thank you maarten418 0

Cheers and thanks for the tastings sweeneytod 1

thankyou very much, loved the wine, see you up there soon Michael Ewer 0

Thanks to you both - REALLY interesting and learned a lot - cheers! Annemaree 1

thank you. Great wines :) Erin 0

Thanks Stuart and James! Roberta Veale 0

This event has finished.

Log in to Cheers this 4

NOTES & RESOURCES

'EDEN VALLEY SHIRAZ'

Join Senior Winemakers, Stuart Blackwell and Toby Barlow, from St Hallett at Barossa HQ on Wednesday 18th July at 7.30pm (Adelaide time).

We'll be tasting & discussing their 2010 Mattschoos Single Vineyard Shiraz and the 2010 Faith Shiraz!

To purchase these wine, please visit the St Hallett Online Store at www.sthallett.com.au

So grab a bottle, taste with us and join in the conversation at Barossa HQ!!!

Barossa Dirt BarossaDirt

BarossaDirt @IGlostonbury very true! There's always a few xl-5's somewhere in our car too! yesterday · reply · retweet · favorite

BarossaDirt @IGlostonbury Another punter suggested it could be handy in an enforced 'dry emergency!' yesterday · reply · retweet · favorite

BarossaDirt Not sure if this will take off with the good ladies of the #Barossa...? heraldsun.com.au/entertainment/...#wine

Figure 2. Example of Live Streaming Event in Barossa HQ

RESULTS

Study two revealed that the influence of the brand ambassador on needs satisfaction was both significant and substantial: cognitive ($R^2_{adj} = 0.295$), social ($R^2_{adj} = 0.274$) and emotional ($R^2_{adj} = 0.84$). To test the expected mediating roles, Hayes' (2012) bootstrapping procedure was employed, using the SPSS Process Macro to test for single and multiple mediation. This analysis confirmed the significant mediating influences of needs satisfaction to event perception with flow-on effects to brand attachment (with downstream effects on WPPP and WOM). The influence of needs satisfaction, on brand event perception was found to be substantial ($R^2_{adj} = 0.755$), while the influence of brand event perception on changes in brand attachment was also significant ($R^2_{adj} = 0.204$). The power of the brand ambassador to substantially and significantly change consumer brand attachment, through needs satisfaction and perceptions of the event, even with just one experience, was fully supported.

Study three results showed again that the influence of the brand ambassador on the change in brand attachment was fully mediated by needs satisfaction and perceptions of the event (with flow-on to WPPP and WOM). Using Hayes (2012) Process Macro testing, the findings include that the influence of the brand ambassador to needs satisfaction, again, is important: cognitive ($R^2_{adj} = 0.115$), social ($R^2_{adj} = 0.100$) and emotional ($R^2_{adj} = 0.209$) with a very substantial total effect on brand event perception ($R^2_{adj} = 0.708$). In turn, brand event perception was found to exert a strong influence on the change in brand attachment ($R^2_{adj} =$

0.145) with substantial change in WOM ($R^2_{adj} = 0.658$) and a significant change to WPPP ($R^2_{adj} = 0.0570$). Given that this was the outcome from a single event, these are important findings, especially when over 20 different brand ambassadors had represented different brands from within the same region.

DISCUSSION

The empirical results from both quantitative studies, informed by the analysis of extensive qualitative data collected in study one, appear to afford some generalizability and suggest that the power of a legitimate, credible, knowledgeable brand ambassador to co-create an interesting and satisfying brand related event is real. Whilst it has long been held that brand attachment builds over time as a result of numerous consumer/brand experiences, this research shows that even one event may have the potential to ‘spark’ attachment in a powerful way, providing brand enhancement where a relationship already exists. Moreover, the effect of this one single event has been shown to substantially change brand attachment, in both a single brand and an umbrella branding context. These studies have also demonstrated that consumers have now evolved and grown in self-confidence to the degree that they are now willing to ‘open up’ to a brand representative if the environment of the interaction satisfies their needs, cognitive, social and emotional. Other contributions of the research involve the development of validated measures for quantifying the attractiveness or ‘likeability’ of the brand ambassador and the degree to which an individual becomes immersed and engaged in an event. The testing and development of live streaming websites employing this technology is also an innovation. It provides practitioners and scholars with valuable information about consumer acceptance of this approach and their appetite for greater interaction with brands and their representatives.

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Defining the luxury wine category via an assessment of price-tier perceptions

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Abstract:

Purpose - This paper assesses consumers' perceptions of price tiers matched to budget, everyday, premium, ultra-premium and luxury sub-category definitions, in order to establish a price-tier definition for luxury wines so as to avoid the use of subjective terminology in ongoing research.

Design/methodology/approach - Respondents were given sets of nine price tiers and asked to rate the likelihood of each price-tier matching the specific sub-category. Five sets based on the five sub-categories were presented to respondents, who each provided 45 price –tier scores for analysis.

Findings - The findings reveal the point at which each price tier's likelihood is greater than the previous tier. The findings also reveal that ultra-premium and luxury sub-category definitions might be considered different sub-categories.

Practical implications - The study defines categories based on price-tiers and argues that consumers' perceptions may not be in line with industry classifications, particularly with regards to ultra-premium and luxury definitions.

Keywords: Wine, luxury, perceived value, luxury price perceptions

1. INTRODUCTION

Consumers' perceptions, attitudes and behaviour towards luxury wines is becoming an heightened line of enquiry in the wine research area. This is following the broader marketing area, where increased wealth provides increased opportunities for the luxury sub-category in markets, the importance of perceived luxury in developing wine markets such as China as well as the continual segmentation development of the general wine market. As evidence of this, the International Journal of Wine Business Research has a recent call for papers as well as the wine industry in Australia, highlighting the growing trend of luxury wines {Wine Australia, 2013 #312}.

The value of research in this area is further supported by the "Project GenomeSM Home & Habits" survey for Constellation Wines U.S. survey which found six major segments of premium wine consumers with two subsets specifically covering the luxury wine market {Constellation Brands Inc, 2015 #274}. Luxury Enthusiasts and Luxury Image Seekers together account for 5% of consumers but 20% of profits {Constellation Brands Inc, 2015 #274}. With the luxury sector appearing to offer profitable returns to U.S. wine businesses, there is good reason to explore this area within the Australian market, as well as investigating generalisations across local and export markets.

Because it is a relatively new line of enquiry, only a few studies have conceptually and empirically looked at the combination of wine and luxury. The most notable are those of Beverland who undertook several qualitative studies looking at what top wine firms do to set themselves apart from the norm {Beverland, 2004 #128; Beverland, 2005 #127; Beverland, 2006 #126}. Beverland's research mainly utilised the characteristics of luxury brands defined by {Phau, 2000 #137} which suggested the following attributes; exclusivity, well known brand, high quality and strong customer loyalty. Using data from focus groups, interviews and secondary sources, six components or attributes of a luxury brand were proposed, value driven emergence, culture, history, marketing, endorsements and product integrity {Beverland, 2004 #128}. Subsequent journal articles emphasise the strength of quality, stylistic consistency, heritage, and authenticity {Beverland, 2005 #127; Beverland, 2006 #126}. Other aspects of wine and luxury explored in the literature include "visibility in social media" {Reyneke, 2011 #197} and "the influence of kudos and sentimentality" amongst Australian Champagne drinkers {Morton, 2013 #182}.

As wine quality cannot be judged until the bottle is opened, which is often not possible before purchase, consumers tend to rely on extrinsic cues {Schamel, 2003 #125}. Cues for wine products can therefore be classified as being intrinsic or extrinsic. Extrinsic wine cues are product-related attributes which are not part of the physical product. This could be price, brand name and packaging. Alternatively, intrinsic cues are attributes that are product-related which cannot be manipulated without also altering physical properties of the product such as the ingredients used, taste, texture and aroma {Richardson, 1994 #323}. Most wine studies have tended to focus on the extrinsic cues and the ones which relate specifically to competitive advantage such as country and region of origin and wine variety. Although

recent work is being carried out on the effect of other extrinsic cues such as wine packaging {Mueller, 2008 #83}. Given that luxury attributes are associated with exclusivity and quality, it would seem that price (relatively high price) would form part of consumer decision rules. In summary, the literature provides at least thirty attributes (benefits) relating either to the wine or the place of purchase which consumers use to make purchase decisions {Barrena, 2009 #238; Bernabéu, 2012 #143; Brunner, 2011 #148; Casini, 2009 #200; Chrysochou, 2012 #105; Cohen, 2009 #161; King, 2012 #180; Viot, 2012 #233}. Of the attributes mentioned, eleven appear consistently: brand reputation, grape variety, price, label design /packaging, region of origin, medals or awards, vintage, recommendation by friends, previously tasted, wine expert recommendation, and try something new.

Whilst price should be an outcome of many of the other factors, it does also act as a cue for quality; a distinction made by {Ling, 2003 #119@@author-year}. The degree to which this is true depends on consumer uncertainty and their level of wine knowledge {Boatto, 2011 #124}. Also, Jarvis, Rungie, Lockshin & Goodman showed that wine behavioural consistency is highest for the price attribute, relative to brand, region and wine varietal {Jarvis, 2006 #165}.

The use of price to define quality categories is clearly the most simple, yet useful method of classification. To broadly define which wines would be considered as luxury, for the purposes of his study, {Beverland, 2004 #128@@author-year} used the 'Icon'/US\$50+ classification from the {Geene, 1999 #314@@author-year} report for Rabobank International. The same report was used by the Australian wine industry to define five "quality" categories; Basic, Premium AU\$5 - \$9.99, Super-premium AU\$10 - \$14.99, Ultra-premium AU\$15 - \$49.99, and Icon AU\$50+ {Winemakers' Federation of Australia, 2000 #313}. This is, however, at odds with the more recent report on luxury wine growth {Wine Australia, 2013 #312} which classifies luxury wines as those priced \$30 and above, although there is no research evidence to support this definition.

The most recent academic work involving luxury wine brands examines the attributes that consumers most readily associate with luxury wine {Sjostrom, 2014 #286}. The work provides a two dimensional map of attributes associated with four different price tiers with a strong focus on the "luxury" category. However, the price bands of \$0-\$24.99, \$25-\$49.99, \$50-\$99.99, and \$100+ might be considered too broad, particularly at the lower end, in order to develop meaningful categories across the full spectrum of the market. {Tynan, 2010 #153@@author-year} point out that luxury goods and ordinary goods sit at opposite ends of a continuum and that consumers make judgments of where one ends and the other starts. This study set out to establish a general consensus amongst wine consumers as to the prices at which one category ends and the next starts.

2. METHOD

This study was designed as a preliminary study for more detailed research in to the perceived value that consumers derive from the purchase and consumption of ultra-premium and luxury wines. As such, a convenience sample was considered appropriate. Known wine consumers were contacted via email and asked to participate in an online survey. Snowball technique was utilised to increase the sample size. The final sample size was 107.

Consumers were asked to rate nine different price groups as to how likely wines at each level would fit the classifications ‘budget’, ‘popular/everyday’, ‘premium’, ‘ultra-premium’ and ‘luxury/icon’. This was done using 10 point Likert scales. An example of a set related to a “budget wine” is shown in Figure 1.

*** 1. In your opinion, how likely is it that you would consider a wine to be a Budget wine at each of the following price points:**

	Not at all likely	2	3	4	5	6	7	8	9	Extremely likely
under \$10.00	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$10.00 - \$14.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$15.00 - \$19.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$20.00 - \$24.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$25.00 - \$34.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$35.00 - \$49.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$50.00 - \$69.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$70.00 - \$99.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$100 +	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Figure 1: Example Survey Question

3. RESULTS

The 107 respondents provided 963 responses for each of the five quality categories. The mean score for each price tier was then plotted on a graph (Figure 2). Whilst not quite as perfect as the expected model, most of the categories are quite clearly defined. Although any score of 6 or higher suggests that a particular price point is considered “likely” for that quality category, the likelihood must also be higher than for each of the other categories at the specified price. This is reflected as the point at which the curves cross.

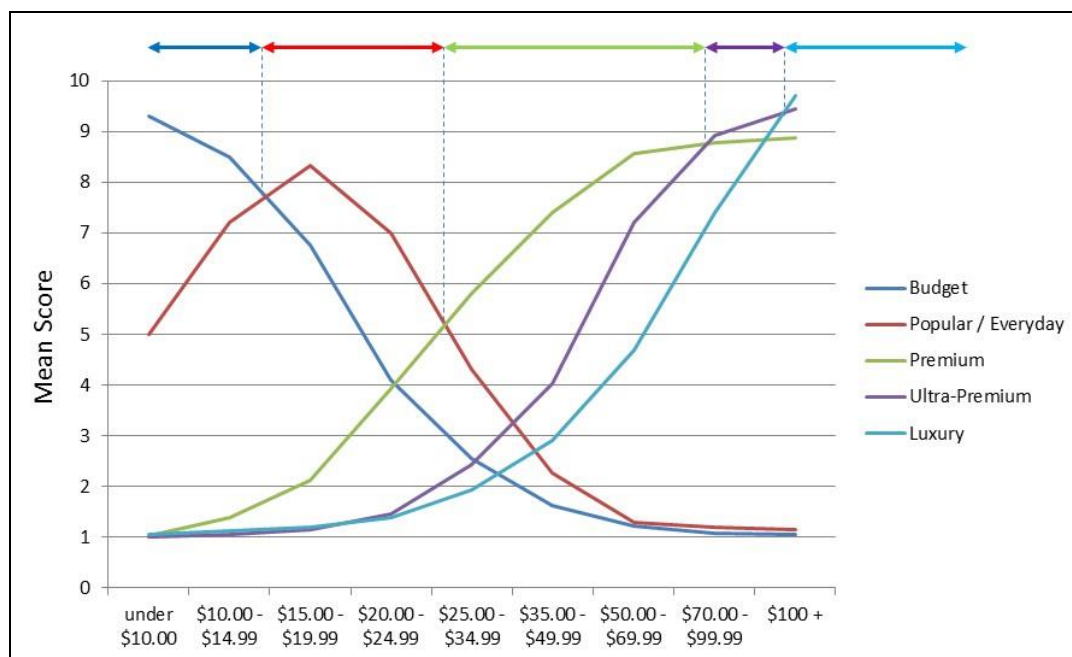


Figure 2: Chart of Quality Categories and Price

At any given point on the chart, the line closest to the top represents the quality category that respondents consider to be the “most likely” match to the corresponding price. The results, obtained by assessing the points at which the curves cross, show that consumers consider anything under \$14.99 to be a “budget” wine. Wines priced from \$15 to \$24.99 are considered “popular/everyday”, and the “premium” category covers prices from \$25 to \$69.99. “Ultra-premium” wines appear to align with prices of \$70 to \$99.99, and “luxury/icon” wines being \$100 upwards. The latter two categories may have been further apart if the price scale were extended upwards. With Australia’s most expensive wines retailing at \$700+ and those from elsewhere in the world at \$15,000+ {Wine-Searcher, 2015 #315}, this requires further thought. The five price tiers from this study are compared with those from previous industry reports {Geene, 1999 #314; Winemakers' Federation of Australia, 2000 #313; Winemakers' Federation of Australia, 2013 #322} in Table 1.

Table 1: Price Tier Comparisons

Geene et al. 1999		WFA 2000		WFA 2013		this study	
Icon	\$US 50+	Icon	AU 50+	A	AU >30	Luxury/Icon	AU 100+
Ultra-premium	\$US 14-50	Ultra-premium	AU 15-49.99	B	AU 15-30	Ultra-Premium	AU 70-99.99
Super-premium	\$US 7-14	Super-premium	AU 10-14.99	C	AU 10-15	Premium	AU 25-69.99
Premium	\$US 5-7	Premium	AU 5-9.99	D	AU 7-10	Popular/Everyday	AU 15-24.99
Bulk	\$US <5	Basic	AU <5	E/F	AU <7	Budget	AU <15

4. CONCLUSIONS AND FUTURE RESEARCH

This research provides some clarification on how consumer views of price categories differ from industry standards. The main purpose of the research was to provide a benchmark price above which wines are generally considered to be luxury and whether this deviates from other sub-categories such as premium and ultra-premium. These results show a slight distinction between ultra premium and luxury, but as these wines account for less than 1% of Australian production {Winemakers' Federation of Australia, 2013 #322} this may have limited practical application. However, it is clear that the current “icon” classification of wines priced at \$30 or \$50 may need to be re-evaluated. A starting point of \$70 or \$100 may be more appropriate.

The next stage of the research will utilise a larger sample and examine drivers of luxury wine consumption and the characteristic attributes that consumers expect of this category. The findings of this study will provide a consumer generated basis for the definition of luxury wine, remove the need for subjective terminology and ensure that respondents are all referring to the same thing.

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Problematic Aspects of the Legal Framework for Protecting Australia's Wine Regions

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Abstract:

Purpose - To explore whether the current Australian legal framework for geographical indications is fit for the purpose of protecting and promoting Australia's wine regions

Design/methodology/approach - Case law and statutory developments regarding geographical indications for Australian wine are analysed. Australian practice is compared with wine law practice in the USA and the EU.

Findings - Legal changes are required to implement a framework that better aligns with Australian winemakers' aspirations and consumer expectations regarding Australian regionally branded wine.

Keywords: Geographical indications, appellations of origin

INTRODUCTION

At face value it appears that Australia has a well-functioning legal framework of geographical indications (GIs) for protecting the reputation and profitability of its regional wine. However, appearances can be deceptive. Notwithstanding the evolution of Australia's legal framework over a number of years, problems related to the scope of what the Australian legal system actually protects remain. This is not simply a dry legal matter. Being inside or outside a regional boundary can have a significant impact on winemaker success. Second, if confident and well-informed consumers of wine are the ultimate beneficiaries of Australia's legal framework, it remains unclear whether the framework supports their expectations and therefore whether regional wine marketing expenditure will be effective in returning Australia's wine sector back to profitability. GIs may have little meaning for consumers if they are unable to connect them with wine characteristics and qualities (Adinolfi, et al., 2011). In this paper, we argue that Australia's current GI legal framework is not fit for the purpose of protecting and promoting Australia's wine regions. However, before advancing that argument we commence by outlining a number of basic concepts associated with the legal character of GIs and with the broader concepts of typicality and regionality.

BASIC CONCEPTS

Appellations of Origin, Geographical Indications and Indications of Source

When applied to wine, geographical terms can be categorised as:

1. Indications of source – refer to the country or place within a country where grapes are sourced.
2. Geographical indications – refer to the region or locality where the wine is made and where a given quality, reputation or other characteristic is essentially attributable to that geographical origin, or
3. Appellations of origin – refer to the region or locality where the wine is made such that its quality and characteristics are due exclusively or essentially to that geographical environment including natural and human factors.

Typicality

The above hierarchy is correlated with the degree of typicality (typicité) exhibited by wine. By 'typicality' we mean the characteristics of a wine made in one locality that make it distinctive compared with wines made in other localities (Cadot, et al., 2012). Typicality derives from the soil and climate where grapes are grown, viticultural techniques, varietal, vintage, and local oenological practices (King, et al., 2014). Typicality can be measured using a variety of chemical and sensory techniques (Cadot, et al., 2012). Wine which is 'Made in France' or 'Made in Australia' exhibits low levels of typicality, whereas wine made within an appellation of origin generally exhibits a higher degree of typicality (Perrin & Pagès, 2009).

Regionality

Although typicality is an important driver of regionality, the concept of regionality encompasses much more (Easingwood, et al., 2011). Wine regionality also incorporates perceptions and experiences of regional gastronomy, local social and commercial networks, culture, heritage and the surrounding built environment. Thus, it is impossible to divorce the Barossa Valley wine region from the legacy of its early Prussian settlers, the grandiose facades of its wineries such as Seppeltsfield or Chateau Tanunda, and its 'Barons of the

Barossa' wine fraternity (White, 2014). Regionality characterises wine as an artisanal and culturally authentic product rather than simply a product determined by the bio-physical properties and winemaking practice of the locality where it is made (Lewis, 2012).

In spite of their differences, typicality and regionality can be symbiotically related. Taste and style become memorable partly because they are hooked together with a regional profile comprised of these elements. Similarly, regionality is stronger where the region specialises in one or two notable wine styles (Easingwood, et al., 2011), that is, where wine typicality is also clearly demonstrated. Wine achieves this typicality through the collective strategies of grapegrowers and winemakers operating within their localised institutional, social and cultural milieu (Barrère, 2013).

GEOGRAPHICAL INDICATIONS IN AUSTRALIA

When enacting the GI provisions in the *Australian Wine and Brandy Act 1980* (Cth) in 1993, the Australian Parliament stated that the work of the legislation was to be confined to determining GI boundaries to support enforcement of the Label Integrity Program (Australia, Parliament, 1993, p. 1342), thus evincing an intention to implement an indication of source framework. Accordingly, the Act defined GIs in two alternative ways:

- *A word or expression used in the description or presentation of the wine to indicate the country, region or locality where the wine originated, or*
- *A word or expression used in the description and presentation of the wine to suggest that a particular quality, reputation or characteristic of the wine is attributable to the wine having originated in the country, region or locality indicated by the word or expression*

Regulations promulgated a short time later muddied the waters as they implied that a nexus between wine quality and origin was essential to attain GI status. Subsequent case law comprising the *Coonawarra (Beringer Blass Wine Estates Ltd v Geographical Indications Committee, 2002)* *Baxendale Vineyards (Baxendale's Vineyard Pty Ltd v The Geographical Indications Committee, 2007)* decisions firmly contradicted that interpretation.

The *Coonawarra* case reached the Full Court of the Federal Court on appeal from the GIC and the Australian Administrative Appeals Tribunal (AAT), which had held that the Coonawarra's GI boundaries should be fixed by reference to the 'Hundreds of Penola and Comaum,' administrative boundaries established to facilitate South Australia's colonisation. The principal matter that the Full Federal Court of Australia in the *Coonawarra* case had to contend with was the interpretation of *Australian Wine and Brandy Corporation Regulations 1981* (Cth), Regulations 24 and 25. Regulation 24 defines regions and sub-regions as follows:

1. Region – a single tract of land that is discrete and homogenous in its grape growing attributes in a manner that is measurable but less substantial than a sub-region; that produces at least 500 tonnes of grapes per annum; and comprises at least 5 independently owned grape wine vineyards of at least 5 hectares each
2. Sub-region – a single tract of land that is discrete and homogenous in its grape growing attributes to a substantial degree; that produces at least 500 tonnes of grapes per annum; and comprises at least 5 independently owned grape wine vineyards of at least 5 hectares each

Regulation 25 lists the criteria that must be taken into account by the GIC. These include the history of the founding of the area, its geographical and topographical features, its built

environment, its local government boundaries, the history of grape growing and wine making, and in relation to a region's grape growing discreteness and homogeneity, its geology, its climate, typical harvest dates, soil drainage, access to irrigation, elevation, as well as any other matter deemed relevant.

The Court interpreted the issues from the starting point of the *Agreement between the European Community and Australia on Trade in Wine* (1994). The term 'Coonawarra' had already been designated as a GI under the Agreement. Consequently, the GIC and the AAT were required to concentrate on matters pertinent to the drawing of its boundary. When considering where the boundary should lie, the chief factors to bear in mind were the degree of homogeneity and discreteness in grape growing attributes set out in Regulation 24. Pre-existing administrative boundaries such as the Hundreds that were fixed many years before grape growing and wine making were established in the area were therefore of limited relevance to that task. The appeal was therefore upheld.

The *Baxendale Vineyard* case arose after an interim determination regarding King Valley by the GIC, when the Whitlands vignerons made an independent application for the determination of the 'Whitlands High Plateaux' region. The proposed Whitlands region fell wholly within the proposed King Valley region. The King Valley vignerons wanted the King Valley region extended and the Whitlands vignerons wanted the King Valley region reduced so that it excluded the proposed Whitlands region. Unhappy with the GIC determination, the parties appealed to the AAT. Although the AAT acknowledged differences between the plateau land which made up the proposed Whitlands region and the valley land which made up a large portion of the proposed King Valley region, it found high levels of homogeneity regarding grape growing attributes (in particular, in relation to climate and geology) across the King Valley including its plains, valleys, ridges and plateaux. Consequently, the AAT did not consider that the King Valley and the Whitlands were separate regions. The Full Court of the Federal Court upheld the AAT's decision. In reaching this position the Court indicated that history and economic activity within a grape growing region could be relevant to determining its boundaries. Importantly, however, the Court also held that it was not necessary for an Australian GI to evoke wine typicality or regionality. The term 'King Valley' did not evoke anything about the wine produced in that region, but nonetheless it could still be a GI because all that was required by the Act was the name of a locality where wine originated.

In line with an overarching indication of source legal framework, both the *Coonawarra* and *Baxendale* decisions underscore that the focus of the Regulations is upon grape growing homogeneity. Although the Regulations incorporate historical and social factors such as the history of grape growing and development within the relevant region, they say nothing about localised wine making practices that might also affect typicality. Nor is there any requirement that the wine conform to a regional profile. Indeed, such a requirement contradicts the ability to incorporate up to 3 different geographical indications on Australian wine labels. Moreover, it seems that bio-physical factors related to grape growing predominate how a region or sub-region will be demarcated. Apart from harvest date, there is no explicit reference in the Regulations to differentiating viticultural practices (such as trellising) and other human aspects of grape growing, let alone wine making.

The requirement of a 'discrete' grape growing area coupled with the 5 x 5 x 500 rule in the definitions of region and sub-region reinforce the lack of typicality and low level of regionality. The 5 x 5 x 500 rule, designed to prevent monopolies, is a threshold requirement that need not hold once the GI has been promulgated. Nonetheless, it signals a legislative

intention that small, low producing GIs are not welcome. The requirement of a ‘discrete’ land area vis-à-vis grape growing means that there is no provision for a region to be comprised of more than one ‘island.’ All that can be promulgated is a sub-region with even stronger grape growing homogeneity than the region in which it sits. The architecture of Australia’s legal framework thus inevitably leads to the designation of large wine regions, making it difficult for winemakers to express typicality in their wine.

LEGISLATIVE REFORM

The 2008 *Agreement between Australia and the European Community on Trade in Wine* prompted a major overhaul of the legislation, including how it defined GIs. The new definition reverted to the European original so that in relation to wine goods, a GI is now:

..... an indication that identifies the goods as originating in a country, or in a region or locality in that country, where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographical origin

The Explanatory Memorandum accompanying the amendment indicated that the change was implemented to align Australia’s definition of geographical indications with Article 22.1 of the multi-lateral *TRIPS Agreement*. Otherwise, there was little discussion of the costs and benefits of the change, consideration of how the change might affect existing GIs that were previously registered on a different legal basis, nor any discussion as to how the change might impact upon the practices of the GIC. Apart from semantics, it appears that not much actual change was envisaged. Moreover, as most of Australia’s wine growing regions had already attained a GI, unless there were future applications to amend existing GIs, any change to the framework was only likely to affect a negligible number of new applicants. Only 1 of Australia’s 114 registered GIs has been registered since the amendment came into effect on September 1st, 2010. Since that application was submitted to the GIC by the Mount Gambier Regional Winemakers Association with apparently no opposition in May 2010 it throws little light on the amendment’s impact.

PRACTICE ELSEWHERE

The lack of typicality and emphasis upon grape growing attributes within the Australian GI framework, are also features of the US, American Viticultural Area (AVA) regulations. To label US wine with an AVA, 85% of the wine’s grapes must come from the AVA and the relevant wine must be fully finished within the State or States where the AVA(s) are located. Although the regulations characterise AVAs as forms of appellation of origin, as in Australia, there is no requirement that the finished wine conform to a particular profile (Mendelson & Gerein, 2011, p. 254).

Initially many of the US AVAs were very large. For example:

- Napa Valley established in 1981 and comprised of 91,176 hectares of land
- Sonoma County established in 1981 and comprised of 462,600 hectares of land
- Paso Robles established in 1983 and comprised of 269,771 hectares of land

Like Australia, the large area of these AVAs constrain US winemakers from consistently articulating the unique regional characteristics of their wine. To counter that problem, smaller nested AVAs (referred to as sub-appellations or sub-AVAs) have been created within the larger AVAs. Napa Valley, Sonoma County and Paso Robles currently consist of 16, 16 and 11 sub-AVAs respectively. The purpose of the sub-AVAs is to advance regionality and,

to a lesser extent, typicality (Elliott-Fisk, 2012, p. 54). This has proven to be financially advantageous. Being a winemaker in a sub-AVA is a much better investment than being in a larger AVA in terms of the premiums available for grape and vineyard prices (Cross, et al., 2011).

US sub-AVAs operate differently from Australia's sub-regions. If the sub-AVA shares some of the existing geography of the larger AVA but at the same time is sufficiently distinctive, then the sub-AVA can nest inside the larger AVA. However, if the new AVA shares no common features with the pre-existing AVA, then the new AVA must be excised from the pre-existing larger AVA. In other words, US law accommodates islands, whereas Australian law does not.

Private strategies have also been adopted by grape grower and winemaker associations to further develop typicality and regionality beyond the minimalist AVA framework (Mendelson & Gerein, 2011, pp. 275 - 280). These include Coro Mendocino, a voluntary association of Mendocino winemakers that has set blending, production and ageing specifications for its members' wines, which are blind tasted by a panel of experts prior to acceptance. Together with the proliferation of sub-AVAs these private strategies demonstrate that US winemakers want more than a pure indication of source framework.

Typicality and regionality are far more important in European regulation. Applicants for appellations (known as PDOs) or GIs (known as PGIs) must submit a technical file to the relevant national body responsible for examining the application. The file must address the analytical and organoleptic qualities of the wine, if applicable, the specific oenological practices used in making the wine, permissible grape varieties, and provide details of the causal link between the wine and the wine's geographical origin (European Union, 2013). Otherwise national requirements can vary. In France, a number of PGIs and PDOs require certification by independent organisations that audit the implementation of the registered wine profile and organise accreditation wine tastings to ensure that wines proposing to bear the designation are typical of the region. Each year a representative range of wines is selected and used as a reference point for the particular characteristics of the vintage. Wine which fails to express typicality is rejected and cannot be marketed using the relevant PGI or PDO. However, because the typicality requirements are subjective, accreditation tastings are controversial (Teil, 2014). Typicality is sometimes more of an expression of winemaker preference than bio-physical terroir (Cadot, et al., 2012). Australian winemakers must therefore be wary of adopting tasting accreditation to substantiate the causal link between their wines and a region or sub-region unless tasting profiles are published in advance. In the United Kingdom, PDO wine conformity assessment comprises analytical and organoleptic testing and a no fault tasting (United Kingdom Vineyards Association, 2015). This objective approach is more feasible for the Australian context.

OUR RECOMMENDATIONS

To maximise the value of the GI in the minds of consumers, wine must remain true to what the GI represents. As an indication of source framework our legal system has failed to promote regionality and typicality, and, consequently, Australian wine's international reputation as a commodity rather than as an artisanal product has been difficult to bat away. First, for future applications including applications to amend existing GIs we therefore recommend a review of the Regulations to ensure their constructive alignment with the new definition of GIs in the *Australian Grape and Wine Authority Act 2013* (Cth). As well as the existing factors outlined in Reg 25, consideration should be given to incorporating a wine

profile for regions and sub-regions that sets out the analytical and organoleptic qualities that must be met to qualify for the GI. As demonstrated by the Pays D'Oc PGI, such a requirement will not unduly hamstring winemakers in terms of their choice of varietal, style or blend. Nevertheless, it will allow winemakers to show consumers that their wines meet production and origin criteria. The outstanding success of the Pays D'Oc region in France (Niederle, 2012) in transforming itself from to a region known as a producer of bulk wine into a region with a reputation for producing high quality wine establishes that being able to articulate wine regionality and typicality (while still promoting varietal and brand) has significant benefits.

Second, we recommend that consideration be given to creating a special category of GI that conforms more closely to an appellation of origin. Provided the qualities of the appellation re communicated consistently, coherently and regularly to consumers, appellations are more highly valued than other region of origin claims (Sàenz-Navajas, et al., 2013). Should regional winemaking associations attain an appellation, they will be able to extract higher price premiums for their wine and increase their impact in export markets (Agostino & Trivieri, 2014).

Although it is possible for regional winemakers to band together like the winemakers in Coro Mendocino and create their own appellation by agreement among themselves, official recognition of an appellation of origin will ensure that any private investment undertaken by regional associations to establish regional styles and branding is legally protected from unfair competition. It will also ensure that consumers are not misled by references to wine exhibiting the style of the appellation when it does not originate from that appellation. An institutional warranty is an important quality dimension for consumers (Spielmann & Charters , 2013). While a certification trade mark might achieve something similar, incorporating the appellation within Australia's GI framework, enables protection of the appellation to be advanced on a government to government basis through means such as the *EU-Australia Wine Trade Agreement* and thus reduces the cost of enforcement to regional wine producing associations who would otherwise be required to initiate private litigation in domestic and foreign courts. Embedding the appellation within the GI framework also reduces co-ordination costs between regional wine associations that might lay claim to overlapping boundaries. One single GI and appellation scheme also makes it easier for consumers to discriminate between each category of legal object. If there was a plethora of inconsistent rules for certification marks, consumers would find it difficult to navigate between them.

If such an appellation were established it should be called an appellation to clearly distinguish it from a GI. The concept of an appellation that encompasses a causal link between a wine's character and a region needs to be differentiated from a GI wine that accommodates relatively lower levels of typicality. We also recommend post production control to prevent free riding by winemakers within the appellation that are unwilling to abide by typicality obligations and who thereby undermine consumer perceptions of appellation quality. While we would not recommend subjective accreditation tasting, we would recommend analytical and organoleptic testing as well as tasting against an objectively determined but reasonably liberal sensory profile incorporated within the appellation's wine profile and reviewed from time to time by the relevant regional winemaking association. Winemakers and the community ought to be able to publicly access information that will assist inform their production and consumption choices.

Contrary to Australia's existing blending regulations and consistent with evidence from the United States related to the benefits of conjoining regional and appellation labelling (Bruwer & Johnson, 2010) we would also recommend that winemakers should be permitted to claim association with the broad regional GI and the more specialised appellation on wine labels. This will prevent existing Australian regional GIs from being diluted through fragmentation into smaller islands and also enable winemakers in appellations to continue to enjoy the halo effect of the region while developing the reputation of their appellation.

CONCLUSIONS

The industry and marketing arm of the Australian Grape and Wine Authority has identified the promotion of regionality as a key plank for the recovery of the Australian wine industry. If that strategy is to be successfully advanced the legislative reform of the definition of GIs implemented in 2010 will require changes in the *Australian Grape and Wine Authority Regulations*. We believe that Australian winemakers should be given the option of establishing true appellations of origin. Should they wish to pursue both typicality and regionality they will need an effective legal framework to support their aspirations. Without it, consumers are unlikely to be convinced of their appellation credentials and winemakers may find it hard to maintain the collective approach that is required to create and grow the economic value of the appellations.

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Wine tourists' loyalty intentions: Toward an integrated behaviour model

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Abstract:

Purpose: This study aims to develop an integrative behavioural model to explain how the various inputs of a winery's cellar door work together to enhance cellar door visitors' loyalty intentions in terms of revisit, wine purchase and Word-of-mouth (WOM). In addition, it intends to explore how wine marketing strategy in a cellar door context can go beyond the traditional product orientation by placing more emphasis on the total experience.

Design/methodology/approach: An URL link and a short introduction of the online survey were made part of the cellar doors' newsletters which were then emailed to customers through each cellar door's email data base. After data screening process, 459 valid samples were produced.

Findings: The results of the present study indicate that cellar door visitors are oriented towards the experiential aspects of the visit itself as much as towards pragmatic considerations in purchasing wine. For cellar door managers, their marketing strategy needs to extend beyond the boundary of a product focus to facilitate the creation of experience-based value

Keywords: Wine tourism, cellar door experience, visitor satisfaction, loyalty intentions

1. Introduction

For wine tourists, the visit to a cellar door is in fact a blend of the retail shopping trip with buying and/or tasting wines being a primary motivation and a tourism trip with the pursuit of hedonic, indulging experience around wine being another motivation (Bruwer & Alant, 2009; Bruwer & Lesschaeve, 2012). Till now, very few studies explored whether the intangible tourism-oriented elements (such as service interaction during cellar door visit and environmental attraction of a cellar door) may impact visitors' quality perceptions and value-for-money perceptions of tangible wine product. Furthermore, the use of "added value" has been advocated as a marketing strategy to achieve competitive advantage (de Chernatony, Harris, & Riley, 2000; Matthyssens & Vandenbempt, 2008), yet the understanding of the "added value" derived from cellar door visits is in its infancy and to date few researchers have comprehensively examined cellar door visitors' value perceptions and their roles in visitors' decision making process.

This study aims to develop an integrative behavioural model to explain how the various inputs of a winery's cellar door work together to enhance cellar door visitors' loyalty intentions in terms of revisit, wine purchase and Word-of-mouth (WOM). In addition, it intends to explore how wine marketing strategy in a cellar door context can go beyond the traditional product orientation by placing more emphasis on the total experience.

2. Literature review

2.1 Wine tourists' quality perceptions in the cellar door context

A consumer's perceptions of service quality can be evaluated either at the transaction/encounter-specific level or at an overall level (Parasuraman, Zeithaml, & Berry, 1994). Overall perception of service quality is a primarily cognitive construct that results from a consumer's subjective evaluation of lower-level service attributes or abstract dimensions of the service experience (Brady & Robertson, 2001). In contrast to firms in pure service industries, which exclusively offer intangible service experiences, cellar doors offer customers a mixture of tangible products (wine) and intangible (human-interactive) services. Given this product mix, visitors are more likely to evaluate their cellar door experiences by judging various aspects of the cellar door's inputs, including features of the tangible products they buy (e.g. wine quality), the nature of the service encounters they experience (e.g. friendliness of the staff), and the winery's environmental features (e.g. setting and natural surroundings). Considered together, these evaluations comprise visitors' perceptions of the cellar door's quality at the transaction/encounter-specific level.

According to Grönroos (1984), consumers' quality perceptions can be categorized into two fundamental dimensions: a technical (i.e. outcome-based) dimension and a functional (i.e. process-related) dimension. In making judgments regarding the technical dimension, consumers consider what they receive following the service or production process. In making judgments about the functional dimension, they consider how an organization delivers the product or process they receive. Grönroos (1984) argues that consumers are interested not only in what they receive as an outcome of the service delivery process (e.g. the quality of wine purchased at a cellar door), but also in the service delivery process itself. In a more recent study, Brady and Cronin (2001) incorporate previous approaches to develop a hierarchical model of service quality. In this model, three second-order dimensions comprise perceptions of overall service quality: environmental quality, interaction quality, and outcome

quality. Similar to Brady and Cronin (2001), we divided cellar door visitors' perceptions into three aspects:

- Perceived servicescape quality of the cellar door (SCA): representing the extrinsic aspect of the functional service delivery process;
- Perceived service encounter(interaction) quality of the cellar door (ENT): representing the intrinsic aspect of the functional service delivery process; and
- Perceived quality of wine (WINE): representing the technical outcome of the service delivery process.

2.2 Wine tourists' value perceptions in the cellar door context

A reviewing of marketing literature shows that there are generally two approaches toward the conceptualization of consumers' value perceptions: the uni-dimensional approach and multi-dimensional approach (Boksberger & Melsen, 2011). The uni-dimensional approach defines value as 'the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given' (Zeithaml, 1988, p. 14). This definition in fact reflects consumers' value-for-money perception. In the cellar door context, the study conducted by Roberts and Sparks (2006) suggested that making visitors feel their experiences worth the cost/efforts they spent is a key factor to enhance their overall wine tourism experience. They labelled such feelings as wine tourists' value-for-money perception.

Unlike the uni-dimensional approach, the multi-dimensional approach theoretically broadens the value concept more comprehensively and in-depth by looking beyond the acquisition value of a product to encompass the emotional and social benefits brought by the consumptions process itself (Woodall, 2003). Taking a multi-dimensional approach, Holbrook (1999) conceptually defined perceived value as 'an interactive relativistic preference experience'. Focusing on the worth of the shopping trip itself, Babin, Darden, & Griffin, (1994) contended that two types of value can be derived from shopping activities: utilitarian and hedonic shopping values. Utilitarian shopping value reflects the task-related worth of a shopping experience. Whereas the hedonic value captures the emotional and entertainment worth of the shopping experience (Babin & Attaway, 2000; Babin & Kim, 2001). The hedonic value results more from the multisensory, fantasy and emotive aspects of the consumption experience (Babin et al., 1994; Shukla & Babin, 2013). In the cellar door context, Bruwer and Alant (2009) found that in addition to the purpose of tasting or buying wine, the same visitor could also be 'indulging in the atmosphere' (p249) for a pleasure-seeking and self-gratifying experience. Similarly, Roberts and Sparks (2006, p. 53) found that indulgent feelings, such as 'relaxing', 'decadence' and 'cosy', derived from a cellar door visit were important to visitors.

Given the above perspectives in the extant literature, the present study divides cellar door visitors' value perceptions into three aspects:

- The value-for-money perception of a cellar door's wine products (PV), which focuses on the nett gain that visitors perceive they obtain from acquiring a cellar door's wine products.
- The hedonic value derived from visiting a cellar door (HV), which focuses on the emotional worth of the cellar door visit.
- The utilitarian value derived from visiting a cellar door (UV), which focuses on visitors' perceptions of how well the cellar door can meet their task-related needs.

2.3 Overall Satisfaction and loyalty intentions as the outcomes of cellar door visits

Babin and Griffin (1998, p. 129) described the nature of consumer satisfaction as “an emotion resulting from appraisals (including disconfirmation, perceived performance, etc.) of a set of experiences.” Parasuraman, Zeithaml, & Berry (1994) posited that a customer’s overall satisfaction with a transaction can be viewed as a function of his or her assessment of service quality, product quality, and price. Furthermore, Oliver (2010) asserts that satisfaction is “purely experiential” (p. 176). This experience-dependency characteristic makes overall satisfaction an ideal concept to evaluate the outcome of wine tourists overall cellar door experience.

Consumer loyalty intentions can be viewed as another outcome of wine tourists’ cellar door visits. According to Oliver (1999), conative loyalty is generated in the form of behavioural intentions. Unlike cognitive loyalty and affective loyalty, it is at this conative stage that the loyalty state “appears to be the deeply held commitment to buy noted in the loyalty definition” (p.35). In the marketing literature, the intention to spread positive views to others (WOM effect), the re-patronage intention and the intention to repurchase are most commonly used by researchers as reflective indicators of conative loyalty (Yüksel, Yüksel & Bilim, 2010).

3. The conceptual model

By integrating and extending the works of previous studies, an integrative model (Figure 1) was proposed in this study. The quality-satisfaction-loyalty relationship proposed in this model is in accordance with the cognition → affect → conation loyalty phase framework proposed by Oliver (1999). The relationships between quality perceptions, value perceptions and loyalty intentions are based on the appraisal → emotional response → coping framework proposed by Bagozzi (1992) and the quality→value→satisfaction→intention chain proposed by Gallarza & Gil Saura (2006).

4. Method

Two cellar doors were involved in the present study: one is located in the wine region of Adelaide Hills which is about 26 kilometers from the city of Adelaide. The other one is located in the Barossa wine region which is about 80 kilometers from the city of Adelaide.. An URL link and a short introduction of the online survey were made part of the cellar doors’ newsletters which were then emailed to customers through each cellar door’s email data base. After data screening process, 459 valid samples were produced.

The research goal (exploratory), data characteristics (slightly non-normal) and model complexity (more than 5 latent constructs) all have suggested that the PLS-SEM method is more appropriate than the CB-SEM in analyzing the data collected for the present study (Hair, Ringle & Sarstedt, 2011). For the above reasons, the PLS-SEM technique was preferred in the present study and the data were then analyzed using the software package SmartPLS 2.0.M3.

In total 36 measurement items were developed by reviewing existing marketing literature. After a pre-test procedure, 34 items were retained (see table 1).

Table 1 Measurement items of latent constructs

Perceived servicescape quality (SCA)	HV5: Visiting this cellar door was something I felt relaxed about.
SCA1: There was a good atmosphere at this cellar door	
SCA2: Its ambience was what I was looking for in a cellar door	Perceived utilitarian value of cellar door visit (UV)
SCA3: Its layout impressed me	UV1: I accomplished just what I wanted to while I was at this cellar door.
SCA4: Its layout served my purposes	UV2: I couldn't get what I really needed at this cellar door (reversed).
SCA5: Other customers at the cellar door did not affect its ability to provide me with good experience	UV3: While visiting this cellar door, I found just the wine I was looking for.
Perceived service encounter quality (ENT)	Perceived value of wine (PV)
ENT1: The employees gave me individual attention	PV1: Overall, this cellar door offers wines that are worth their prices.
ENT2: The employees understood my specific needs.	PV2: Overall, the value of its wines compares favourably to other wineries.
ENT3: The employees were never too busy to respond to my request.	PV3: Overall, I consider its wines to be a good buy.
ENT4: The employees were knowledgeable enough to answer my questions.	Overall satisfaction (SAT)
ENT5: The employees were friendly and welcoming.	SAT1: Overall how would you describe your experience at this cellar door?
Perceived wine quality (WINE)	SAT2: I am satisfied with my experience at this cellar door.
WINE1: Overall, its wines had an acceptable standard of quality.	Loyalty intentions (LTY)
WINE2: Overall, its wines tasted good to me.	LTY 1: I will revisit this cellar door when travelling to the same wine region.
WINE3: Overall, the characteristics of its wines met my personal preference.	LTY 2: I probably will revisit this cellar door the next time I travel to this region.
Perceived hedonic value of cellar door visit (HV)	LTY 3: I will continue to purchase wines made by this winery in the future.
HV1: Visiting this cellar door gave me pleasure.	LTY 4: This cellar door's wines are considered as one of my first choice to buy.
HV2: Visiting this cellar door truly felt like an escape.	LTY 5: I will recommend this cellar door to my friends or relatives.
HV3: The time spent at this cellar door was truly enjoyable.	LTY 6: I will say positive things about this cellar door to other people.
HV4: I enjoyed visiting this cellar door for its own sake, not just for the items I may have purchased.	LTY 7: I will continue to be a loyal customer of this cellar door.

5. Results

Both the indicator loadings and composite reliabilities exceed the threshold of 0.7, reflecting good construct reliability. The average variances extracted (AVEs) of the constructs varies between 0.563 and 0.823, all are bigger than 0.5, suggesting convergent validity. The squared root of AVE of each construct is greater than the correlations between this construct and any of the other constructs, which demonstrates discriminant validity.

The path coefficients of the structural model were estimated and twenty one out of the twenty six hypothesized relationships were statistically significant. Among the significant hypothesized paths, three were significant at the level of $p < 0.05$, two were at the level of $p < 0.01$ and the remaining sixteen paths were at the level of $p < 0.001$.

The results in figure 1 shows that the model explains 33.1% of the variance of the perceived service encounter quality (ENT), 36.9% of the variance of the perceived quality of wine (WINE), 28.0% of the variance of the perceived utilitarian value (UV), 57.3% of variance of perceived hedonic value (HV), 50.0% of the variance of perceived product value (PV), 58.0% of the variance of visitors' overall satisfaction (SAT) and 63.9% of the variance of the visitors' loyalty intentions (LTY). All of these R^2 values are considerably larger than the minimum requirement of 0.2. The relative high proportion of variance (63.9%) explained for the target construct--visitors' loyalty intentions, means that the structural model can be viewed as having adequate explanatory power.

5. Conclusions

The empirical results of the present study shows that the environmental components of a cellar door are very important aspects of the total cellar door experience because the servicescape has a significant influence on cellar door visitors' judgments of the quality of wine products and the service encounter. The existence of the direct effect of service encounter quality on visitors' value-for-money perception of wine indicates that regardless of the quality of wine itself, a favourable perception of the service delivered by cellar door staff could add to visitors' monetary value perception of a cellar door's wine products. The results also indicate that, in the cellar door context, satisfaction alone is not always sufficient to lock visitors into a repurchase, revisit or WOM intention. The value perceptions derived from the cellar door visit also serve as direct antecedents of visitors' loyalty intentions. Among the three types of value perceptions (hedonic value, utilitarian value and wine product value), perceived hedonic value has the biggest direct effect on both visitors' overall satisfaction and their loyalty intentions, followed by value-for-money perception of wine and utilitarian value. These findings indicate the experiential and hedonic nature of the cellar door visit (Bruwer & Alant, 2009; Quadri-Felitti & Fiore, 2010).

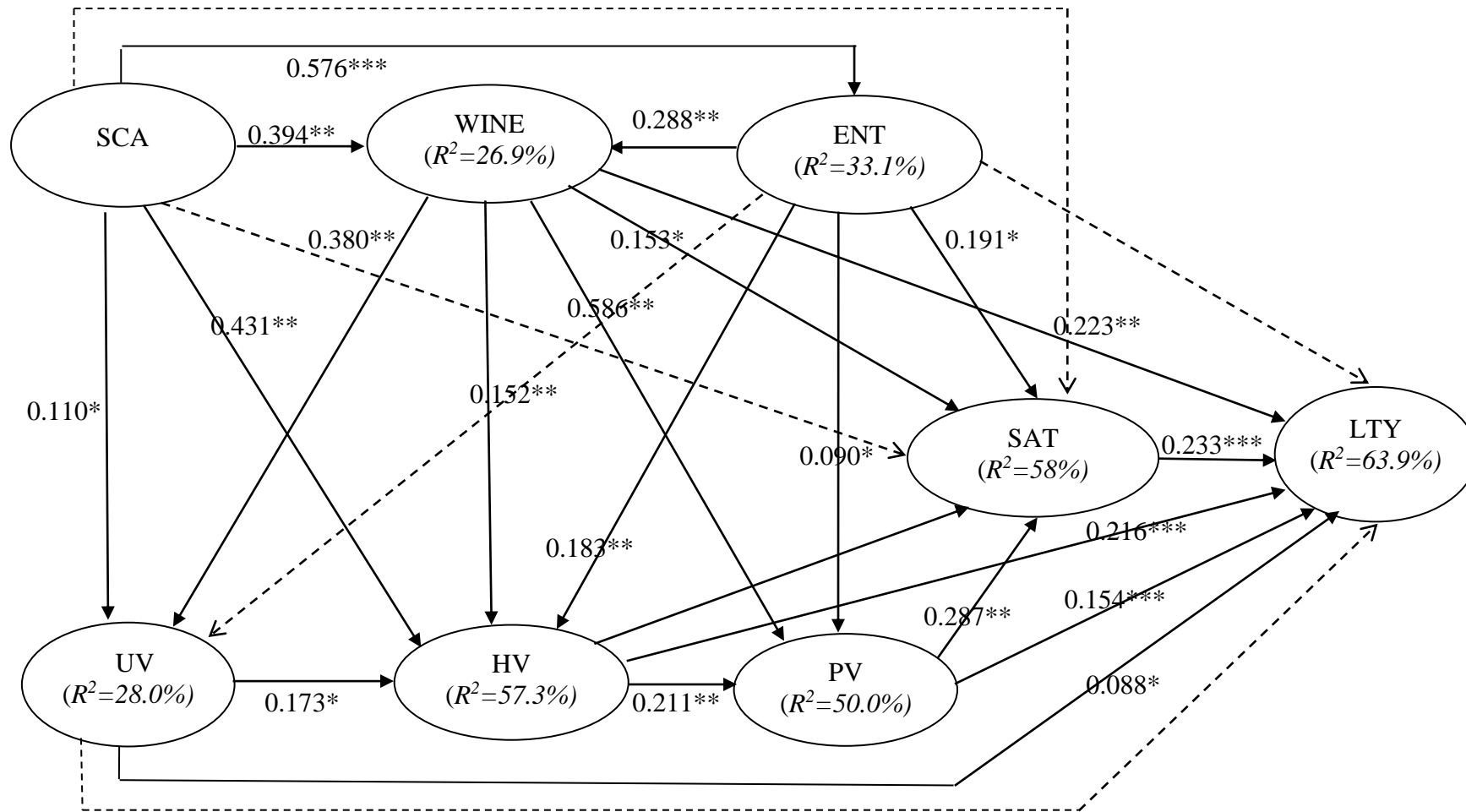
In summary, the results of this study provide preliminary evidence that an integrated approach is needed to understand cellar door visitors' post-visit decision-making processes regarding repeat wine purchasing, WOM and revisit intentions. For cellar door managers, their marketing strategy needs to extend beyond the boundary of a product focus to facilitate the creation of experience-based value.

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Figure 1 Conceptual model with results of hypotheses



Note. 1) * indicates $p < 0.05$, ** indicates $p < 0.01$, *** indicates $p < 0.001$;

2) Dashed line indicates non-significant hypothesis;

3) Constructs SCA: Perceived servicescape quality; WINE: Perceived wine product quality; ENT: Perceived service encounter quality; PV: Perceived value of wine; HV: Perceived hedonic value of cellar door visit; UV: Perceived utilitarian value of cellar door visit; SAT: Overall satisfaction; LTY: Loyalty intention

4) The convention with SEM papers is to present first the conceptual model – but given the space limitations it is presented with the results

The Development of Wine tourism in Lesser-known Wine Regions: The Case of Jura

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Abstract:

Purpose - The aim of this study is a preliminary examination of the provision of wine tourism in a relatively unknown wine region, with a view to examining its potential both as an economic driver within the region and in relationship to the reputation of the wines produced in the region.

Design/methodology/approach - The research considered the Jura region of France, examining the experience of visitors in the region (expert and non-expert) in a mystery shopping context. The research thus begins by examining consumer perspectives of the attractions of the region. At a theoretical level the findings were considered within the context of the winescape and of cultural systems.

Findings - The emerging themes were classified into three content areas – rural atmosphere, hospitality, and distinctive wine style. Each theme was considered to be assets of the region; however, there were also a series of weaknesses which limited the effectiveness of wine tourism in Jura.

Practical implication – We recommend that for the development of wine tourism strategies Jura must focus on the combination of its unique wine styles and local food and wine pairing, as well as on the natural beauty of its landscape – the wine in isolation is insufficient. Authenticity and distinctiveness are underlined by the overall winescape context.

Keywords: Wine tourism; Jura, winescape, cultural systems

1. INTRODUCTION

The Jura wine region, located between Burgundy and Switzerland, lies in the mountain range of the same name. It has spectacular landscape with numerous waterfalls and rivers which lead to the 'Reculée de Baume', a breathtaking step-head valley. Other key attractions include the 'Salines de Salins' - historic salt mines. Salt extraction in the region stopped in 1962 and the old workings - a UNESCO world heritage site - are now open to the public.

Jura is the smallest wine region of France, yet one of the most complicated ones. Situated in Eastern France, it has close to 1,850 hectares of grapes, lying 80 km directly east of Burgundy's Côte d'Or. As in Burgundy, the soil is largely based on clay-limestone. Beside pinot noir and chardonnay, a number of indigenous grape varieties - such as savignin, poulsard and trousseau – grow here (Lorch, 2014). A sweet 'vin de paille' made by grapes which are dried on straw mats is a local speciality. However, it is 'vin jaune' ('yellow wine') that Jura is most renowned. Vin jaune is made by a similar process as sherry and is distinctive with oxidative and yeast characters (Lorch, 2014). Every year, up to 60,000 tourists visit to attend the biggest French wine festival 'La Percée du Vin Jaune' (Gaillard, 2011), tasting the new release of vin jaune which has matured for at least 6 years and 3 months in barrels. The festival is held annually in a different village of the region (Lorch, 2014).

The reputation of Jura is growing in some parts of the world - as one journalist commented recently on Jura's wines, 'suddenly, they're super-trendy and everyone seems to be talking about them' (Moore, 2014). Yet because the Jura region is lesser known as a French wine region and as a tourist attraction, tourism in general (and wine tourism in particular) is underdeveloped. To the researchers' knowledge, no formal assessment has been conducted to evaluate what constitutes the region's attractions for tourists, nor is other similar research in the pipeline. Therefore, strategies for tourism development have not been developed either. Yet, the region can offer a number of historic places, unique food and wine, and ample opportunities for outdoor activities.

The interesting example which Jura presents is the relationship between an evolving reputation for wine and tourism to the place of origin of the wine, as well as how that reputation can be used to promote tourism. The current research has been undertaken with the purpose of conducting an assessment of the Jura's tourist offerings, with an ultimate goal of defining a unique selling proposition of the region, and exploring the destination offer in relationship to the reputation of the wines. This study is a preliminary exploration of that phenomenon. The study takes a two-step qualitative approach in presenting propositions for further research rather than definitive conclusions.

2. CONTEXT

Given the exploratory nature of this study, requiring an open-ended investigation into the structure and perceptions of wine tourism in the region, a precise theoretical framework was not felt appropriate for the study. However, two recent conceptual backgrounds are considered useful to provide a context for the approach taken here: winescape and cultural systems.

The concept of winescape is rooted in 'servicescape' theory (Bitner, 1992), which contends that the physical environment in which a service response is experienced affects the perception of service quality and satisfaction with the experience. Winescape, however, is a broader, more theoretically based concept, and links not just to the environment constructed by humans, but also to the natural world. Peters (1997) refers to the winescape as "the attributes of a grape wine region" (p. 4). Alebaki and Iakovidou (2011) argue that winescape relates the "whole region and its attributes" (p. 123). The winescape makes it possible for tourists to indulge in experiences in an aesthetically pleasing environment, of both a natural and physical nature (Bruwer and Lesschaeve, 2012). As Bruwer and Lesschaeve (2012) have noted, the natural environment is often acknowledged by visitors, but has rarely been the focus of wine tourism research. Additionally, the constructed environment can also be a fundamental component of how tourists respond to their experience; this has been acknowledged for the domaine itself (Charters, Fountain and Fish, 2009) but is also important for the wider built environment – the servicescape of industrial buildings, villages and other tourist attractions made by humans. Bruwer and Lesschaeve (2012) have consequently included these factors in their three 'destination features' dimensions of the winescape.

Another complementary way of looking at the context of wine tourism is through cultural systems (Bonnemaison et al., 2005). This approach sees the wine landscape as a cultural ensemble – thus the impact of landscape and the built environment on the structures of tourism (where visits occur, links or separation between domaines and vineyards) as well as the socio-historical evolution of provision and the offer – cooperation between actors (Mitchell, Charters & Albrecht, 2012). Thus, actors have 'knowledge' of the world they inhabit and their beliefs about it (expressed by symbols and myths) as they attempt to negotiate a relationship between culture and the geographical space they live in and the landscape becomes a cultural ensemble (Mitchell, Charters and Albrecht, 2012).

3. METHOD

3.1. Procedures

The researchers applied inductive reasoning and utilized a combination of observational and focus group research methods using mystery shopping techniques. Mystery shopping is a form of concealed observation in which researchers take on the role of customers or potential customers in order to monitor the processes and procedures involved in service delivery (Wilson, 1998). Finn and Kayandé (1999) noted that it is difficult to use customer surveys to investigate service provision. Instead, they advocated for mystery shopping to evaluate service quality and experiences. In this case, a two-step research design was employed.

For the first stage of data collection, a mystery shopping approach was used to obtain information on tourism experiences in the Jura region. Initially, three researchers conducted mystery shopping visits to three villages in Jura. One researcher conducted an individual visit and two researchers visited the region together. Upon return from the region, the researchers independently recorded the findings in the form of open-ended comments.

The researchers' visits, however, yielded only a partial perspective - individual and small group experiences, and coloured by the fact that these were experts. For a more

comprehensive assessment, a larger group who were not expert informants, was necessary. Previous wine tourism research (e.g., Kolyesnikova and Dodd, 2008) reported differences in attitudes and purchasing behaviour at cellar doors between smaller and larger groups of visitors. Therefore, a group of eight students was recruited to visit the region. The students travelled by bus and participated in all activities as a group. The students were later debriefed on their experiences. They provided their feedback by participating in a focus group, which constituted the second stage of data collection. The focus group was conducted as an open discussion about services and various aspects of their experience in Jura. Overall, the research participants in this study visited seven wineries. Focus group discussions were based on visits to these wineries, along with other attractions in the region.

The two-step approach was considered the most advantageous method for collecting a concentrated set of opinions on the topic as it incorporates the diverse approach. Consequently, a combination of qualitative data collection methods brings a phenomenological emphasis on consumers' experience, prioritising subjective and affective components of the visitor experience at cellar doors (Charters, Fountain, and Fish, 2009).

3.2. Data Analysis

The resulting data - obtained from the researchers' notes and the focus groups transcripts - were analysed using comparative pattern thematic analysis, which involves identifying recurring regularities in data, then sorting them into categories to link the underlying meanings (Baxter, 1991). The three researchers initially worked independently but followed a prescribed, sequential process suggested by Krueger and Casey (2009) in order to conduct comparable data analyses. The overarching ideas were formulated into themes. The themes were then discussed and revised. An overall process of reflection and further discussion offered a high level of investigator triangulation (Wallendorf and Belk, 1989).

4. FINDINGS

The emerging themes were classified into three content areas – *rural atmosphere*, *hospitality*, and *distinctive wine style*. The description of the themes is expanded upon below. Exemplary verbatim quotations (either typical ideas repeatedly emerging in the focus group/ researchers' notes or especially illuminating ones) are included to highlight the points being made.

4.1. Rural Atmosphere

Findings from this research suggest that the primary factor for the tourists in the Jura region is the natural beauty and its geographical setting – one of the winescape's dimension. In fact, Bruwer and Lesschaeve (2012) named generally it the most important dimension of winescape. In the current study, participants firmly viewed the natural beauty of the region as an element that contributes to its authentic setting. It was noted repeatedly that the quaint small towns such as Arbois and Chateau-Châlon have a rural, authentic atmosphere. Participants mentioned that walking through the streets of Arbois gave them the impression that the time has stopped. There was a feeling that nothing seemed to have changed since the last century.

All participants commented on the beauty of the villages and the landscape. The landscape across the vineyards in the village of Pupillin, near Arbois, was definitely perceived as breathtaking. One participant remarked, "*we took a beautiful walk, the landscape was amazing*". This rural atmosphere with a beautiful landscape was definitely seen as an asset to the region.

Interestingly, the researchers also noticed that the notion of 'authentic beauty' may have an ambivalent meaning. While praising the authentic atmosphere of the region, some participants noted that the villages looked relatively deprived. One comment was, "*It is definitely not 'Disneywine' like Beaune in Côte d'Or.*" Another participant said, "*When we arrived in the first small village, I felt it was almost like a twilight zone. There is no one in the shops, no one in the houses...It felt strange... Almost like a film set*". Thus, it seems that authenticity is popular and some unpolished beauty sustains the sense of the authentic. However, if the place looks too poor or rough, it loses its charm and must remain authentic yet attractive.

4.2. Hospitality

As Pine and Gilmore (1998) pointed out, it is of utmost importance to create memorable travel experiences. Meeting the locals is one of the key ways of creating a memorable experience (Orsolini and Boksberger, 2009). The students met two local people – a grower/winemaker and a Bed and Breakfast owner. One student commented on the welcome that they received from the local people, "*the experience was very personal*". In terms of wine tourism experiences, meeting the winemaker adds value to and contributes to a more enriching winery experience (Cambourne and Macionis, 2000).

Indeed, the personalized experience of meeting a winemaker truly enhanced the students' perceptions of the region. The winemaker himself received the students, sat with them for over two hours for a free tasting, and described each wine in detail. Different food items accompanied each wine. The food was typical for the Jura region - sausages, bread, and different types of cheese. The presence of regional food added to the entire experience. At the Bed and Breakfast, the owner cooked a traditional meal from Jura accompanied by local wines.

Hospitality was also enhanced by the educational element of the visit. One student made a remark, "*They gave us pamphlets in English that we could read and follow the description of the wines. It was nice to have something visual*". But it was the warm welcome and hospitality that participants mostly commented on: "*These people took us in their businesses and into their homes, they cooked for us*". Local people were perceived as "*most hospitable*".

Hospitality also carried over into the entertaining and sociable atmosphere of the experience. The day that the students shared in Jura was memorable because it gave them an opportunity to socialize with their friends. The students noted that it is due to the hospitality that they received, they felt more relaxed and got to know each other better. One student remarked on the 'fun' aspect of the experience. "*I remember a lot of laughing that day*". The students' experiences were entertaining, educational and social.

The three researchers had similar experiences. In the wine cellars that they visited in Arbois, they received a very friendly welcome. The first visit took place in Henri Maire - a famous winegrower. It is through the advertisement campaign of Henri Maire in the 1950's that the wines from Jura became famous in France through the 'vin fou' ('mad wine') campaign.

The researchers noted that perhaps due to the language barrier, the welcome was a little hesitant at first at various places they visited. But once the staff overcame the initial barrier they became very friendly and hospitable. For non-Francophone visitors here language is definitely a problem; virtually nobody speaks English. Nevertheless, despite poor English, the cellar door personnel, the office of tourism staff, and other service providers were helpful, friendly and welcoming. The cellar visits were all free, which fits the rural village atmosphere of Arbois, but may also lead to more obligation to buy (Kolyesnikova and Dodd, 2009).

4.3. Distinctive Wine Style

Wine has been a key element of the hospitality industry for decades. In a hospitality setting, wine tends to complement culinary experiences (Aune, 2002) and contributes to socializing, relaxation and learning (Dodd, 1995). Wineries play an important role not only as a place of producing wines but also as a place of consumption attracting visitors to taste and purchase wine (Leiper and Carlsen, 1998).

The Jura wines are usually perceived as a bit mysterious and not easily approachable. To get to grips with the Jura wines requires a steep learning curve, as one will encounter unusual flavours. One student commented, "*Jura wines are unique. It is an acquired taste. But when you taste them with food, they taste delicious.*" It seems that a general perception is that matching food and wine is a must with the Jura wines. Another student remarked, "*Combination of vin jaune and comté cheese was the best*". Another one thought the wines were really strange: "*Weird flavour, but I chose two that I liked best and bought them for my parents*". This distinctive wine style is an asset for a region which is starting to attract wine enthusiasts from different parts of the world who seek variety.

5. IMPLICATIONS

It is a recommendation of this research that for the development of wine tourism strategies Jura needs to focus on its unique wine styles and local food and wine pairing, as well as on the natural beauty of its landscape. As this research shows, the wine style is exclusive, thus interesting. Food is another important component of the attractiveness of the Jura region. Comté, morteau sausages and morels are typical for this region and attract gastronomes.

There is an atmosphere of small rural towns with a genuine authenticity in the small villages like Arbois or Pupillin. At the same time, there is also an air of economic fragility, which underscores the potential significance of a growing wine tourism offer for the region. Overall, the service is very friendly, but most people (even at the tourist office) speak limited English. As a student remarked on "*you need a translator. You need to be accompanied by locals*". Either language skills need to be developed or the tourist offer needs to focus overwhelmingly on domestic and neighbouring Francophone markets.

There is a need to offer organized food and wine tours to make the place more accessible for tourists. One student phrased it in this way: "*I wonder though...A random tourist would be lost here. Without the organized trip, I don't think I'd know about Jura*". Likewise, another student commented on difficulty of getting information about the region, "*They need some kind of central place where they would provide information, how to navigate the area? What to do there?*" Accessibility requires a focus on local tourism hubs (e.g. Besançon) and larger cities (Lyon) as well as the neighbouring Swiss market in order to attract visitors.

6. CONCLUSIONS

The relevance of the winescape as a means of understanding consumer responses to the wine tourism offer in Jura is evident. The informants we interested not only in wine, perhaps not even primarily in wine, but also in the built environment and the landscape – as well as the food which comes from that landscape. This is not just about stating the obvious and well-known links between wine, food and heritage for wine tourists (Carlsen, 2006), but the sense of a unique built and natural environment and distinctive villages reflecting the quirky nature of the wines, which in turn seem to match (culturally rather than just organoleptically) the idiosyncratic foods of the area. These also relate to the cultural systems of the area and the producers' role on what they offer (Mitchell et al., 2012), which includes vineyard management, a sense of their own hospitality (especially the indissolubility of the food-wine axis) but also their isolation and hesitance with (for example) developing language skills. However, to develop and refine the exploratory findings of this study further research (quantitative, expanding on the criteria noted by the informants of the study) and qualitative (looking especially at the organisation and delivery of the offer) should be undertaken.

At a practical level, we suggest wine tourism is only one element of an attractive tourism offer. Food and wine tourism should be clearly promoted in combination with the other assets of the region, such as authenticity and beautiful landscape which presents ample opportunities for outdoor activities. Jura has the potential to become a key food and wine destination in the future and an expansion of food and wine tour agencies would spur the development of food and wine tourism.

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Planning Public versus Private Investment: Penedes Wine Route (Spain)

Case Study: An Exploration through the Resource Based View (RBV)

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Abstract:

Purpose: This case is an exploratory study of a particular area to identify emerging issues within the world of wine, including opportunities and challenges. These challenges are framed in the context of a tough financial settlement that has paralyzed public investment to the detriment of private investment. For this purpose, it is estimated that a number of companies (wineries) with similar attributes; through the focus of the Resource Based View (RBV) in order to perceive their future strategies.

Design/methodology/approach: Unstructured, face to face, in-depth interviews with several key players selected. All located in the Penedès Wine Route Area. The study includes five high-end establishments with similar characteristics. This selection has been agreed upon by two semi-public institutions: Consorcio Enoturismo Penedès [CEP] and Penedès Wine Routes in Spain (Rutas del Vino de España Penedès [RVP]). The interviews were performed with the owners / managers of these five wineries, who provided direct answers.

Findings: The study's goal is to address the pressing problems and maximize opportunities especially: management of the financial crisis, declining consumption of wine, efforts to gain more notoriety in domestic markets, and attract new international tourists. Importantly, those relating to the RBV conditions such as resources: valuable, rare, imperfectly imitable, and (dis) substitutability, emerge from this exploratory study. The main features are: tradition / history, territory / climate, perceived product quality (DO Penedès and DO Cava), and services ..., are harmonized to increase the benefit of the growing popularity of food and wine tourism in the area.

Originality/value: Originality and value, in this exploratory study, is manifested in a double feature: first, the study was partially focused on a region, which, despite its long history and tradition, has received little attention in the academic literature, especially in the last years. Secondly, the study adopts the RBV to facilitate understanding of the current issues affecting the world of wine. To date, this limitation is even more pronounced in the wine sector.

Keywords: Wine route, public / private investment in wine, Penedès (wine / region), resources, resource-based, and company (RBV) focus.

1. Introduction

The enotourism business, in recent years, has become an important component of rural development and regional promotion (Hall and Michel, 2002: 69). Wine tourism is consolidating its own market today, most importantly, it is extending into the main wine-producing countries in both the New and the Old World. In this process, in Europe, we must also add the role of some of those centenarian wineries. We can see museums, interpretive centers, or even more recently, the use of a signature architecture linked to hotels and wineries, exceeding the traditional concepts and becoming tourist and leisure products. All this evidences justifies the case study of the Penedès Wine Route.

Among the areas with designations of wine origin, various projects have been carried out to attract tourism interest in enology. We can consider the Penedès along with La Rioja and Jerez: as receiving a growing interest by the public. The Alt Penedès (DO Penedès DO Cava) have opted, in recent years, to offer a range of cultural tourism linked to the world of wine including its production and consumption.

Designation of Origin (DO) ensures the presence of specific grape varieties and not others; wine with a designation cannot be made from any variety to produce a certain type, following preparation protocols and vineyards voluntarily located within the natural region. All these regulations have given rise to a wine product that the consumer recognizes with name Penedès, This name is protected by the Control Board of the Designation of Origin and which therefore ensures a certain quality.

The DO Penedès is the most important denomination of Catalonian wines and one of the most important within Spain. At the same time, it is the area of planted vineyards, the volume of production and turnover, the number of wineries, the variety and the quality achieved for its wines, and for its prestige both nationally and internationally (Costa-Font et al, 2009). The stagnation of many projects in the time period (2009-10 to 2014-15) caused a simultaneous loss of public subsidies, but provoked an increase of private and joint investment. This case study aims to analyze this period, where the harsh economic crisis manifests itself at its highest point in a sector with a destination in the process of settlement and maturity with a strong influence of three large multinational companies. As Medina, X. and Tresserras, J. (2008) argue, we must not forget that this area has a certain proximity to major tourist areas of sun and beach (Sitges and the Costa del Garraf), and the metropolis of Barcelona. This means you are subjected to a multivariate typology of wine tourism customers, those customers are not always homogeneous, as in the case of other similar routes like La Rioja Wine (Martínez-Carrión, J.M. et al, 2010).

Until well into the first decade, all public investments, in its various forms, together with private investments (which are the majority) indicated generous business expectations, especially because banks offered loans with very desirable advantages. In this area, the Caixa Penedès, played a significant: historical, social, and symbolic role. The financial crisis that began with the Socialist Government (2008-2011), was aggravated by the housing bubble, which forced the next government of the Popular Party to seek an important bailout. Banks

were forced into financial restructuring through different channels. In the case of the savings banks, 45 savings banks reduced to only two (March 2015). Specifically, Caixa del Penedès, in 2010, transferred its banking business to SIP⁴ and wound up going out of business.

2. Objectives of the study

This research aims to increase awareness of the emerging wine environment in Spain during the economic crisis. What has prompted some entrepreneurs to invest and upgrade their strategies? There are two business sectors that have "resisted" or at least have "advanced" to ending the economic crisis in Catalonia: tourism and the wine environment. Their relationship is precisely the wine. Both sectors have representatives in their respected businesses with anticipated interests in enotourism industry. The following general research questions are examined:

How has the wine tourism sector reacted against the cooling of public subsidies?

What are the most important resources of the wine tourism industry?

What are the most significant opportunities for / in the wine tourism industry?

What are the major challenges affecting this industry?

This research contains several contributions. First, to address the above questions, from the perspective of industry players, the study contributes to the limited knowledge of academic research on entrepreneurship in a traditional sector such as wine / cava in one of the areas enoturistics pioneers of Spain (Penedès). The answer to the first question is a matter of cause / effect. Employers react first with amazement, then passively understand and that they had to react to those who could invest. Second, the results identified, as consequences, the research may also be useful for professionals as well as academics. Third, the study adopts a point of view based on resources (RBV) of the firm (Barney, 1991; Barney, Wright and Ketchen, 2001; Peteraf, 1993) as a theoretical basis to facilitate understanding of the issues investigated. Thus, the study also contributes, with a very limited sample, the proposal is to adopt the RBV to study the wine tourism industry.

3. Review of the literature

Regarding RBV of the company, according to Wernerfelt (1984), a resource is anything that means strength or weakness of a particular resource that can take different forms, including: brand names, machinery, capital, knowledge of technology within company, effective procedures, contacts with social networks, or contract of skilled high performance employees(Wernerfelt, 1989).

Several key publications have contributed significantly to the development of companies RBV way. This theory is intrinsically linked to the principles of firm resources, heterogeneity in terms of strategies or endowments (Barney and Hoskisson, 1989), immobility as a barrier to entry for new competitors (Barney, 1991), and sustained competitive advantage (Barney, 1991). A comprehensive review of the literature by Barney RBV, Wright and Ketchen (2001) confirms further extensions of this theory in new fields. These fields include entrepreneurship

⁴ SIP (Sistema Institucional de Protección). Also called "cold fusion" of the savings banks. With this figure, the entities are integrated into a superior entity, without losing its own personality.

(Alvarez and Busenitz, 2001), international business (Peng, 2001), human resources (Wright, Dunford, and Snell, 2001), marketing (Srivastava, Fahey & Christensen, 2001), and corporate governance (Castanias and Helfat, 2001).

Barney's work (1991) is very significant for this research. For example, this author explains that companies may own not imitable important attributes, rarity, or non-replaceable. However, those attributes can only be considered when resources help neutralize threats, and maximize opportunities in the business environment (Barney, 1991). The RBV analyzes the sources of competitive advantage, and identifies two scenarios. The first case concerns the heterogeneity of firms regarding "who control strategic resources" (Barney, 1991, p.101). The second hypothesis "that these resources cannot be perfectly mobile between enterprises" (Barney, 1991, p.101), with implications for long-term heterogeneity. The RBV considers the implications of the above assumptions, and helps in the analysis of "sources of competitive advantage" (Barney, 1991, p.101). Under strong resources and sustained competitive advantage, Barney (1991) identifies the following key attributes:

- Valuable resources: When the resources of a firm are valuable, they can lead or promote to an achievement or sustained competitive advantage. Moreover, when the value component is visible, it enables companies to implement strategies that can help improve their effectiveness and / or efficiency (Barney, 1991).
- Rare Resources: companies enjoy a competitive advantage when applied as a strategy, creating a certain value, while it is not applied simultaneously by many other companies. If many companies have a certain valuable resource, then it could be said that these companies have a similar opportunity to exploit the same resource. So, this resource is no longer rare. However, he acknowledges that it is possible that a small number of companies with a valuable resource in a particular industry, can be regarded as a competitive advantage. (Barney, 1991).
- Imperfectly imitable resources: The companies that are characterized by fulfilling this attribute are often strategic innovators, as they may be involved in strategies that other companies do not perceive and cannot be applied, or both, because these companies may lack the resources necessary (Barney, 1991). It is important that the history of the company, although not a strategic innovation can however be a key intangible element with competitive advantage. Moreover, the strategic management literature provides examples made of a unique historical situation now that cannot be imitated or controlled by competitors (Barney, 1991).
- Substitutability: The requirement that "valuable resources must not be strategically equivalent easily either not rare or imitable" (Barney, 1991, p.111.). On the contrary, if companies can acquire such resources, then any sustained competitive advantage is not observed.

Also, Barney (1991) holds up a framework in which both the heterogeneity of firm resources and the simultaneity of the four attributes discussed above, unequivocally, lead to sustained competitive advantage. Specifically, in the cellar and wine tourism environment, we identify a first draft research RBV and its recommendations in a study of Williamson et al, (2012), de Oliveira Wilk and Fensterseifer (2003). These authors, for example, have different situations

"vertical integration of the operations of a warehouse in the value chain of wine" (p. 23). Moreover, Williamson et al. (2012) explain that when the wineries are integrated vertically, management can see that the resource bundles of the wineries associated with the particular case of vertical integration outweigh the resource bundles of wineries that are not vertically integrated in the area administered "(p. 23-24).

In one of the few studies that focus on groups of wine, Fensterseifer and Rastoin (2013) recognize the value of the RBV in providing a degree of integration of the different concepts related to the creation of enterprise value and resources at the cluster level. Fensterseifer and Rastoin (2013) also proposed that the RBV perspective to consider a group as a unit of analysis rather than individual companies. Furthermore, in its investigation, the authors analyze the potential benefits obtained by wine companies of the group. Based on the RBV, these benefits are classified as: institutional, social, specialization, natural capital, and reputation (Fensterseifer and Rastoin, 2013). Finally, Pullman, Maloni and Dillard (2010) consider the RBV when investigating wineries' performance results from sustainability practices, such as water conservation. They realize a business model that prevails among wineries, so the main goal is the production of high quality wines which permits high prices. Moreover, the quality of wine is perceived to be enhanced awareness regarding environmental management, including terrestrial environmental practices in vineyards (Pullman et al., 2010).

4. Methodology

Development processes of the topics were consulted as an object of the study, including research questions. Those studies, for example, examine the resilience in the wine industry (Duarte Alonso and Bressan, 2015). The marketing initiatives that they executed were the strategic answers of the wine companies to a crisis situation (Duquenois, Gurao, and Le Roy, 2010), and the challenges they faced (Chaudhury, Albinsson, Shows, and Moench, 2014). RBV studies adopted from the company in a context of the investigation of wine were also considered (de Oliveira Wilk and Fensterseifer; 2003; Fensterseifer and Rastoin, 2013, Pullman et al, 2010; Williamson et al, 2012).

In February 2015 the Penedès Enoturisme website was analyzed and we contacted: Patronat del Vi i del Cava, Institut del Vi i del Cava, and Consell Regulador del Cava (CRC) [Cava Regulatory Council]. We collected their recommendations and visited, in March 2015, the area. Once we got the first in situ inputs, and following the advice of qualified and the most competent institutions, especially the Institut del Vi i Cava and Consell Regulador del Vi i del Cava, we decided to experiment with the wineries that had opted for a compact design model business (more global). We considered that the heterogeneity of the firm's resources (RBV), could be considered simultaneously with the four attributes suggested by Barney (1991) the result would be able to sustain the competitive advantage. We finally decided on the "compact" model. What do we mean by compact model concept? These are wineries that have invested, not only in opening their facilities to visits, tasting, shops ...and they have gone a step further and have dared to offer accommodations and cuisine. All selected owners have claimed to have been inspired by models of Napa / Sonoma or Australian designs. One

figure shows the difference between a conventional cluster model predominant in Spain and a compact model with more verticality as defined by Williamson et al. (2012).

[Insert Figure 1 here]

The representatives of the six entities contacted accepted the invitation to participate in the investigation. Four of those winery managers agreed to be interviewed face to face in their wine cellar: a married couple own a restaurant in the center of Barcelona; the other owner agreed to send us his assessments through email. Therefore, a total of 7 people were involved (five are representatives of the winery and two are managers). Despite several attempts to get information from other wineries throughout 2015, we had little success and those attempts were discarded. Knowing that the percentage of the sample, unfortunately, does not allow us to generalize the results, interviews with six respondents was varied. The interviews averaged two hours each and were supplemented with a one-hour tour of the wineries, restaurants, hotels and, in two cases, visit to the vineyards, allowing other observations.

The content of interviews and electronic answers were transcribed verbatim by the investigators. In the following sections, textual comments from participants are coded as follows: BC-1 * (Winery Collaborator 1, [*] two co-owners), BC-2 (Winery Collaborator 2), BC-3 (Winery collaborator, 3), and so on. Key features of the six participating wineries show clear differences between them, for example exports were between 2% and 28% of total production for different wineries (2014). One winery employs 48 employees. Three wineries have more than 10 employees. The other two wineries have less than 10 employees. Obviously, these employees are considered fixed contracts and some more are contracted to absorb seasonal needs. The BC-1 is located in the actual town of Sant Sadurní d'Anoia, BC-3, BC-5 and BC-6 are located less than 20km from the center of the village, and BC-2 along with the BC-4 are located in the periphery. Regarding the types of operating systems, there are two wineries (BC-4 and BC-5) where there are little external contracts, and. The European Commission (2015) considered this type of winery is exclusively a family model in different degrees, and all are considered small, except one winery is medium size. The more professional type is the BC-1. The other wineries, have different degrees of outsourcing: production, marketing, etc by external professionals. As for the different strategies presented by Hoskisson Barney (1989), all these wineries manifest different resources (development of the RBV) that are creating competitive advantages (Barney, 1991). For example, the BC-1 has products in their store worth around € 400, 5 types of cava, three white wines, one red wine and one sweet wine (their own brand). Regarding their restaurant services and accommodations, they have average prices and overnight stays in high season are really high. Their website is very interactive and has notoriety, and is in five languages. The BC-2 has prices and facilities that are more luxurious and their strong point is the SPA and accessories. Their vineyards produce 3 types of red and 2 white wine. They seek a stronger position in the international premium market. The BC-3 offers 8 types of cava from the Penedès region, 8 red wines, 6 white wines, 4 rose wines and maintains a wide range from different DO in Catalonia, Spain and other countries, its strength is its enogastroturism (marriage between wine and food). This model is oriented to domestic customers and has good acceptance in social networks. BC-4, only presents its own products: 7 types of cava, one white wine and one red wine. Its additional strong point is that it offers visits by: balloon, helicopter or plane,

taking advantage that it is close to a sports airfield. It has an attractive website. The recent BC-5 conversion through strong private investment, is characterized by its own products (more than 10 types of cava, 4 white wines, 3 rose wines, 7 red wines, and 2 sweet wines). Their prices range from € 6 to 80 €, one exception, a cava sold for € 100 last year. The case of the BC-6 is similar to the previous winery but with less than half the wines and a higher price range. Their website is basic.

5. Results

We wondered how long had the winery been in existence. Participants' responses indicate that: BC-3 BC-4 and BC-5 are centuries-old, BC-2 and BC-6 have little over a century of existence and BC-1 is an innovative concept from the viewpoint of architecture and functionality. It opened ten years ago, even though the vineyards and wineries had changed owners several times through the years. According to participants, all originating wineries produced mainly still wines; however, the production of cava in the region started several centuries ago by hand. DO Cava in Spain was created in 1991. All the participating wineries continued their production of still wines and also produced cava simultaneously. These arguments in history and tradition are reinforced even more in the following comment from BC-4: "We have 350 years of history, 70 of which have been in the production and bottling of cava"... BC-5, explained that the winery is owned / run by the 14th generation; this winery already existed in 1666, and produced its first sparkling wine in 1884. Similarly, BC-3 stated that "our first bottle of sparkling wine market was produced 120 years ago. "The strategic importance of the history of the wineries is also featured by Getz and Brown (2006) when referring to different regions of Bordeaux and Burgundy "castle-name brand" (p.147). Similarly, as Gade (2004) notes the historic importance in French viticulture, it is associated with both experience and extensive knowledge. (Serrano, D. 2015)

Another important resource, which conforms to the function of immobility and heterogeneity, is represented by the municipality of Sant Sadurní d'Anoia, where we have said that most of the cava is produced in Spain, BC-5 one of the oldest wineries states, "here we have the climate, which is ideal for grape production," adding "we only focus on ... native varieties: Macabeo, Parellada, and Xarello ... we want to remain faithful to the origins of the product and the territory ". BC-1 is a producer of higher-end cava (Reservas and Gran Reservas) and of course wine, recognizes the heterogeneity of the cava industry "our crops develop with no large changes thanks to a microclimate in this region. We harvest grapes at their optimal stage of ripening, without external manipulation (for example, no addition of sugar)". Apart of the appearance of the product, there is an overlap between owners: BC-1 and BC-2. Both explained that the idea of building a compact complex had its benchmark on a trip to Australia made almost 10 years ago. BC-1 states: "... When we saw the advantages of publicizing the product as part of a wine-tasting visit, with contact the terroir and having high-end dining experience ... we had doubts about hotels and accommodation. Fortunately, we received a family inheritance and with great effort, in the end, we decided to add accommodations... "BC-2 tells us," I made a professional tour of Napa Valley. When we finished the formal aspects and saw those wonderful wineries with SPAs, we canceled the return ticket and took a week to inspect the area, and added, it was like a dream that I really

wanted to do. It ceased to be a dream. When my father gave us [two brothers] in 1998, S-XVIII century farmhouse ... The reforms lasted five years and, almost ruined us."BC-3 has been a part of operating a vineyard for over a century. The size of the operation was limited, however its nuclear business is an old restaurant (inn) at a crossroads. He explains: "We've always had visits to the vineyards and the wineries, but we wanted to expand to a worldwide business, and take a step further and risk an additional project to expand the restaurant ... in terms of accommodations, at the moment, they are closed. It is our next goal to open those accommodations, the advantage is that we already have some rooms, the downside is that we invested our savings, knowing public subsidies can die before us ... " BC-4, has a very special appeal, the winery is close to a sports airfield (with a use agreement) and the added value of panoramic balloon trips. Next, the restaurant space is not open if not with prior demand. BC-4 says: "The crisis has forced us to close the restaurant. We had a fabulous chef and a great team.... Clients gradually stopped coming ... We tried opening on weekends ... until we had to stop. A year ago, we subcontracted to new system that allows us to use the restaurant for banquets and weddings ... increasingly MICE tourism is encouraged, if it continues, we could consider reopening the restaurant". BC-5, apart from having the widest range of products, has resolved the issue of accommodations, reconverting an old family owned castle into a comfortable leisure space (with a SPA) and multipurpose rooms. Finally, they converted an old oil mill annex to a brasserie: "While the business was not doing well we rented the property to different people. However, that did not work out well. We decided to adapt and transformed it into brasserie and chill-out. Now, this place is used for filming commercials. Several celebrities have passed here like: Shakira, Messi, etc. "BC-6 the main claim is definitely enoturistic:" ... an original experiment, is spending the night in "dry stone barracks put up in the middle of the vineyard" [Aboriginal artifacts of older garrisoned villagers to protect them from cold or storms, also to store farming tools and supplies]. These buildings have aroused a lot of ethnographic interest in the area. Although it has generated controversy among defenders they have left the items as they were and give them a commercial use. However, these buildings are on private land and heritage assets management considers low public impact. In any case, it appears to represent an added value, and, potentially an immobile heterogeneous following the discourse developed by Barney (1991).

6. Discussion

The results, particularly in relation to opportunities for the wine tourism industry are strongly aligned with the conditions attached to the valuable and competitive elements targeted by Barney (1991). A summary of the findings, the addition of RBV and differential contribution offered by the cava is presented in Figure 2.

The suggested association is evident with respect to the heterogeneity and immobility of resources, two fundamental aspects mentioned in the RBV literature, e.g. Peteraf, (1993), while the main product, the cava is produced by all the wineries. Each of these companies may have a different business philosophy, and even in terms of products, each focusing on a wide range of products, while others, in a large part, of limited range, or only in high-end products cava. There different varieties of cava, with different geographic locations, different microclimates; moreover, despite trying to SMEs, there are different levels of quality,

production, and services to wine tourists. However, each is seeking there general idea of communication on the basis of their business philosophy, we can even rank their website depending on the type of customer that "scans".

[Insert Figure 2 here]

The attributes of Barney (1991), and its alignment with the results presented with the following statements: Valuable resources: Arguably, in the context of this study, the municipality under investigation (Best wine / cava from Penedes) a) where the grape varieties used in the production of Cava are generally of Macabeo, Xarello and Parellada varieties, this combination is a valuable resource. Similarly, the production process originally inspired by the region of Champagne (Cava Institute, 2015) and adapted for centuries or decades to develop the character and identity of wine Cava. Other less prominent valuable resources (due to sample size and the wineries) are the presence of high-end sparkling wines, or the development of new jobs through the Halal and Kosher certification and certified organic products sparkling wine identifies additional valuable resources to the Cava industry. Most importantly from our interest in this study: the perception of "supporting role" and the growing importance of wine tourism and gastronomy (complementing the consumption of cava) are the leading ways of improving valuable resources.

Rare Resources: The high concentration of companies with DO Cava, from micro to large, in Sant Sadurní d'Anoia area, about 80 companies, according to some participants, is a scarce resource that cannot be easily replicated in other small municipalities. If we include the high-end products and educational experiences, it could be used to enhance the brand image and reputation of cava. Similarly, climate and geographical environment of the region represents a scarce resource in the context of the production of cava. These circumstances, closeness to the coast and the proximity to Barcelona, wine/cava tourist Routes increase the imperfectly imitable resources.

Imperfectly imitable resources: The conditions described above have allowed, despite the crisis, to build "compact" wineries with private initiative, some high-end expectations (two of six in the sample have a SPA). This allows important implications for the reputation of the wine tourism industry and therefore represents a further step as imperfectly imitable resource.

Substitutability: While other prominent sparkling wines (Champagne, Asti Summate, Blanquette de Limoux), the Cava wines have become the "Spanish Champagne" (Cava Institute, 2015). However, in order to continue building its brand image and attract future consumers, we must strengthen the perception of value, including promotional efforts and creating content on social networks. The Barney (1986) argument seems to fit in this context.

7. Conclusions

Improvements in cava wines from the DO certification Cava in the 80s and weak but progressive development of the wine tourism industry in the area, shows that the worst of the crisis had passed. It seems the crisis, the financial collapse and closure of the Caixa de Pensions del Penedès in the territory affected big companies and small companies differently. Private initiative and winemakers perseverance with certain resources, has uncovered a

peculiar vitality within the area that deserves to be analyzed by the academic literature. The collection of perceptions of the representatives of the wineries that have opted for the "compact mode" of wine, as well as perceptions of official institutions such as the Institute of Cava, have been essential for analysis despite the small number of wineries. The transcendental topics investigated were key resources within the wine industry, and the opportunities and challenges using the RBV theoretical framework. The overall results highlight the importance of tradition / history and the uniqueness of the territory (for example, climate, and use of local grape varieties as key resources). The strategic efforts were extracted to explore opportunities and position for their products and services. Consequently BC-1 to BC-6 are gaining acceptance and recognition both nationally and internationally. Many entrepreneurs have realized that the crisis must be diversified and not be so dependent on the domestic market. The usefulness of the method RBV to investigate current issues in the wine industry is also demonstrated. The study results appear to align with the RBV literature, particularly with the attributes analyzed by Barney (1991), namely: valuable, rare and imperfectly imitable resources and difficult to replace.

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Figure 1- Differences between the dominant cluster model in Spain and the compact model with winery influence from the New World. Original elaboration.

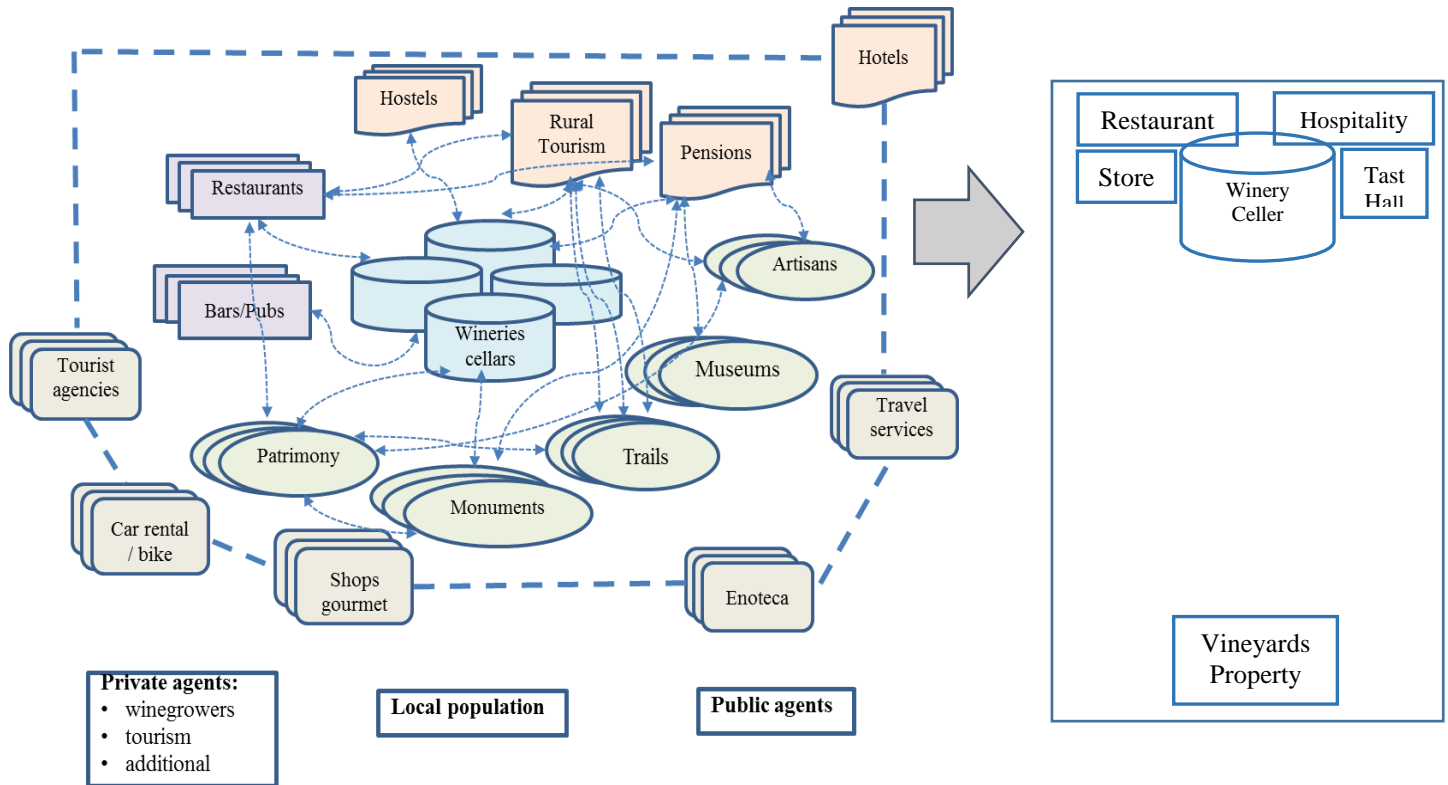
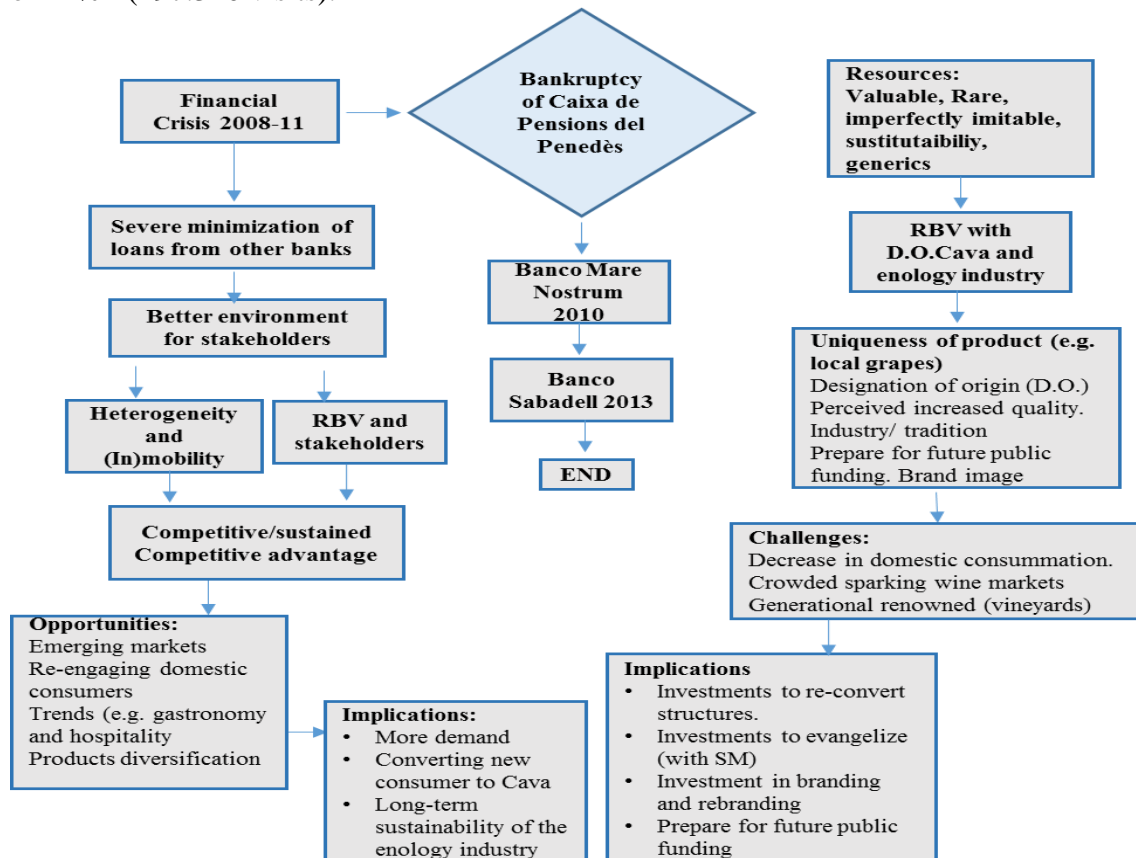


Figure 2 - Ranking of visitors to the Spanish Wine Routes. Most recent data from 2015 confirms that Penedès Enoturismo continues to be the leader in wine tourism with an increase of 11% (497.310 visits).



Case Study: Heritage of the Priorat

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Abstract:

Purpose: The purpose of this case study is to promote the entrepreneurial skills of business students in the field of strategic tourism marketing. The case refers to the renowned wine region of Priorat in Catalonia (Spain) and shows a cause - effect situation in the framework of the deep and long crisis that Spanish economy is suffering since 2009.

Design: Methodologically it is a case study based on the information gathered from interviews conducted with the main economic players. The case provides students with the necessary documentation on the relevant companies and their strategies. The aim is to learn from the initiatives that have arisen and that have reversed the wine region situation in a few years.

Findings: Main findings obtained by working in the case are related to understanding and analysis of the following issues: entrepreneurship and marketing of small tourism businesses in a local environment, the strength of an international brand (The Priorat) and its capability to attract customers (the case focuses on tourists).

Practical implications: Learning from selecting strategic options; capability to differentiate primary concepts from secondary actions in order to prioritize; business policy implications of global versus local; advantages and disadvantages of this duality and obviously the process of searching, selecting and analyzing business information from different sources in order to take decisions.

Keywords: Entrepreneurs, enoturism, Priorat (wine/region), wine sector

Introduction

The Priorat is a region with a long wine tradition that throughout the twentieth century entered into a process of decline that pointed to its disappearance. A group of entrepreneurs, mostly from outside this region, generated, in the late eighties, one of the most radical regional transformations, making it one of the best known and prosperous region for the quality of its wines. The new entrepreneurs promoted the implementation of wine knowledge, with the use of more advanced productive and organizational techniques in winemaking and also business skills and management that they created for the international recognition of Priorat's wine. The wine region of the Priorat is an example of global and local success, where modernization of a traditional local industry has reached an international impact.

The Priorat of XX Century (Since the appearance of the pioneer group to the consolidation of innovation cluster)

It was in the late 70s when René Barbier Ferrer, a young winemaker, bought a small farm nearby hillsides of Gratallops (small village at the Priorat) where he planted vines of Grenache, Carignan, Cabernet Sauvignon and Syrah with the idea of making wine, although initially in a bohemian way and against the currently trends. In this adventure to enhance Priorat was accompanied with a small group of friends, namely Carles Pastrana Icart, Jose Luis Pérez Verdú, Daphne Glorian, and Alvaro Palacios Muro who joined later to the team (see biographical notes in *Appendix I*). The original idea of this project was much more adventurous than real deal. In fact, the first wines were produced sharing their facilities where everyone brought their grapes and wine elaborated wines of Burgundy style. Without looking, what it began as a simple adventure ended in a resounding success.

This small group of entrepreneurs, mostly from outside the region, but who knew about Priorat and its long wine making tradition, raised the enormous potential offered by this land to produce wines of great quality. These five entrepreneurs started their projects without large investments because of regional devaluation of farms and vineyards, and with the possibility of using established structures of farm cooperatives as products and services' suppliers. Moreover, it should be noted that this sectorial recovery would not have been without the continuous winemaker's tradition that despite the difficulties experienced in the past decades managed to keep the traditional legacy of exemplary wines (Figueras & Calvo, 2003).

They regained old vineyards, settled their wineries there, produced their first wines and sought recognition in international markets and to their main prescribers. The ability of innovation and their vision focused to international markets had as a result the international recognition of its quality wines. These early successes attracted new investments and this is the main reasons for the success reaching Priorat wines from mid-the nineties. This will entail the fledgling tourism related to wine.

At first, the groups of entrepreneurs had a vision but no formal plan. But, the strong motivation and commitment of the team with the project made it succeed. Each of the team members provided training and different skills, but complementary, which enriched the

members as a group, both aspects are key to propose innovations. Spontaneously they began their project with an exploratory stage. It was focused on knowledge creation phase, experimenting with new varieties in order to understand how different strains react to different terrain features. They proposed bold combinations, with the idea that the wine acquired nuances that make them excellent. It is an "exploration" stage, rich in changes and innovations, where they also developed techniques, tools and work processes that will accompany them for the rest of their productive career. Another key was their competitive vision of selling their products in international markets, it was necessary to compare the products in the demanding international markets.

In 1989 came the first results, the production of the Clos Mogador wine, René's property. Although there were only 240 bottles, everyone agreed that the result was a very special wine, linked to their own land features. They decided to launch it in the international market and sell it at a reasonably high price (€9) for the Spanish market, considering that this wine was completely unknown at the time. For three years (1989, 1990 and 1991) they gathered their vine productions and produced their own wine at the winery (Clos Mogador) and marketed it under five different names: Clos Mogador (René Barbier); L'Ermita (Alvaro Palacios); Clos Erasmus (Daphne Glorian); Clos de l'Obac (Carlos Pastrana) and Mas Martinet (Jose Luis Perez). Among them emerges a clear identity. They called themselves as "closes", in a clear reference to the origin of their adventure, the Clos Mogador cellar.

A particularly significant event was when Christopher Clark, a British expert of recognized standing, became interested in the fame that a new wine of Priorat had achieved and went to visit the region to know more about it. He recognized the good qualities of wine produced and commented about it to an important US wine critic called Robert Parker, who is a key sectorial reference. The latter assessment was very positive, such as in the mid-nineties L'Ermita's wine, produced by Alvaro Palacios, was considered as the best wine in the world (1991). In the history of the Spanish viticulture, this has been the greatest recognition that a Spanish wine has ever gotten. Soon, the Ermita became the most recognized Spanish wine in the world and also the most expensive. If in 1993 a bottle costs \$295, ten years later the price reached \$420.

Interestingly, the same year that Robert Parker's good news happened, the "closes" group disbanded and its members decided to continue each one independently. Despite this separation, it was the beginning of regional development, where the pioneers made a real effort to convince the natives to produce wine again. The Priorat case shows how the original effort made by a small group of five people transcended to community. It is an example of how an entrepreneurial venture is capable of mobilizing an entire region with exceptional results, not only for the pioneers, but for the entire region. That is why this case allows us to analyze the entrepreneurial activity focusing on a collective perspective, and not just individually.

As a result of these initiatives the Priorat suffered a huge transformation in just a couple of decades. Between 1985 and 2006 nearly doubled the population rising from 4845 to 9976 inhabitants, the unemployment rate reached unimaginable figures in Spain, of 1.1% in 2006,

i.e. virtually full employment. And productive activity focused on wineries, multiplied by 20 between 1985 and 2006, from 3-4 to 70 cellars. *See Exhibit 1.*

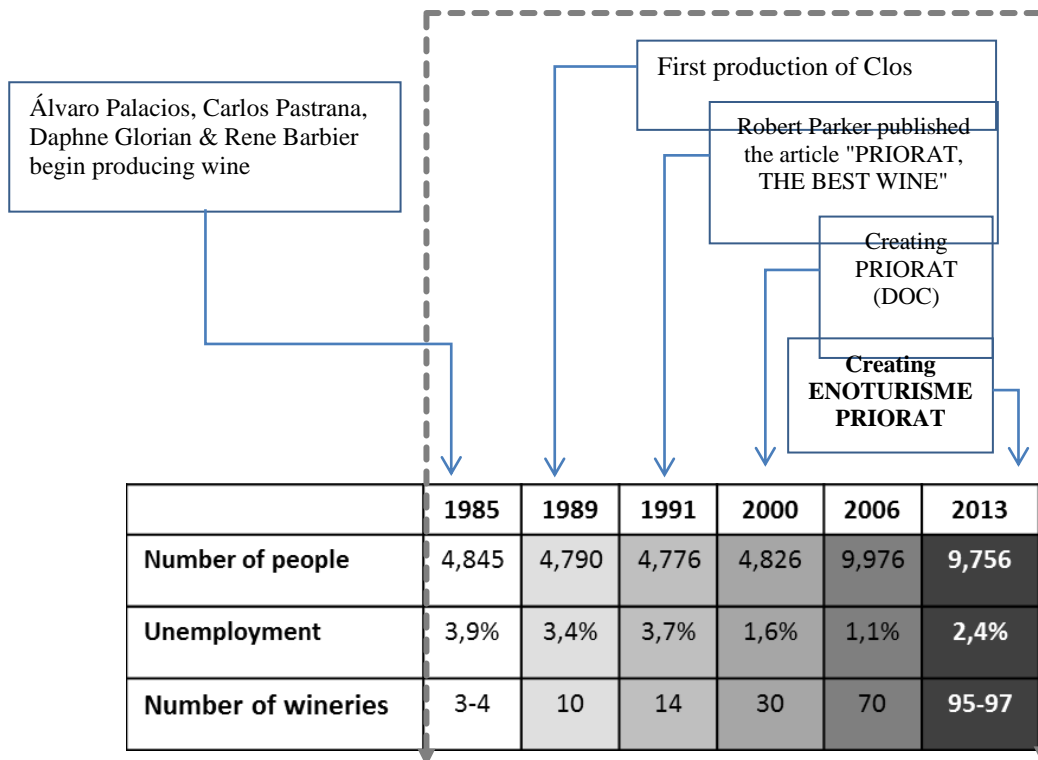
Behind the footsteps of these five pioneers, they came new initiatives from both foreign and native people and with a variety of links with the world of wine. Not only projects for wine production were developed, but also linked to the incipient tourism. With this second wave of new entrepreneurs, it was clear that something had changed in the region.

Then, the pioneers realized that it was necessary to maintain a quality level of regional wines if they wanted to maintain a regional image without seeing harmed by an excessive variety of qualities. And, also, they were aware that a market does not work without competition. So they were responsible for creating its own competence since they realized that alone would not achieve anything. They invited other winemakers to elaborate on the land, helped them to search some estates and provided space in their own cellars if they needed.

So they began to spread, now individually, their discoveries to their farming neighbors to try to convince them to plant new varieties, given the growing demand the new wines were having after their first successes. However, this task would not be easy. The survivor's farmers in a depressed region were extremely conservative, distrustful and skeptical about foreigners' proposals. To try to overcome this challenge, they focused their actions on three mechanisms to facilitate the transition: the discourse based on "terroir", the objective delimitations, and the brokering function. The pioneers generated a discourse based on "terroir", in the goodness of soil, the need to care for and preserve it. All these arguments connected with the sensitivity of the locals, who for generations had been linked to the same field. They opted for a step by step process, defining objectives at each stage. In addition, after making some presentations, using data and schemes, addressed to farmers, they realized that the diffusion of their knowledge should be based on practical teaching in the field. So they shared many hours working with their neighbors trying to convey the knowledge acquired during their exploratory phase. And finally, they adopted the role of brokers, buying grape production obtained with the new strains (Wenger, 1998). Finally,

Exhibit 1. Data of Priorat regional transformation

Source: adapted from Bou, E. et al. (2009) and DOQ Priorat (2015)

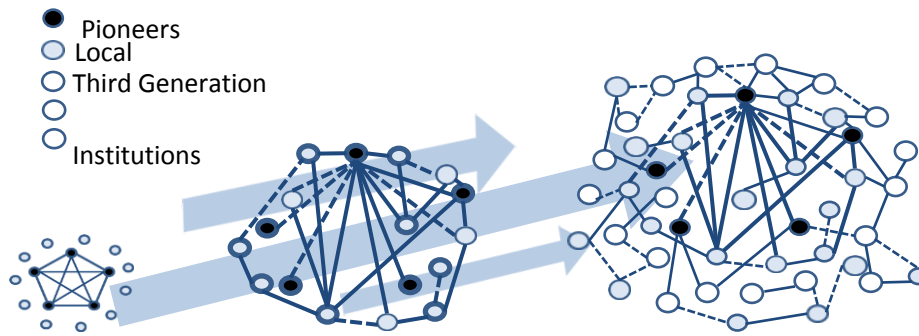


an element that has improved collective feeling and community dimension of Priorat has been spreading of “closes” story, narrated among neighbors and farmers like a legend linked to the goodness of land (Czarniawska, 2004). The success of Priorat wines attracted a third wave of young winemakers, with names like Christopher Canan, Luc Van Iseghem, Josep Puig, René Barbier Meyer (Junior) and Sara Perez Shepherd, Josep Maria Albet, Dominik A. Huber, Eben Sadie, Raul Bobet and Sergi Ferrer-Salat, seeking their place in quality wine market.

This period coincided with the development of wine industry in so-called "New World countries" (United States, Australia, New Zealand, Argentina, Chile and South Africa), where processes were developed following a much more methodical research, related to product and process innovation, and designing communication campaigns to attract consumers who do not know the wine world (Getz & Brown, 2006). This has expanded the market for wine to the consumers and, in turn, even more to consumers who had a great interest in wine culture. In this sense, wine plays an important role as a mechanism for communication and promotion of the wine culture in most of these countries and, therefore, has created some models and references that have been imitated across Europe in traditional viticulture areas such as France, Italy and Spain. (Gazquez, Huertas-García, Vázquez-Gómez, & Casas Romeo, 2015). See Exhibit 2.

EXHIBIT 2. Evolution networked cluster: successive phases

Source: based on Bou, E. et al 2009



In short, the Priorat is an example of what has been called knowledge economy (Brown & Duguid, 2000). According to this theory, the knowledge cannot be shared if previous experience is not shared and this kind of knowledge is acquired; thus, a communication channel is created and allows sharing knowledge. When these kinds of experiences are moved in the environment, where members of business or different organizations perform the same activity, they are called networks of practice (Berry, 1990). Relationships speed up this type of process. Perhaps it is interesting to analyze other wine-growing areas such as the area of the German Rhein, the Swiss Valais, the Alto Douro in Portugal, Aosta Valley (Italy) or the same Borgonya in France, since they are comparable to the conditions of viticulture of Priorat and therefore with the tourism environment.

To understand how this challenge was faced in the region El Priorat, as discussed above, three elements were identified that enabled the spread of knowledge, learning and innovation. These are: the discourse of “terroir”, the existence of boundary objectives; the brokering or intermediary function, and the narrative of this story.

So far we have described the recent history of the Priorat, but what will the future be?. Practically there are not lands left for newly planted vineyards, due to the creation of a natural park. Therefore, the only activity that can be performed in a future is service. For example, the wine tourism. The spontaneous fame that reached Priorat wines in the nineties awoke interest in people to know where the origins of these wines are. New investors were devoted to rehabilitate houses, build hotels and restaurants, etc.

It appeared an emerging tourist industry which enjoyed a privileged position that only lasted around two years. Since 2009, Spain entered into a severe crisis resulting in a drop in demand, particularly for products and services considered luxury such as tourism, especially in domestic markets and international markets to a lesser extent.

However, many employers understood that the Priorat had a sufficient attraction, may it be: historic, cultural, wine heritage, and were confident that tourism would flow with initiative and promotion again, in the not too distant future. On the other hand, they were proud of the epic tale of the group of entrepreneurs (some of them were leaders in their specialties, formed as a pressure group) that did emerge united with self-esteem. That is, the most important cluster group is institutionalized and streamlines the potential of entrepreneurs with private initiative. In any case, the adoption of a specific network structure and business strategy depends on the characteristics and profile of its components (Caffagi & Iamicieli, 2010).

A CAME⁵ proposal from the SWOT analysis for future development Priorat

The first part of this case should inspire the SWOT analysis and build its complement CAME (Correct, Affront, Maintain, Exploit):

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Historic winemaking tradition. • Environmental and scenic value. • Importance of winemaking operations. • Investment effort. • Only 2 DOQ in Spain: Rioja and Priorat. • High quality of the wines. • High recognition by the consumer. • Prices competitive sale. • Export orientation. 	<ul style="list-style-type: none"> • Reduced dimensions of the vineyards. • Low yields of the plantations. • Confusion between the DO Montsant and DOQ Priorat • Reduced volume of some wineries • Low volume of exports. • Lack of a clear position. • Reduced presence in the domestic and regional market.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Linking wine culture, tourism, nature and the environment. • Consumption growth in non- 	<ul style="list-style-type: none"> • increasing competition from the countries of the "new world" • Decrease consumption. • Increased consumption of substitutes. • Increase the size and bargaining power of large retailers. • Increase in retail prices. • Anti-alcohol culture. • Uncertainty about possible legislative changes.

⁵ **Correct-Weaknesses.**- Reorientation strategies, **Affront/Address-Threats.**- Survival Strategies, **Maintain-Strengths.**- Defensive Strategies, and **Exploiting-Opportunities.**- Offensive Strategies.

<p>traditional countries.</p> <ul style="list-style-type: none"> • Growth in the consumption of quality wines. • Possibility of sales growth in the regional market. • Ability to attract new consumers. • Consolidation quality mark "Priorat" as a region (the sum of the two appellations). • Development of distance selling (wine clubs and online stores) 	
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In this regard, proposals made by students should be scored by the different disciplines: entrepreneurship, marketing, decision making, strategic management, etc.

To do the case: historical, socio-economical, and wine tourism knowledge is previously required. Below there are some Web sites (they are in several languages) that students can consult: <http://www.prioratenoturisme.com/en;> <http://doqpriorat.org/en/contingut/doq-priorat;> <http://www.domontsant.com/en/page/about-us>

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“Appendix I - Biographical notes of the initiators of Actual Priorat

René Barbier, born in Tarragona in a family of French origin, winemakers and wine merchants established in this city for three generations. His training started in schools and universities in France (Burgundy, Limoux and Bordeaux). He vinified white wines in Alsace, he worked for Moueix. His first professional job was in Spain, as a distributor and trade in Bodegas Palacios in Rioja, between 1976 to 1979, with his wife, Isabelle Meyer, bought an abandoned farm in the Priorat, which laid the groundwork for the future of Clos Mogador project planting Garnacha, Carignan, Cabernet Sauvignon and Syrah.

Carlos Pastrana, born in Tarragona in a family without wine tradition. In 1979 he decided to go and live in Priorat area, to promote the development of modern wines and take advantage of the full potential of Priorat's wine. Childhood friend of René Barbier, bought in 1984 a farm and recovered the land for growing grapes. So that's how the project Clos de l'Obac started, whose first release in 1991 was already ranked as one of the hundred best wines in the world by the World Wine Guide.

José Luis Pérez, born in Alicante. He emigrated to Switzerland to work and, he studied Human Biology at the Universities of Zurich and Geneva. He was working as a teacher near Barcelona when he arrived with his family to the Priorat (1981): To work with his wife, Montse Ovejero, as teachers of biology at the Vocational School of Falset, of which he became principal. Falset School was the first center in Spain to impart the specialty of Viticulture and Enology. There Pérez Verdú came into contact with the world of wine. He began to travel to France, Switzerland and Germany looking for information and contacts with wineries and wine organizations. In 1986 he met René Barbier, bought his first vineyard and initiated the first steps of what would be his Clos Martinet.

Alvaro Palacios, the youngest of this group of pioneers. Enologist belonging to a family of winemaking tradition of the Rioja (Bodegas Palacios), was formed in Bordeaux under the trainer of Jean Pierre Moueix, where he learned how they elaborated some of the premium wines of the world. He set out to do something similar in Spain, and after visiting several wine regions he discovered Priorat, (and was in René Barbier's hands and, had worked in the cellar of his family). When he was twenty-five years old he began to make his wines in Priorat, collaborating with other pioneers. His first wine is the Clos Dofí and later will appear L'Ermita.

Glorian Daphne, of Swiss origin and married to American importer Eric Solomon. She had always worked in the wine industry for different processors and importers, and met René Barbier and Alvaro Palacios in a wine fair in Orlando. In 1989 she moved to the Priorat and develops her Clos Erasmus, although she was still working in the import company of her husband and was constantly traveling to leverage her knowledge of international wine markets.”

Segmentation of visitors in a German wine-growing region: The Rheingau and its tourists

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Abstract:

Purpose - The purpose of this consumer study was to examine demographic and behavioural characteristics, as well as the motivation, of tourists in the German wine growing region Rheingau using a segmentation approach. Also the purchasing power of wine tourists was modelled and calculated.

Design/methodology/approach - A face-to-face survey was conducted between April and May 2015, a total of 1,555 tourists were interviewed at 18 different locations in the Rheingau.

Findings - Four wine tourist types were identified by using cluster analysis: 1) Wine and Rheingau lovers, who have a high interest in wine and visit the region several times a year; 2) wine-oriented tourists, who use the culinary offerings of the Rheingau with pleasure but do not come to the region very often; 3) new visitors, who come to the region mainly because of the nature and history; and 4) foreign tourists, who have less knowledge about the Rheingau and buy less wine in the region.

Practical implications - Using the purchasing power calculation, winemakers in the Rheingau can gain a clear picture about the importance of tourists. Although the region has not had serious problems with tourism recently, a new communication strategy should be prepared for new customer acquisition and to strengthen customer loyalty.

Keywords: Wine tourism, Germany, Segmentation, Survey research

1. INTRODUCTION

As one of Germany's smallest wine-growing regions, the Rheingau valley has nevertheless become one of the best-known regions by uniting history, tradition and modernity in a high-quality way. Many of today's upcoming or already well-known German wine estates are located in this area of around 3,000 hectares. It is thus not surprising that thousands of people and oenophiles visit the Rheingau, making its wines and landscape popular and representing the basis for a developing event and tourism industry. In volume terms, about 660,000 day tourists and 340,000 overnight tourists are attracted by Rheingau's landscape and wine culture every year (Hessisches Statistisches Bundesamt, 2015).

Although the Rheingau is an important and highly frequented tourist destination, there has not been an extensive survey on the different characteristics of the nearly 1 million tourists, their needs, the reasons for visiting this region or even their involvement in wine. Therefore, the purpose of this consumer study was to examine the demographic and behavioural characteristics, as well as the motivation, of tourists in the Rheingau using the segmentation approach. In addition, based on the results of the survey, the importance of tourism for the local wine industry in form of purchasing power was calculated.

2. LITERATURE REVIEW

There is a substantive body of wine tourism research (Grybovych et al. 2013; Molina et al. 2015) that can be traced back to the study by Hall and Macionis (1998) who segmented wine tourists in Australia and New Zealand by psychographic characteristics. It is beyond the scope of this conference paper to conduct a complete review of the existing wine tourism literature.

All studies agree that there is no stereotypical tourist and that wine tourists should not be treated as a homogeneous group. Various criteria have been used in the wine tourism literature in order to segment the respective markets. The studies used different variables to identify consumer segments. Demographic variables such as age, gender, income and education (e.g. Tassiopoulos et al., 2004), nationality (Alonso et al. 2007), along with psychographic characteristics like interest, involvement, motivation, attitude and behaviour, cultural values and lifestyle (e.g. Chen and Sasias, 2014) were used for segmentation.

This is the first study to identify consumer segments in a German wine growing wine-growing region and well-known tourist destination and will base the method on previous wine tourism research.

3. MATERIAL AND METHODS

Data for this survey were collected using a questionnaire based on previous surveys (Tassiopoulos et al., 2004; Alonso et al., 2007; Marzo-Navarro and Pedraja-Iglesias, 2010; Grybovych et al., 2013; Szolnoki et al., 2014) and on expert interviews with members of the Rheingau Wine Growing Association and the Rheingau Touristic Association. The questionnaire contained items related to length of stay, mode of travelling, accommodation, traveling motivation and satisfaction with the cultural programmes in the region. In addition, information on the demographic, socioeconomic and behavioural characteristics of tourists was also gathered. In the framework of a face-to-face survey, a total of 1,555 tourists were

interviewed in the Rheingau during the period of April and May 2015. In order to ensure that the study was as representative as possible, 18 well-frequented places located in the middle Rheingau were selected in advance with the help of the Rheingau Touristic Association. Since the aim of the survey was to interview ordinary tourists rather than special wine tourists, we focussed on more general locations.

For segmentation, we used both categorical and continuous variables, therefore – like in Chen and Sasias (2014) and Cho et al. (2014) – two-step clustering was applied to classify the participants of the survey into homogeneous groups according to their attitude to the region (Backhaus et al., 2011). We used the χ^2 test as an ordinal penetration measure to test the differences of the segments in terms of sociodemographic and behavioural profiles. For metric responses, factorial analysis of variance was used and post hoc effects (the Tukey-b test) were estimated, affording analysis of the significant differences between the segments.

4. RESULTS AND DISCUSSION

4.1 Segmentation of tourists in the Rheingau

As a first step, a two-step cluster analysis was conducted. Active segmentation variables were defined based on previous studies. In their study, Alonso et al. (2007) investigated the difference between domestic and international visitors; therefore, we selected nationality (German or foreign) for our clustering. In Molina et al.'s (2015) research, the visiting frequency of various Spanish wine regions was analysed, while Tassiopoulos et al. (2004) investigated the visitation rate to wineries. Based on these studies we added the visiting frequency to the Rheingau (for the first time, less than once a year, once a year or more) to the segmentation model. In order to calculate the purchasing power of the different segments later on, we also integrated the amount of purchased wine in the Rheingau (number of 0.75 l bottles bought during the stay in the region). In total, eight cluster solutions were tested. Finally, the four-cluster solution with the highest Silhouette measure of cohesion and separation value of 0.6 was selected.

Table I. General profile of the segments

Characteristics	Wine & Rheingau lovers	Wine-oriented tourists	New visitors	Foreign tourists	Test
	n=310	n=372	n=534	n=314	
<i>Nationality %</i>					1500.19*
German	98.0	100.0	100.0	0.0	χ^2
Foreign	2.0	0.0	0.0	100.0	
<i>Visiting frequency %</i>					2788.10*
For the first time	0.0	0.0	49.6	56.7	χ^2
Less than once a year	0.0	0.0	50.4	24.5	
Once a year	0.0	41.4	0.0	4.1	
2–3 times a year	0.6	58.6	0.0	9.9	
4–6 times a year	47.7	0.0	0.0	1.9	
More than 6 times a year	51.3	0.0	0.0	2.9	
<i>Amount of purchased wine</i>					48.48**
Wine purchased in Rheingau	16.5 ^a	10.0 ^b	5.8 ^c	3.9 ^c	F

Note: * $\chi^2 = p < 0.05$; ** Sign. Tukey-B test

Table 1 shows the profile of the segments in terms of the active segmentation variables. According to this table, a clear structure of tourists in the Rheingau emerges, as follows: 1) Wine and Rheingau lovers, who visit the region very often and purchase a lot of wines there; 2) Wine-oriented tourists, who visit the region frequently, but not as often as the previous category, and purchase 10 bottles in total; 3) New visitors, who have come for the first time or rarely visit the Rheingau and their purchasing power is at an average level (5.8 bottle); and 4) Foreign tourists, who do not visit the Rheingau very frequently and purchase the least wine in the region.

4.2 Sociodemographic profile of the segments

To describe the segments' sociodemographic structures, cross-tabulation was employed to determine the significant differences that exist among the segments. Table 2 illustrates the analysis of sociodemographic factors and the χ^2 test. Generally, the proportion of male participants in the study was higher than average, but there was no significant difference between the segments in terms of gender.

Table 2. Sociodemographic profile of the segments

Characteristics	Wine & Rheingau lovers	Wine-oriented tourists	New visitors	Foreign tourists	χ^2
	n=310	n=372	n=534	n=314	
<i>Age %</i>					14.45*
Gen Y	36.7	33.2	37.0	26.1	
Gen X	21.0	27.1	23.2	26.1	
Gen BB	42.3	39.7	39.8	47.9	
<i>Education %</i>					63.92*
High school – level 1 ⁺	10.3	10.1	9.6	12.2	
High school – level 2 ⁺⁺	17.7	19.3	25.0	21.3	
High school – with baccalaureate	26.0	32.1	36.1	47.0	
University	46.0	38.5	29.3	19.6	

Note: * $\chi^2 = p < 0.05$; + Completed after 9 years without baccalaureate; ++ Completed after 10 years without baccalaureate

Concerning the other sociodemographic factors, age, educational level and income turned out to be significant. By analysing the age of visitors, an older tourist structure in the Rheingau appeared, especially amongst foreign tourists. The Rheingau has always profited from older/retired visitors who have the time and financial resources to travel around the world. Yet, in the first three segments, Generation Y is also well represented. Regarding the educational level, the first and the second groups had the highest proportion of people with a university degree (46.0%, 38.5%). Compared to these segments, consumers who travel less frequently to the Rheingau exhibited a lower proportion of university degrees. Education level correlates strongly with income; therefore, these two sociodemographic variables showed a similar picture – at least among the German tourists. Since it quite complicated to compare income structures between German and foreign groups, we focus here on domestic tourists. Similar to education, the highest income categories (above 3,000 €/month) appeared mainly in the first two segments, while new visitors earned significantly less money. In term of age and income, our results are similar to those of Dodd and Bigotte (1997), Hall and Macionis (1998) and Romano and Natilli (2009). In their studies, all of these authors identified at least one segment which can be characterised by higher age and higher income.

4.3 Wine consumption and tourist behaviour of the segments

Table 3 reports the results of statistical tests for significant differences related to the wine consumption of the four segments using the χ^2 test. The table shows that tourists in the Rheingau have a special wine consumption pattern. Compared to official statistics (VuMa, 2015), the first and second frequency categories were overrepresented in all segments. Since the survey was conducted at 18 different and mostly wine-independent locations, we can state that the core of tourists in the Rheingau is wine-oriented and this might be one of the main reasons they visit the region.

Table 3. Wine consumption profile of the segments

Characteristics	Wine & Rheingau lovers n=310	Wine-oriented tourists n=372	New visitors n=534	Foreign tourists n=314	χ^2
<i>Consumption frequency %</i>					121.65*
Twice a week or more	57.1	40.9	29.8	28.9	
Once a week	21.3	27.7	23.5	26.3	
2–3 times a month	9.3	14.8	19.9	17.2	
Once a month	6.3	7.8	8.2	13.6	
Less than once a month	1.7	5.6	15.1	8.8	
Never	4.3	3.1	3.4	5.2	

Note: * $\chi^2 = p < 0.05$

By analysing the length of stay, it can be established that wine-oriented tourists, new visitors and foreign tourists stay longer in the region. More than two-thirds of *Wine and Rheingau lovers* were in the Rheingau on a one-day trip; however – and this is the main significant difference from the other segments – they reported coming more than four times in a year (see Table 1).

In terms of motivations for tourists to come to the Rheingau, recreation and wine tours were most frequently reported. Members of the first two segments came for wine tours more frequently than the other segments, while foreign tourists, for example, most frequently came for a cultural journey (12.6%).

Many authors of previous studies (e.g. Charters and Ali-Knight, 2000; Bruwer, 2003; Brown et al., 2006; Cullen et al., 2006; Marzo-Navarro and Pedraja-Iglesias, 2009; Nella and Christoui, 2014) used interest, knowledge or involvement related to wine to segment wine tourists. Although we chose not to use these variables as active segmentation factors, we used factorial analysis of variance to analyse the relationship between the segments and the variable of interest. In accordance with our expectation, interest in wine helped to distinguish between the segments. *Wine and Rheingau lovers* exhibited the highest interest level, while

Wine-oriented tourists reached a significantly lower level. The last two segments – new visitors and foreign tourists – had the lowest level of interest.

4.4 Calculation of the purchasing power of tourists in the Rheingau

The data from the face-to-face survey were used also to calculate the purchasing power in the Rheingau and quantify the importance of tourists in the regional wine industry. The calculation was based on the method Szolnoki and Hoffmann (2013) used in their paper. The relation of income to wine tourism was also calculated by Bruwer (2003) at the level of a single winery; however, we conducted a calculation on an aggregated level for the whole region.

Concerning production, the Rheingau with its 3,000 ha produces approximately 30,000,000 bottles a year on average (Regierungspräsidium, 2015). According to recent statistics, the Rheingau has yearly 340,000 tourists who spend at least one night in the region and 660,000 day visitors (Hessisches Statistisches Bundesamt, 2015). If we consider the results of our survey as representative, we can state that 52% of day visitors and 72% of overnight guests purchase wine from the region during their stay. In addition, we calculated the average amount of purchased wine in 0.75 l bottles. Thus, day visitors purchase less wine, at 7.8 bottles, whereas overnight guests purchase 9.4 bottles while visiting the Rheingau. By summing the calculated amount of bottles, tourists in the Rheingau purchase 5.2 million bottles in a year. This theoretical calculation shows that approximately 18% of the total amount of wine produced in the Rheingau is purchased by tourists.

In order to evaluate the importance of the different segments, the calculation was extended to the four tourist groups (Table 4). According to these results it is obvious that the first two segments play a major role in the local wine industry. These two segments purchased two-thirds of the total amount of wine sold to tourists in the Rheingau.

Table 4. Purchasing power of the segments (100% = 5.2 million bottles)

<i>Purchasing power %</i>	Wine & Rheingau lovers n=310	Wine-oriented tourists n=372	New visitors n=534	Foreign tourists n=314
Day visitors	23.3	9.7	9.5	3.0
Overnight guests	13.4	19.7	14.5	6.8

In particular, the day visitors in the first and the overnight guests in the second segment had the highest purchasing power. Nevertheless, new visitors to the region could not be neglected. The purchasing power of foreign tourists was particularly limited by transport difficulties.

5. CONCLUSIONS

This research study was conducted to analyse the differences of various wine tourist segments in the Rheingau, Germany. Previous wine tourism studies have provided important information about segmentation in wine tourism; therefore, we applied a mixed segmentation model using both demographic and psychographic variables. We found the following four types of wine tourists in the Rheingau which differed significantly in relation to several characteristics: 1) *Wine and Rheingau lovers*, who have a high interest in wine and visit the region several times a year; 2) *Wine-oriented tourists*, who consume the culinary offerings of the Rheingau with pleasure but do not come to the region very often; 3) *New visitors*, who come to the region mainly because of the nature and history; and 4) *Foreign tourists*, who know less about the Rheingau and buy less wine in the region. These results are at least partially consistent with the findings of other research by Hall and Macionis (1998), Charters and Ali-Knight (2002), Cullen et al. (2006), Alebaki and Iakovidou (2011) and Nella and Christou (2014). Thus, we can state that there is a certain similarity of segments in different studies, which means that these wine tourist types are to be found everywhere, independent of the location, region or country. Characteristics such as interest and knowledge related to wine, education and income particularly influence the segmentation of wine tourists.

The full profile description of the segments can help the region to engage in new positioning amongst the wine-growing regions and to develop an up-to-date communication strategy targeted towards regular guests and new visitors. Because of the advanced age of the first segment, the region has to focus on new customer acquisition and on customer loyalty in order to guarantee that tourists will continue to visit the region and exercise a high level of purchasing power.

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Identifying facilitators, constraints of wine tourism for outbound Chinese tourists

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Abstract:

Purpose - The proportion of the international wine tourists, particularly from Greater China is expanding, compelling many wineries to attach importance to this market and enlarge their potential purchasing power. The aim of this research is to identify the facilitators and constraints from the perspective of outbound Chinese wine tourists and potential wine tourists.

Methodology - The overall approach of this paper is qualitative exploratory. Using in-depth interview, this study investigated the existing facilitators and constraints that wine tourists encountered. Then a preliminary content analysis was performed so as to develop an analytical framework.

Findings - Results will show a wide range of facilitating and constraint factors. They will also reveal how different the perspectives of winery owners and wine tourists are.

Practical implications - the results can serve as a starting point to understand outbound Chinese wine tourists. Implications of the factors that contribute to successful winery operations and local wineries cooperation will be put forward.

Keywords: Wine Tourism; Wine Tourists; Constraint; Facilitator; China

1. INTRODUCTION

As more wine regions attach importance to production volume, quality and brand, the link between wine and tourism products are becoming stronger. The cases of Napa Valley in California, Hunter Valley and Margaret River in Australia illustrate the importance for the entire wine sectors to expand from simply growing grapes and selling wines to providing experiences to visitors.

Most wine tourists to Australia are from local or domestic origin (Sparks, Roberts, Deery, Davies & Brown, 2005). However, statistics show that international tourists are becoming more relevant to the wine tourism industry. For example, among all winery tourists in New Zealand, 177,700 were international trips (or 8% of all international trips) and 297,500 (or 1% of all domestic trips) were domestic trips (Ministry of Tourism, 2009). In Australia, a government report released by the Australian Cooperative Research Centre for Sustainable Tourism indicated that the share of international visitors to Australian wineries increased from approximately 9.6% in 2000 to 12.8% in 2009, with the peak of 13.7% in 2007 (Tourism Research Australia, 2010). Little research attention has been paid to long haul wine tourists or even wine tourists from different cultures, even if the characteristics and demand of international wine tourists may vary due to specific cultural and geographical differences (Charters & Ali-Knight, 2002). A number of questions arise from this trend: What are the motivations behind actual international wine tourists? What kinds of positive factors help them to engage in wine tourism activities? What are the constraints of potential international wine tourists may encounter? The proposed study will try to answer these questions. The specific research objectives are as follows.

RO1: To investigate the main facilitators for visiting wineries among long haul Chinese wine tourists;

RO2: To investigate the main constraints for not visiting among long haul Chinese wine tourists;

RO3: To put forward correspondent strategies to industry on how to attract long haul Chinese wine tourists.

2. LITERATURE REVIEW

2.1 FACILITATOR

Raymore (2002) proposed the following definition of facilitators: “Facilitators to leisure are factors that are assumed by researchers and perceived or experienced by individuals to enable or promote the formation of leisure preferences and to encourage or enhance participation” (p.39). Facilitators to leisure can be reflected in promoting the leisure preference formation and encouraging participation.

Despite overwhelming recognition of the important status of facilitators in leisure participation (Hubbard & Mannell, 2001, Raymore, 2002), there is little empirical evidence about measurement scales in the tourism research and how facilitators are associated with tourist participation. Kim, Heo, Chun and Lee (2011) developed systematic leisure facilitator scales including intrapersonal, interpersonal and structural facilitators which are based on both theory and data-driven technique. However, given the nature of diversified tourism types, the validity and reliability of these scales should be examined with caution since there is little empirical study into facilitators of specific activities.

Facilitators should be relocated to the specific context. This study will adopt Alonso's (2007) research finding which listed main reasons for visiting wineries. These main reasons listed the wine tourist motivation, which are fit for this study. Also, there might be other unknown specific facilitator items which are not included in Kim's (2011) scale scope, here a qualitative approach may be appropriate to develop the scale further.

2.2 CONSTRAINT

The role of perceived inhibitors (or situational constraints) has long been recognized to have a significant influence on why people avoid certain actions (Botha, Crompton & Kim, 1999). Research involving leisure constraints has focused primarily on the classification of constraints. Crawford, Jackson, and Godbey (1991) developed a framework in constraint research that highlighted that constraints can be divided into two groups: participant-related constraints (i.e. interpersonal, intrapersonal) and structural constraints (i.e. external to the participant). Intrapersonal constraints lead people to choose or reject selected leisure choices based on their beliefs, values, skills, self-concept, predispositions, or expectations of others (e.g. peers and family members). Interpersonal constraints are defined as barriers related to social interaction with friends, family members, and others necessary to facilitate leisure participation. While interpersonal and intrapersonal constraints have their greatest influence on the development of leisure preferences, structural constraints block the participant from engaging in leisure activities. Structural barriers intervene between a person's preferences for a leisure activity and his or her actual participation in the activity. Examples of structural constraints include financial cost, work, climate, family commitments, transportation, as well as the availability of facilities, opportunities and time, work, climate, and family commitments (Crawford & Godbey, 1987; Hudson, 2000; Samdahl & Jekubovich, 1997; Scott, 1991).

There are few papers that have explored constraints from the perspective of local residents (Marzo-Navarro & Pedraja-Iglesias, 2009; Marzo-Navarro & Pedraja-Iglesias, 2012). For domestic group, they need an opportunity to socialize, while for international ones, the group size are smaller and they prefer to taste more wines. However, these studies did not consider the constraints and incentives from long haul and even cross-cultural market perspective.

3. METHODOLOGY

In order to identify factors, the authors interviewed wine tourists who have the overseas wine tourism experience, winery owners/ wine tourism/festival practitioners who are currently working in wineries and media/consultation agency practitioners and government officers whose work are related with tourism/hospitality industry. Major parties of participants have been included to obtain a comprehensive understanding of the topic.

The interview period starts from Dec, 2014 to July, 2015. The principal author visited wineries in Auckland, New Zealand Dec, 2014, and wineries in Yarra Valley, Melbourne, Australia during May and Jun, 2015. Winery owners/practitioners, media/consultation agency practitioners and government officers were approached during the principal authors' overseas field trip. Wine tourists from Greater China were approached both from overseas field trip and Hong Kong, Guangzhou, China. Convenience sampling was applied considering that the qualitative nature and purpose of understanding wine tourism. Potential participants were approaches at Tourism Information Centre, Melbourne and also through personal network.

A total of thirty-three interviews have been conducted, nineteen of them are wine tourists that consist of seventeen wine tourists and two potential ones. In order to have a whole

understanding of constraints and facilitators, this study undertook fifteen industry interviews. Among them, five interviewees are winery stakeholders, six interviewees are wine-related travel agency operators, and four were wine media/consultation agency practitioners and government officers.

The interview protocol contains a list of predetermined questions and topics to be asked in the interview. Open-ended questions were asked in the interview to generate insightful information from respondents. Participants were probed to share the desired wine tourism experiences, encountered facilitators and possible constraints. For wine tourism travellers, questions were asked through three consecutive orders: intrapersonal, interpersonal, and structural facilitators/constraints: such as “which factors of this winery/wine regions attracted you (intrapersonal facilitators)?” For industry participants, questions such as “from supplier’s perspective, what kinds of facilitating factors that you already consider?” were asked to gauge the answers from the providers’ point of view.

All of the interview content will be subjected to content analysis, followed by coding and categorizing of the data. Creswell (1997) suggested that reading through all the collected information could help a researcher obtain an overall sense of the data. Hence the principal author will read the comments carefully, considered which codes will be written, and then label the comments with relevant codes. This process indicates a higher-order data grouping approach and contribute to a conceptual understanding of the related research (Hennink, Hutter & Bailey, 2011). During the categorizing process, the principal author will reconsider the codes and divide into different categories and then the categories will be named carefully. To ensure the accuracy and objectivity of the content analysis, rounds of discussions among three authors will be held to reach a consensus. The classification results input by the three researchers will be cross-compared to ensure consistency.

4. DISCUSSION

This study investigates the concept of leisure constraints within the context of wine tourism. Information about the dynamic consumer decision-making process and industry constraint insights will contribute to travel constraints literature, especially constraints literature concerning outbound tourism for special interest travel. In terms of practical contributions, this study will help wineries worldwide to cater for the long haul market and grow the number of Chinese-speaking wine tourists.

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Winemaking in Myanmar: Identity and authenticity

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Abstract:

Purpose: To examine the identity and authenticity of the emerging winemaking and gastronomic tourism industry in Myanmar through reference to the two wineries in the Inle Lake region

Design/methodology/approach: The design for this study evolved from fieldwork undertaken in Myanmar during three visits in February 2013 and 2014, and March 2015. Fieldwork included observation and participation in cultural and gastronomic tourism, as well as ethnographic interviews with the two winemakers currently working at Aythaya and Red Mountain wineries in the Inle Lake region. The approach for analysing the data collected is grounded in anthropological methods, focusing on how the places, people, practices, products and politics are influencing the emerging winemaking and gastronomic tourism industry in Myanmar.

Findings: The results of this research indicate that there are several factors extraneous to wine that have influenced identity and authenticity in the emergence of winemaking in Myanmar. These factors relate to distinctive places, individual people, local practices, and current politics, more than the oenological products themselves.

Practical implications: Assessment of potential for further development of winemaking and gastronomic tourism in Myanmar

Keywords: Myanmar, wine, identity, authenticity, gastronomic tourism,

1. INTRODUCTION

In the minds of most, Myanmar is more frequently associated with politics than winemaking. This is hardly surprising given the country's closed policies under military junta rule for 50 years. However incongruous it may seem, there are currently two European winemakers making grape wines in Myanmar's Inle Lake region: German Hans Leindecker at Aythaya - Myanmar First Vineyard Estate, and Frenchman François Raynal at Red Mountain Estate Winery. They are pioneers in the Myanmar winemaking industry, an industry whose potential to grow may depend on factors extraneous to the quality of wine they can produce.

Focusing on these two wineries, this paper will examine the identity and authenticity of the emerging winemaking and gastronomic tourism industry in the Inle Lake region. Grounded in ethnographic observation and interviews with the two winemakers, the study will analyse how places, people, practices, products and politics are influencing the development of tropical viticulture in Myanmar. After presenting the methodology, I will provide a brief politico-historical and market-oriented background to contextualise the winemaking and gastronomic tourism industry in Myanmar. The data derived from ethnographic observation, participation and interviews will then be interpreted according to the five categories of potential influence, to weigh up the importance of each in the further development of winemaking in Myanmar.

2. METHODOLOGY

Using ethnographic methods and anthropological analysis to understand winemaking and wine marketing is a growing academic practice, following the rise of anthropological food studies that place emphasis on the cultures of producers, participants, provenance and terroir (Trubek, 2008). The recent edited collection *Wine and Culture: Vineyard to Glass* (Black and Ulin, 2013) exemplifies this trend. The particular case of tropical winemaking in Asia poses a series of issues relating mainly to viticultural challenges and gastronomic tourism, with the few studies in this area focusing on Thailand (Pigott, 2006; Batra, 2008; Banks et al, 2013; Lao-Hakosol and Walsh, 2014). The theoretical frames proposed by Beverland on brand identity and authenticity (2009) and several other scholars on authenticity in wine tourism (Carlsen and Charters, 2006; Pikkemaat et al, 2009; Wilson, 2013; Hall, 2013), are less relevant in Myanmar due to the non-indigenous and political nature of almost every aspect of the industry. Given the relative lack of information available about these wineries and winemakers in academic or other publications, this paper relies heavily on observation during three fieldwork trips and the experiences conveyed in interviews with the two winemakers, triangulated with Myanmar's political background and socio-cultural context outlined below.

It was during my first trip to Myanmar, as a participant in the inaugural Irrawaddy Literary Festival in Yangon in February 2013, that I became aware of Myanmar's two wineries. Aythaya and Red Mountain Estate wines were both served at various functions during the festival, showcasing the local gastronomic culture alongside the literary culture. The wineries were also mentioned as tourist destinations in the Lonely Planet guide, but I did not have the opportunity to visit them at this time. My second visit was planned to include both participating in the Irrawaddy Literary Festival in Mandalay in February 2014, and interviewing the two winemakers at Aythaya and Red Mountain Estate for a new research

project on identity and authenticity in winemaking in Myanmar. I contacted each of the winemakers by email to organise interviews and send them questions. Earlier questions related to their background and experiences in the winery, while later ones focused on identity and authenticity. I spent three hours interviewing Leindecker and one hour with Raynal. I spent six hours at each winery observing interactions between the winemakers, other employees, customers, and tourists. In March 2015, I returned to Myanmar for the Irrawaddy Literary Festival in Mandalay and observed some further developments in the local wine industry in Myanmar, but did not return to the wineries.

3. BACKGROUND

A brief overview of the history and politics, trade and tourism in Myanmar helps situate the winemaking culture in its unique and peculiar context, and assists in triangulating the data.

3.1 Myanmar's History and Isolationist Policies

The country that we now think of as Myanmar (or Burma) formed around the ancient capital of Bagan from 1044-1287. British colonial rule for almost 100 years (1852-1948) promoted Western tastes as aspirational in the upper echelons of Burmese society, including wine consumption, though stronger liquors were more common (Fischer-Tiné, 2012). Independence in 1948 brought political and economic instability, leaving the way open for Army Chief of Staff General Ne Win to garner power and eventually stage a military coup, leading to the closed socialist state from 1962-1988. The military junta's violent repression of human rights (1988-2007) provoked international economic sanctions, which left many starving while the military and their cronies profited from their positions, trading gas, minerals, jade, rice and other agricultural products with China throughout this period (Thant Myint-U, 2006). Education and knowledge of the world outside Myanmar was highly restricted during the 50 years of socialist rule. However, the elite maintained a taste for Western bourgeois status symbols, including French wines.

3.2 Myanmar's Opening to International Trade and Tourism

The gradual opening up of Myanmar to international business, trade and tourism, following the lifting of trade sanctions has seen unprecedented opportunities for agricultural and mining investment, infrastructure and transport development, as well as hospitality and tourism (Steinberg, 2013). Myanmar is a nevertheless still a confronting place for Western tourists. It does not have the everyday luxury of Bali, nor the great infrastructure and cheap accommodation of Thailand, nor the wonderful gastronomic culture of Laos and Cambodia, and yet it is twice or three times as expensive to travel there. Other inconveniences include getting an entry visa, no telephone roaming, not enough hotels, no homestay allowed, and no ATMs. Tourism statistics show an increase in visitors from 300,000 in 2011 to 1 million in 2012, 2 million in 2013, 3 million in 2014, and 4.5 million predicted for 2015. Western tourists – who are the most likely to seek out wine and winery experiences – still only represent about 30% of tourists, as most are coming from Asia. The Myanmar Tourism Master Plan 2013-2020 forecasts 7.5 million visitors for 2020, and mentions “culinary tourism” and “agritourism” but no “wine” tourism.

Although wine is not an indigenous beverage, like rice wine, palm wine (t'an-ye) or the fruit wines made from damson plums north of Mandalay in Pyin Oo Lwin, it has been available to the elite in Myanmar, mainly imported from Europe, and more recently from Australia, New Zealand and South Africa, to fill the wine lists of restaurants and hotels catering to international tourists and business travellers. Until very recently, these were the only businesses, along with the government and duty-free shops, licenced to import alcohol from abroad. A black market wine trade developed, feeding supermarkets and liquor shops with untaxed wine, imported through these licencees, making French, Italian, Australian wines available at cheaper prices than they could be bought elsewhere in Asia or the rest of the world. It was in this unregulated wine market that Aythaya and Red Mountain Estate commenced their production, competing with artificially low prices on imported wines. In March 2015, the Ministry of Commerce declared that limited foreign wine imports would be legalized in April, phasing out a decades-long “ban” on alcohol imports (Mon, 2015). In theory, this should make Myanmar wine production more economically viable, but in 2013, wine constituted only 9% of alcoholic beverage consumption (IPSOS, 2013).

4. WINEMAKING IN MYANMAR – IDENTITY AND AUTHENTICITY

To examine the identity and authenticity of the emerging winemaking and gastronomic tourism industry in Myanmar, case studies of the two wineries in the Inle Lake region have been developed, analysing the data collected to establish categories of places, people, practices, products and politics. Unless otherwise stated, this data is drawn from observations and interviews, and triangulated with contextual social, historical and political research.

4.1 Places

Each of the wineries are located in geographically and culturally distinctive places near Inle Lake, in the Shan state, which provide both with a strong spatial identity. Inle Lake is a highly frequented tourist destination, known for its diverse ethnic groups, floating markets, and excellent food. Aythaya – Myanmar First Winery is about 40 kilometres from Inle Lake, inaccessible except by car, on the road between Heho airport and Taunggyi, the capital of Shan state. Taunggyi is a business and trade rather than tourist town and has been a weather station since British settlement in the early 20th century, about 1300 metres above sea level. It was for all these reasons that German entrepreneur Bert Morsbach chose to establish his 100% foreign owned vineyard here in 1999, after first planting 3000 European grape vines in Loikaw, Kayah State in 1998. Due to ethnic unrest in that region, Morsbach lost access to his first vineyard, but undeterred started again at Aythaya with another 10,000 vines, including chardonnay, chenin blanc, sauvignon blanc, muscat, cabernet sauvignon, and syrah. Having access to weather records showing climactic patterns over the last century gave him confidence in spite of his lack of experience with vines – he had grown organic basmati rice and other agricultural crops in Asia. With temperatures down to 5°C at night and 30°C in the day, minimal humidity and plenty of sunshine in the dry season (October-May), and calcareous soils that resemble the terroir of Chablis, the 25 hectares he planted at Myanmar's first vineyard began producing wine in 2004. Although foreigners cannot yet buy property in Myanmar, the German consortium has secured a 20 year lease, and established luxury accommodation at the Monte diVino lodge, surrounded by vines, overlooking the excellent

restaurant, modest winery building, and a swimming pool complete with palm trees and bougainvillea. It is a charming setting that combines the practicality of small-scale production with facilities catering for exclusive wine tourism as well as business meetings and functions.

Red Mountain Estate is much closer to Nyaung Shwe, a tourist hub with a train and bus station, plenty of accommodation at all levels, which is the main access town for Inle Lake. It is 1000 metres above sea level, with 80 hectares planted with a wide range of varieties across the picturesque slopes, including sauvignon blanc, syrah, cabernet sauvignon, petit verdot, carignan, chardonnay, muscat petit grain, tempranillo, and pinot noir. The site was established in 2002, when the owner Nay Win Tun, a well-known Myanmar businessman (gem trading, mining, concrete) and parliamentary representative of the Pa-O People, recruited François Raynal to build the winery, purchase equipment and plant the vines. Some local plants and 7,300 plants imported from France were established in 2003, with many more brought in from Israel and Spain, and the first wines were made in 2006. The state of the art winemaking equipment, imported from Italy in 2003, and the underground wine cellar dug in 2009 attest to serious financial investment for large-scale production. A restaurant was opened in 2011 that takes full advantage of the incredible views over the vine-clad hills and Inle Lake. The winery is easily accessible by bicycle, taxi or hiking and does not offer any accommodation.

4.2 People

4.2.1 *The Winemakers*

Hans Leiendecker had an illustrious career as head winemaker for Weingut Dr H. Tanisch for 16 years, famous for its Bernkasteler Doctor vineyard and award winning Rieslings. Recruited by Morsbach in 2006 after responding to an advertisement in a wine magazine, Leiendecker was looking for new challenges and found them at Aythaya. He is a bold, innovative person, a confident communicator with an engaging personality. He is financially invested in the company and personally invested in Myanmar: he has married a Karen Christian woman, Ei Ei Brown Naw, who now runs the restaurant and accommodation and assists with the administration and local recruitment. Leiendecker's personal identity infuses the wine tourism experience, as he greets visitors with warmth and spends much time talking to tourists and business clients.

François Raynal studied winemaking in France before becoming a “flying winemaker”, consulting in Turkey, Chile, Israel, Hungary, New Zealand, Thailand, and now Myanmar. He is a paid consultant to the company, and is obviously proud of his achievements, having won an international award for his pinot noir. His manner is polite and discreet, but he does not mingle with tourists visiting the winery. He showed me around the vineyards and winery, and answered my questions succinctly. His identity as a “French” winemaker is profiled on the Red Mountain Estate website and all publicity material, rather than imprinting his “personal” identity on the wine tourism experience.

4.2.2 *The Employees*

At Aythaya, all of the employees are from Myanmar, with the majority being of Karen Christian ethnic/religious background. Many of them already speak English well thanks to their religious education, but if not, they are given lessons to improve their communication in English. They are trained to tend the vines and taste the wines, so that they can convey their knowledge to tourists and consumers. The problem is that after they have been trained in English and wine tasting, they often leave to work in the hospitality industry in less isolated surroundings. In an attempt to retain more employees after investing in their training, Aythaya has offered them health care benefits and extra education in the non-harvesting season, creating a community around the winery. There is an effort to encourage identification with the winery and its aims, which include quality, service, communication, and knowledge.

Given that the owner of Red Mountain Estate is leader of the Pa-O people, an ethnic minority whose traditions have been all but forgotten (Chann, 2004), most of the employees at his winery are from this disempowered ethnic minority. According to the Red Mountain Estate website, there are three specialist Myanmar staff – U Salai (Chemist), U Yu Naing (Vineyard Manager) and U Thae Maung (Myay Phyu 55 ha site manager) – plus around 100 employees at the winery, most of whom are described as having a university degree in agriculture. They are trained to use the machinery, tend the vines, and serve the customers, but they have no knowledge of the wine or wine culture. Raynal stated that no one but himself is allowed to taste the wine, following the owner's directives. Those who were serving tourists and customers were young and had low-level skills in English or French or German, only able to communicate in a few standard service phrases. While no community around the wine is encouraged, there is already identification among employees through their ethnic community.

4.2.3 *The Visitors and Consumers*

Few tourists make the trek up to Aythaya for a random wine tasting. If they do, they are welcomed warmly by Leiendecker or other knowledgeable employees. The winery and restaurant receives more patronage by Myanmar and Chinese businessmen, who enjoy the environment and elite status associated with wine tasting. During my visit, a table of evidently important government employees were meeting and dining at Aythaya.

Leiendecker mentioned that they host many functions for Taunggyi businesses who see the winery as neutral but prestigious territory to invite guests. There are more regular customers than “one-off” tourists, promoting a growing community around the winery. Red Mountain Estate attracts mainly Western tourists who have read about it in Lonely Planet, Rough Guide or other guidebooks and are intrigued by the unexpected exoticism of a winery in Myanmar. They taste the wines with little or no information about the products, hardly any interaction or exchanges with the staff, and narratives on tripadvisor suggest that the experience is more about the view than the wine. No real connections or community form around the winery.

4.3 Practices

The practices or processes adopted by both Aythaya and Red Mountain Estate in their winemaking are partly constrained by the climate and partly dictated by political factors.

Located between 20.6 and 20.7° Latitude, these wineries correspond to the definition of tropical viticulture (Commins et al, 2012), but their high altitude mitigates some of the worst humidity and therefore fungal issues faced in tropical winemaking. As the vines are never dormant, both wineries practice double pruning, heavy spraying for fungus in the wet season, allowing grapes to develop only in the dry season (October-May), with irrigation. Each vineyard harvests only about 25% of a “normal” yield per year (approximately 4 tons or 260 cases/hectare), making the whole process practically unviable in “normal” circumstances. The choice of varietal planting has been refined through trial and error in both wineries, each beginning with a wide range, though Aythaya was obliged to make more strategic decisions due to its smaller plot, while Red Mountain Estate has been able to maintain a greater variety. The main difference in practices comes from the scale of production; Aythaya is small-scale manual operation whereas Red Mountain Estate is a large-scale mechanized outfit. However, in addition to grapes from their 25 hectares near Taunggyi, Aythaya is sourcing syrah grapes grown by contract farmers on the Meiktila plains, about 100 kilometres away where table grapes have been grown for decades. Aythaya is also bringing in semi-fermented grape juice from South Africa, which is processed and bottled at Aythaya.

4.4 Products

Not all of the wines produced by Aythaya are “terroir” driven, but their labelling proudly displays Myanmar First Vineyard Estate, promoting the wine’s unique association with Myanmar. The main varietals grown at the winery are sauvignon blanc, red moscato, tempranillo and dornfelder, with some shiraz and cabernet sauvignon, producing a dry sauvignon blanc, a “late harvest” sweeter sauvignon blanc, a dry and a sparkling rosé (red moscato), a dessert wine, and a red blend under the Aythaya label. Production from this vineyard is about 50,000 bottles, but they can only supply about 20% of demand – which is why they have contracted grape growers from elsewhere in Myanmar and import semi-fermented grape juice from South Africa to produce the Monte Vino Red (cinsault and pinotage) and the Monte Vino White (chenin blanc and colombar). The overall production in 2012 was around 100,000 bottles, 200,000 bottles in 2013, with similar predictions for 2014 and 2015. Prices range from 10,000-14,000 kyats per bottle (\$11-15 AUD), which in the past, has been more expensive than some imported French and Italian wines (Michaels, 2013), though the new legislation around alcohol imports should change this discrepancy.

The wines of Red Mountain Estate are all made from estate grown grapes, producing about 120,000 bottles per year including shiraz, shiraz tempranillo, pinot noir, sauvignon blanc (dry and late harvest), chardonnay, rosé, as well as white muscat and red tawny fortified wines. Their prices are in line with those of Aythaya’s collection. In general, the white wines and rosé are better than the red wines. Reviews of the wines are mixed.

4.5 Politics

The political climate is a major mitigating factor in the identity and authenticity of the wines in each case. For Aythaya, a 100% foreign owned venture, much care must be taken to observe correct procedures for all property, imports, and sales. The restrictions on foreign property lease have obliged Aythaya to contract grape growers and import semi-fermented grape juice rather than extend their own property in Myanmar. They have also faced

problems in importing machinery, chemicals, bottles, and other essential products, with delays causing substantial losses. Red Mountain Estate encounters very few obstacles of this nature, being owned by a powerful Myanmar businessman, whose political connections ensure that the demands of his winery can be met in any event. Competition between the two wineries is not an issue, given the relatively small production for a high market demand for Myanmar wines. Aythaya is careful to manage their relationship with Red Mountain Estate, constantly referring to them as “our friends at Inle Lake”.

5. CONCLUSIONS

The paradigms of identity and authenticity that usually determine success in wine tourism destinations (Beverland 2009) are difficult to apply in the context of these two Myanmar wineries. Here, identity is based on places and people, and authenticity comes from practices and products, but both are determined by the current political situation in the country. Aythaya’s identity is much more strongly linked to the people – with the presence and personal investment of Leiendecker and his employees – than the place, given that due to political constraints much of its current production is sourced from outside the property. On the contrary, Red Mountain Estate’s identity is anchored in the place, privileging terroir with all grapes grown and wine made on the premises, but the people behind the wine are almost invisible, especially Nay Win Tun, whose name is rarely mentioned in press about the winery, for political reasons. Raynal’s French identity is foregrounded over any personal identity. The authenticity of Aythaya’s practices and products could be called into question if we consider that their Monte Vino wines are not really from Myanmar, but again, this is dictated by the politics of property. For Red Mountain Estate, the authenticity of their wines may be clear, but communication about their practices and the products is missing from the tourist experience. It seems that the quality of their product is less important than its identity and authenticity, because there is no real competition between the wineries for a market share in this unique niche area, and most of the consumption of Red Mountain Estate’s product is a one-off experience. Further development for winemaking and gastronomic tourism in Myanmar requires careful consideration of the current producers and their politics, and of the new legislation around importing wine in Myanmar, combined with wine business research. In the end, it is unsurprising that Myanmar is more associated with politics than winemaking.

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Motivations to attend a New Zealand wine and food festival: The role of involvement

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Abstract:

Purpose - This paper explores the motivations of attendees at the Christchurch/South Island Wine and Food Festival and examines the effect of wine involvement on these motivational factors.

Design/methodology/approach - The data were collected via a structured self-complete survey, distributed by research assistants at the Wine and Food festival. In total 249 usable responses were analysed using descriptive statistics and chi-square and t tests.

Findings - Wine involvement had a significant effect on the motivations of attendees to the wine and food festival. In particular, those with high wine involvement were much more motivated by learning objectives, including experiential learning (tasting new beer), as well as talking with friends and experts, although socialization and enjoying a festive atmosphere ranked as important motives also. By comparison, socialisation and relaxing motives were key for the low involvement attendees, who generally ranked all motives lower than the high involvement respondents.

Practical implications - This paper explores the under-examined topic of the motivations for wine festival attendance. In particular, by segmenting the sample by wine involvement levels, the varying motives of wine festival attendees are apparent.

Keywords: Wine festival motivation, wine involvement

1. INTRODUCTION

Wine festivals, along with other food and beverage festivals, have become increasingly important as tourist attractions and as branding and promotional tools for regions over the past two decades (Bruwer, 2002; Dodd et al., 2006; Hall and Sharples, 2008). These festivals and events appeal to a growing number of consumers, but for different reasons. For some attendees, a wine and food festival offers an authentic and unique experience of local gastronomy; for others, it is a place to learn more about wine and wine making. In some cases, wine and food festival attendees are more than happy to just enjoy an entertaining experience outside of everyday activities. Despite the growing role of wine festivals and events, the academic study of wine festival attendees –who attends them and why – is still relatively limited. The studies that have been reported generally reveal that motivations for attending these events revolve around escape/relaxation, the specific focus or product of the event (in this case wine), socialisation with friends and family, and entertainment (Park et al., 2008; Tanford et al., 2012; Yuan et al., 2008). The findings echo those of more general festival studies (e.g., Crompton and McKay, 1997; Li and Petrick, 2006).

The role of wine and food festivals in wine socialisation and wine education is somewhat disputed. While there is some evidence of wine festivals providing a good opportunity to attract younger, less experienced wine consumers who are able to learn about wine in a more social and less intimidating environment than at a wine class or a winery (Dodd et al., 2006; Houghton, 2001), other studies have suggested that the focus on fun and entertainment at wine festivals means that it is less likely to attract serious wine consumers, who may be deterred by the ‘party atmosphere’ and conviviality of some wine events (Houghton, 2008). The reality is that wine festival attendees are not homogeneous (Yuan et al., 2008), and different types of festivals will attract markets with varied characteristics and motivations (Houghton, 2001; Park et al., 2008). Wine-related festivals and events exist on a continuum regarding the centrality of wine to the event. For example, many wine festivals incorporate food and music to enhance the experience and some people may attend for these features, rather than for the wine. The educational component of wine festivals can vary dramatically also, ranging from informal learning through wine tasting, to more formal seminars and workshops (Dodd et al., 2006).

The Christchurch/South Island Wine and Food Festival is one of the most recent additions to the growing number of wine festivals and events in New Zealand. This festival was first held in December 2011 and has occurred annually since then. Unlike the many wine festivals which are located in rural regions, this festival is based at North Hagley Park in the centre of the city of Christchurch and features wines from the five South Island wine regions. While wine is undoubtedly central to the festival, this is supplemented by a strong programme of musical entertainment and a range of food options. There is a significant programme of free educational events also, which are generally oversubscribed. This programme includes cooking seminars from well-known chefs and a range of wine master classes from winemakers and wine writers and critics (Christchurch/South Island Wine and Food Festival, 2014). The price of tickets to the event range from NZ\$30 to NZ\$150. General admission tickets in 2014 cost NZ\$37.50, which entitled ticket holders to entry and access to the performances and seminars, but wine tasting was extra (\$1 to \$2 per tasting). Children attending the event with an adult received free entry. With a total capacity of 8,000, all tickets sold out before the day of the event.

In an earlier study of the Christchurch/South Island Wine and Food Festival, Fountain (2014) reported that the characteristics of attendees at this festival are quite diverse in terms of socio-

demographic characteristics and wine consumption behaviour. In particular, younger festival goers self-reported as significantly less knowledgeable than older respondents, and purchased considerably less wine for home consumption. Fountain (2014) concluded that younger people may have different motivations for attending this festival than older attendees, but that further research is required to explore this assertion. This study takes up that challenge by examining the motivation of people attending this festival, and explores the segmentation of the market, in particular by wine involvement. The purpose of this paper, therefore, is to answer two research questions:

- 1 What are the motivations for attendees at the Christchurch/South Island Wine and Food Festival?
- 2: What effect does wine involvement have on these motivational factors?

Product involvement has been defined as “the degree of personal relevance to a product” (Zaichkowsky, 1985, p. 342) and relates to the idea that “certain product classes may be more or less central to an individual’s life, their attributes about themselves, their sense of identity and their relationship with the rest of the world” (Bruwer et al., 2014, p. 147). Being highly involved with a product, such as wine, is also about interest in the product on a regular basis. In the case of wine, this interest may manifest in spending time reading about wine, and talking about wine with friends or wine professionals (Pratt and Sparks, 2014; Lockshin and Spawton, 2001; Yuan et al., 2008). High involvement in wine relates also to a sense of enjoyment and excitement about the product. In other words, wine is an important part of the consumer’s lifestyle and sense of identity (Yuan et al., 2008). To date, there is no universally accepted measurement of wine involvement, although there have been a number of very useful attempts (e.g. Lockshin et al., 1997; Lockshin et al., 2001; Ogbeide and Bruwer, 2013; 2006; Bruwer et al., 2014). Increasingly the concept of involvement has been incorporated in various ways in the study of wine tourism motivations, intentions and behaviour (Brown et al., 2007; Nello and Christou, 2014; Pratt and Sparks, 2014) and has been used to segment wine festival visitors (Yuan et al., 2008). The assumption here is that one’s level of wine involvement may influence the motivations of attendees at the Christchurch/South Island Wine and Food Festival.

2. METHODOLOGY

This paper is based on data gathered using a self-complete survey which was distributed on a ‘next to pass’ basis by four research assistants during the first four hours of the Christchurch/South Island Wine and Food Festival, in December 2014. This resulted in a total of 249 useable surveys. As well as questions about information sources for the festival and wine consumption behaviour, the survey asked a series of questions exploring the motivation for attending the festival, as well as a series of Likert-scale questions aimed to measure respondent’s wine involvement. This wine involvement scale was modified from previous scales, in particular, those used by Brown et al., 2007 and Nello and Christou (2014). All data was entered into SPSS and analysed using descriptive statistics, Chi square tests and t-tests.

3. FINDINGS AND DISCUSSION

3.1 Socio-demographic characteristics

Socio-demographic characteristics of the sample are presented in Table 1. Females outnumbered males at a ratio of two to one amongst festival respondents. This high proportion of females is similar to that found in previous studies in New Zealand (Fountain, 2014; Nicholson and Pearce, 2000) and globally (Park et al., 2008; Weiler et al., 2004; Yuan et al., 2008), and reflects the fact that females represent a higher percentage of wine consumers than males (Kolyesnikova et al., 2003; Pettigrew, 2003). The age distribution was bimodal, peaking in the 26-35 years and 46- 55 year groups. As reported by Fountain (2014) this festival seems to attract an older age profile than many wine festivals (Hall and Mitchell, 2004; Houghton, 2008; Nicholson and Pearce, 2000; Park et al., 2008), which may reflect the family-friendly environment (children have free entry). The educational food and wine seminars may attract an older audience than other wine festivals. Furthermore, the price of entry (excluding wine tasting) is relatively high, perhaps deterring younger people from attending.

In relation to educational qualifications, 37.6% of the respondents had a degree or postgraduate degree, than while a quarter of respondents had a trade qualification (26.4%) and a quarter of respondents had high school qualification or no formal qualifications, reflecting previous research (Houghton, 2008; Park et al., 2008; Yuan et al., 2008). This spread of educational qualifications is reflected in the personal incomes reported.

Table 1: Demographic profile of festival visitors

Variable	%		
Gender		Highest qualification	
Female	67.5	No formal qualifications	3.7
Male	32.5	High school qualification	23.1
Age		Trade certificate	26.4
18 to 25 years	11.2	Degree	21.1
26 to 35 years	30.5	Postgraduate degree	16.5
36 to 45 years	18.5	Other tertiary qualification	3.6
46 to 55 years	28.5	Personal income per annum	
56 to 65 years	10.4	Less than NZ\$20,000	7.0
Over 65 years	0.8	NZ\$20,000 - NZ\$40,000	12.4
		NZ\$40,000 - NZ\$60,000	26.9
		NZ\$60,000 - NZ\$80,000	19.4
		NZ\$80,000 - NZ\$100,000	10.3
		NZ\$100,000 and over	13.2
		Prefer not to say	10.7

3.2 Wine consumption behaviour and wine involvement.

Festival-goers were asked a range of questions about their wine consumption behavior and their responses are presented in Table 2. Given their presence at a wine festival it is perhaps surprising that only half of respondents stated that wine was the alcohol they consumed most frequently. The small proportion of respondents selecting red wine as their favourite wine style (20.9%) is surprising also, but may reflect the survey period during the summer months. Wine consumption was frequent with a quarter of respondents (25.3%) reporting that they consumed wine every day or most days, with close to three quarters of the sample consuming wine at least once a week.

Involvement levels for respondents were determined by adding the scores for the twelve involvement statements for a sum involvement score. From this total, the most involved quartile was identified and labelled 'high involvement' and the least involved quartile labelled 'low involvement'. The remainder of the sample was labeled 'moderate involvement'. Perhaps surprising, cross tabulation analysis reveals that the sociodemographic characteristics of age, gender and income had no significant influence on wine involvement levels. However wine involvement did have a significant correlation with wine consumption behaviour, with the highly involved much more likely to state that wine was their most frequently consumed alcohol (84.7% of high involvement respondents compared to 25.5% of low involvement respondents, $p < .001$), and 96.8% of the high involvement sample consumed wine at least once a week, with a quarter of the highly involved consuming wine daily. There was no significant difference in preferred wine styles between the highly involved and low involved sample, although the former group were slightly more likely to name red wine or sparkling wine/champagne as their favourite wine style.

Table 2: Wine consumption behaviour of festival visitors

Variable	%		
Most frequently consumed		Frequency of wine consumption	
Beer	25.3	Daily	10.3
Wine	51.0	Most days a week	15.2
Spirits	12.9	Several times a week	21.8
Favourite wine style		Once a week	21.4
Red	20.9	Once a fortnight	9.5
White	56.0	About once a month	9.9
Rose	3.4	Less than once a month	7.1
Champagne/sparkling wine	9.0	Never	2.5
Don't have a favourite	10.7		

3.3 Motivations for attending a wine festival

Table 3 presents results of the motivations to attend the Christchurch/South Island Wine and Food Festival for the high wine involvement and the low wine involvement samples, and it is apparent that there are some very significant differences in motivation based on involvement. For those with low wine involvement, this event primarily provides an opportunity to socialise, relax and spend time with friends and family, although enjoying the food on offer was the third highest motivation for this group. Learning about wine is clearly not a priority at all for those with low wine involvement; trying new wines and experiencing a range of different wines are ranked only 9th and 10th respectively and increasing knowledge about wine scored only 3.35. It is noticeable that the supplementary attractions – the music, the cooking demonstrations – have little appeal for this group either.

By comparison, the high involvement group have a significantly higher motivation to learn about wines, although interestingly ‘Increasing my knowledge about wines’ ranked as only as the eighth highest motivation for attending the festival, Trying new wines and experiencing a range of different wines represent two of the three highest motivations for this group, but other avenues to increase knowledge are also ranked significantly higher than for the low involvement group, including the opportunity to exchange ideas with winemakers and meet people with similar interests. Having new things to tell friends about is ranked significantly higher for this group too, reflecting the role of wine as part of a wider lifestyle, which involves talking to friends about wine.

While the most significant differences between the high and low involvement groups relate to the focus on extending the former’s wine interest, it should be acknowledged that socialising with friends and family, relaxing and enjoying a festive atmosphere were still very important motives for the high involvement group. In fact on most of these measures the high involvement group ranked these motives more highly than the low involvement group. This may suggest that the role of wine in their life implicitly makes these types of events more exciting and more of a celebration than for the low wine involved.

Table 3: Motivations for attending the Christchurch/South Island Wine and Food Festival: influence of involvement

Variable	High involvement	Low involvement
Try new wines	6.42***	4.76 (9)
Have fun with my friends	6.39	6.32 (1)
Experience a range of different wines	6.28***	4.65 (10)
Enjoy a festive atmosphere	6.24	6.00 (2)
Enjoy interesting and tasty food	6.18	5.84 (3)
Relax and unwind from the stress of everyday life	6.08	5.78 (4)
Do and see new things	5.88**	5.23 (6)
Increase my knowledge about wine	5.54***	3.35
Be entertained by musical performances	5.40	4.90 (8)
Enjoy a change of scenery	5.02	5.00 (7)
Have fun with my family	5.02	5.29 (5)
Have new things to tell my friends about after the event	4.75**	3.71
Meet people with similar interests to me	4.28***	3.06
Listen to some of my favourite bands	4.24	3.90
Buy wine	4.22***	2.41
Exchange ideas with winemakers	4.06***	1.94
Learn about cooking through cooking demonstrations	3.83*	3.05

(1= not at all important; 7= extremely important) * p<.05; ** p<.01 *** p<.001

4. CONCLUSIONS AND IMPLICATIONS

This paper has extended the work of Fountain (2014) by exploring the motivations of attendees at the Christchurch/South Island Wine and Food Festival, and segmenting the sample on the basis of wine involvement. Based on Fountain's (2014) findings that younger attendees at the 2013 Festival seemed to be less knowledgeable about wine, this study has found no difference in wine involvement by age. Similarly, despite the fact that females constituted 67.5% of the sample and represent a higher proportion of wine consumers than males (Kolyesnikova et al., 2003; Pettigrew, 2003), there was no difference in wine involvement by gender. What is apparent, however, is that there are significantly different motives for attending this festival between high and low involvement respondents. Low involvement attendees are primarily interested in socialising with friends and family, relaxing and enjoying the festive atmosphere, whereas the wine product – trying it, talking about it – is much more important for the highly wine involved. This study is not able to fully test the proposition by Dodd et al. (2006) that wine festivals provide less experienced wine consumers with a good opportunity to learn about wine, as levels of wine experience or subjective and objective wine knowledge was not investigated in this research, however what is apparent is that for many attendees, learning about wine is an important motivation for attendance. The current study perhaps contradicts also the suggestion that the focus on a festive atmosphere is less likely to attract serious wine consumers (Houghton, 2008). In fact,

the highly wine involved prioritise the fun and festive atmosphere as highly, if not more so, than the low wine involved, meaning that this atmosphere of festivity appeals to all attendees.

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The impact of New Zealand visitation on Chinese perceptions of New Zealand wine

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Abstract:

Purpose: The aim of this paper is to explore the effect of tourism to a destination, in this case, New Zealand, on the perception of Chinese visitors to New Zealand wines. In particular, we are interested in the wine tourism behaviour of these visitors, and the effect this has on brand awareness of New Zealand wine.

Methodology: We conducted an online survey of 330 Mainland Chinese wine consumers on their perceptions and wine consumption behaviour, and in particular, the influence of travel on these perceptions. For this paper, we focus on the 42 Chinese consumers in the sample who have travelled to New Zealand, and compare these consumers to the sample as a whole, using Chi square and t-tests.

Findings: Our exploratory study found the majority of Chinese visitors to New Zealand experienced the country's wine during their visit, through wine consumption or wine tourism. Analysis suggests a positive relationship exists between visitations to a country, and in particular, wine experiences whilst in the country, and post-visit brand awareness and loyalty. In particular, the experiential elements of the brand, and the perceived quality of the brand are positively enhanced by visitation.

Practical implications: This is an exploratory study, utilising a small sample of Chinese visitors to New Zealand. However, findings indicate the value in viewing tourism as an important avenue through which to build brand awareness in new markets; a topic that warrants further investigation.

Keywords: Wine tourism, Brand perception, Chinese consumers

1. INTRODUCTION

Over the past decade the New Zealand wine industry has become acutely aware of the potential of China as an export market, with sales of New Zealand wine into China increasing from \$2.4m in 2008 to \$24.8m in the year ended June 2014 (NZ Winegrowers, 2014, p. 21). Given the growing importance of wine as a status symbol amongst younger, wealthier and more educated consumers in China (Balestrini and Gamble, 2006; Camillo, 2012; Liu and Murphy, 2007; Noppe, 2012), there is plenty of scope for further expansion in this market, however at present the New Zealand wine brand is relatively unknown (New Zealand Winegrowers, 2014). While the range and availability of foreign wine in the Chinese market is growing, in general Chinese consumers' wine knowledge remains relatively limited (Jin, 2004; Hu et al., 2008). As with less knowledgeable wine consumers in other markets, Chinese wine consumers generally use extrinsic cues, including country of origin, in wine purchase decisions (Liu et al., 2014; Yu et al., 2009).

The growing wine culture amongst Chinese consumers is often ascribed at least in part to the exposure to wine during time spent overseas as tourists or students, who aspire to a western lifestyle (Camillo, 2012; Noppe, 2012). The role of wine tourism experiences in developing brand recognition and brand loyalty is widely recognised (Mitchell and Hall, 2004; Nowak and Newton, 2006; O'Mahony et al., 2005), whereby good experiences increases the sense of 'connection' to a brand, which may result in post-visit loyalty (Fountain et al., 2008). It might be expected that more general exposure to wine and wine culture in a destination could have a similar effect on knowledge and perceptions of wine from that country, and ultimately, wine consumption behaviour. The impact of these experiences on brand awareness and brand loyalty could be even greater for relatively new markets, such as the Chinese, where levels of wine knowledge are currently relatively low. Thus, a visit to New Zealand may increase Chinese consumers' knowledge of New Zealand wine, perhaps demystifying it in the process; an assumption held amongst wine tourism operators in New Zealand today (Fountain, 2014).

To date the impact of travel to the country on a destination's wine brand has received limited research attention, however Bowe and Lockshin (2011) report that experiencing a country as a tourist has a small influence on Chinese consumers' preferences for Australia wine. A recent study reports that providing information about the country of origin of a wine, in this case Australia, including information unrelated to the wine itself, can increase the likelihood of Australian wine purchase by Chinese consumers (Williamson et al., 2014). Further research has explored the influence of wine tourism on Chinese consumers' champagne brand recognition and future sales (Menival and Han, 2011, 2013; Menival, Fountain and Charters, 2015). Therefore, this paper explores the impact that visitation to New Zealand and their exposure to New Zealand wine by a small sample Chinese consumers has had on their brand perceptions and wine consumption behaviour toward New Zealand wine.

2. METHODS

We investigated this topic by means of an online survey of residents of Mainland China who are regular wine consumers. The survey asked about perceptions, attitudes and consumption behaviour towards wine in general, and in particular, wines from France and New Zealand. Because we were particularly interested in investigating the influence of travel to these two countries on the respondents' perceptions of the wines produced there, we used a purposive sampling method, advertising the survey on databases of alumni from educational institutions with which the researchers had affiliations, as well as through social media contacts with wine, and/or tourism connections to the countries in question. While this survey resulted in 330 respondents, this paper is particularly interested in the small sample of 42 respondents who had visited New Zealand.

We aimed to measure the impact of tourism on the New Zealand wines as a whole, therefore we considered them under a collective brand – “New Zealand wines”. A collective brand is a brand shared by several firms and which fit the same purposes as individual brands. Whilst scholars have critically discussed the different forms and mechanisms of collective brands in relation to wine (Charters et al., 2013, Charters and Spielmann, 2014), in this context we focused only on brand perception, and examined the different elements which define a consumer's conception of a brand, including functional needs, symbolic needs and experiential needs (Park et al., 1986). Park et al. (1986) claims that symbolic needs relate to the desire to be socially recognised, experience needs are the desire to enjoy sensory, or hedonic, pleasures and functional needs are those which explain the initial reason to search for the product. Anselmsson et al. (2014) developed this functional dimension further into three components:

- a. Awareness, which reflects the customer's ability to identify the brand under different circumstances
- b. Perceived quality, which reflects the subjective mental notion of quality.
- c. Uniqueness, which reflects the financial equity of brand from its perceived associations before purchase.

We used several seven point scales (1 for not important and 7 for extremely important) to measure the different components of these three dimensions adapted to the territorial brand “New Zealand wines”.

3. RESULTS AND DISCUSSION

3.1. Characteristics of the sample and New Zealand trip

The sub-sample of 42 respondents who had visited New Zealand did not differ significantly from the broader sample of 330 respondents, although they were more likely to be female (52.4% cf. 43.5%), single (47.6% cf. 30.8%) and under 40 years of age (88.1% cf. 75.1%). While most respondents were university graduates, those who had visited New Zealand were less likely to have completed a Masters level degree or higher than the overall sample (38.1% vs 55.8%). Half of those who had visited New Zealand (52.4%) reported consuming wine at least once a week (compared to 36.4% of the whole sample), suggesting wine consumption is part of their everyday lifestyle. Chi square tests revealed that those who had visited New

Zealand were significantly more likely to agree to the statement 'I like having wine with my meal' ($p < .001$), and a significantly higher proportion of New Zealand visitors strongly agreed with the statement 'I am knowledgeable about wine' (23.8% vs 11.1%; $p < .05$). There were no differences on the mean scores on this measure, however, with neither sample expressing a great deal of confidence in their wine knowledge, with means of 4.21 (New Zealand visitors) and 4.03 respectively.

Respondents were asked about the nature and purpose of their trip to New Zealand. All of the respondents had visited since New Zealand received ADS status in 1999, and over half (59.5%) had visited in the previous two years (2013 or 2014). A third of these respondents (35.7%) had visited New Zealand on a holiday, while 23.8% had visited for education or study, and 21.4% for business. While 21.4% had stayed in the country for a week or less, cumulatively, 71.4% had stayed a month, and 19% a year, meaning these respondents differ considerably from the average Chinese visitor to New Zealand, for whom the average length of stay is 18.2 days for all visitors, and 8.1 days for holidaymakers (Tourism New Zealand, 2015). While the sample in this study differs considerably from the average Chinese visitor, it does match the characteristics of wine tourists in New Zealand (Tourism New Zealand, 2014), and is a segment of the Chinese market of growing importance to the country (Tourism New Zealand, 2015).

Three-quarters of this sample (76.2%) had visited a winery during their New Zealand stay, with most visits occurring in Central Otago, or the Auckland region. However this wasn't their only exposure to the New Zealand wine brand; in total 92.9% stated they had consumed New Zealand wines while in the country.

3.2. Influence of trip on New Zealand wine brand

Winery visitors were asked about the effect of this visit on their perceptions and attitudes towards New Zealand wine (Table 1). While this is a small sample ($n = 30$), the impression on the wine, and the likelihood of purchase or consumption of New Zealand wine increased for two thirds of respondents. Somewhat surprisingly, only half of the sample felt their winery visit had increased their knowledge of New Zealand wine, with 40% disagreeing with this statement. This could mean their expectation for learning was not met through this experience, or that perhaps learning was not an important motive (Fountain, Menival and Wen, 2014).

Table 1: Perceived impact of winery visit on perceptions of New Zealand wines

Visiting a New Zealand winery ...	Agree %	Neutral %	Disagree %
has made me more knowledgeable about New Zealand wine	50.0	10.0	40.0
has increased my positive impression of New Zealand wine	63.4	13.3	23.3
has made me more likely to purchase New Zealand wine	69.9	6.7	23.4
has made me more likely to consume New Zealand wine	66.7	13.3	20.0

While these results reflect subjective assessments by respondents of the impact of their winery visit on their perceptions of New Zealand wine, the researchers were interested also to know whether a visit to New Zealand influences perceptions of New Zealand wine compared to those who had not visited. To this end, all respondents in the survey were asked to rate their knowledge and experience of New Zealand wine. In the total sample, fifty-nine respondents agreed with the statement: ‘I know something about New Zealand wines and I have tasted them’ (n=59), of these, 28.8% stated that they consumed New Zealand wine frequently, while a further 44.1% state they consumed wine from the country regularly, but not frequently. A further 16 respondents agreed with the statement: ‘I know something about New Zealand wines but haven’t tasted them’. Those who stated that they were knowledgeable were presented with a series of statements to rank on a seven-point Likert scale about New Zealand wines. Of the respondents presented with these statements, 66 respondents answered these questions; Table 2 presents the results of this analysis.

Only 22 of those who had visited New Zealand, or a little more than half, perceived themselves to be knowledgeable about New Zealand wines, despite their exposure, however those who had visited a winery in New Zealand were significantly more likely to state they were knowledgeable about New Zealand wines (66.7%) than those who had not visited a winery (25.0%), and almost all of those who responded to the questions about perceptions of New Zealand wines had visited a winery during their trip (90.9%, or 20 of 22 responding).

When comparing those who had visited New Zealand and were knowledgeable about New Zealand wines with those who had not visited the country, the former generally had much more positive perceptions of New Zealand wine than the latter. Most clearly, visitation to New Zealand, and in particular a winery, had an impact on experiential needs. This confirms the important role of these activities in developing good memories of hedonic experiences of enjoyment and relaxation (Charters, et al., 2009). There were no significant differences in results regarding symbolic needs, which is understandable, given the low awareness of New Zealand wines amongst other Chinese consumers.

In terms of the elements of functional needs, the uniqueness aspects are positively impacted by visitation to New Zealand, with visitors to New Zealand rating all of these more highly than those who had not visited, however the small sample size means that the differences were not significant, however perceived quality was significantly higher for New Zealand visitors on two measures – ‘New Zealand wines appear to be of good quality’, and ‘I view New Zealand wines positively’. A trip to New Zealand, and New Zealand wineries, had no significant effect on the statement ‘New Zealand wines are produced in an environmentally sustainable manner’ or ‘New Zealand wines are safe and without chemical additives’, with just over half of New Zealand visitors agreeing with these statements. This is perhaps surprising and concerning, given the priority given to the branding of New Zealand’s agri-food products in general, and wine industry in particular, as sustainably produced and ‘clean and green’ (Stanley, 2012; NZ Winegrowers, 2015). This suggests that these messages are not being conveyed effectively to Chinese visitors at wineries.

Table 2: Agreement with statements about New Zealand wines (%)

	Visited NZ	Not visited	Chi test
	n=22	n=44	p. value
Symbolic needs			
New Zealand wines help me to feel acceptable	54.5	29.5	ns
New Zealand wines improve the way I am perceived	45.5	20.5	ns
New Zealand wines make a good impression on other people	31.8	18.2	ns
Experiential needs			
New Zealand wines are those I would enjoy	86.4	52.3	.012
New Zealand wines would make me want to drink them	86.4	54.5	.031
New Zealand wines are those I would feel relaxed about drinking	81.8	40.9	.004
Functional needs (uniqueness)			
New Zealand wines are reasonably priced	63.6	36.4	ns
New Zealand wines are good products for the price	59.1	34.1	ns
Functional needs (perceived quality)			
New Zealand wines appear to be of good quality	81.8	45.5	.017
I view New Zealand wines positively	95.5	59.1	.008
New Zealand wines are produced in an environmentally sustainable manner	50.0	38.6	ns
New Zealand wines are safe and without chemical additives	59.1	38.6	ns
Functional needs (Awareness)			
New Zealand wines are a luxury product	22.7	34.1	ns
New Zealand wines are for everyday drinking	61.2	31.8	.018

The effect of tourism on the awareness aspects of the functional needs are interesting; it seems that exposure to New Zealand wines has led to their democratisation. Indeed, Chinese consumers who had visited New Zealand considered New Zealand wines as more accessible than those who had not visited. Because they know more about these wines, they are more likely to consider New Zealand wines for everyday drinking. Conversely having visited and been exposed to New Zealand wine, they are *less* likely to consider the wine as a luxury product. Whilst this point is not statistically significant, it underlines the complex definition of luxury goods. This does not seem to be reflected in perceptions of the price of New Zealand wine, which New Zealand visitors view more favourably than those who have not visited as noticed in the uniqueness aspects, rather it relates to the perception of accessibility of the wine.

4. CONCLUSIONS

As stated at the outset, this is an exploratory study, involving a small sample of Chinese wine consumers who have visited New Zealand, who differ considerably from the average Chinese visitor to New Zealand. Findings tend to suggest the positive relationship which exists between visiting New Zealand, and in particular, wine tourism experiences whilst in the country, and post-visit brand awareness and loyalty. A number of elements identified here could be further investigated in a larger study. For example, it would be interesting to explore the reason why respondents felt that their winery experience had not increased their knowledge of New Zealand wine; is this due to motivations for the visit not including learning, or could it be the nature of the winery product failed to meet Chinese consumers' need for knowledge? Similarly, the finding that exposure to New Zealand wines led to a decreased perception of luxury in the brand, but at the same time, a greater likelihood of consumption of wines from this country is fascinating, and suggests wine tourism may contribute to the democratisation and demystification of wine amongst Chinese consumers. The fact that exposure to New Zealand wines did not result in greater awareness of the sustainability efforts of the New Zealand wine industry is surprising, and further exploration about how this message could be more clearly disseminated may be important for the New Zealand wine brand if it is to expand its brand recognition in the Chinese market.

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Just here for the scenery? Chinese holidaymakers and wine tourism in New Zealand

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Abstract:

Purpose: This paper explores the potential of wine tourism to add to the experiences of Chinese short stay holidaymakers in New Zealand, and investigates the elements of a winery visit that would be of interest to Chinese visitors.

Methodology: This research is based on in-depth interviews with stakeholders with an interest in Chinese wine tourism (Chinese inbound tour operators (ITOs) and winery respondents), supported by an intercept survey conducted in Chinese with 123 Chinese holidaymakers in New Zealand. The data from these surveys was entered in SPSS and analysed using descriptive statistics, including chi-square and t tests.

Findings: At this stage the general Chinese holidaymaker has limited interest in wine tourism, however a growing proportion of them are visiting wineries, either as part of a group tour or independently. The main appeal of wineries for Chinese visitors is the opportunity to relax and enjoy the scenery, although learning about wine making, or hearing stories about wine making are of interest to visitors also. Opportunities to buy wine are less important factors for Chinese visitors than may be anticipated.

Practical implications: The needs of Chinese visitors to wineries may differ considerably from other winery visitors, so providing opportunities for relaxation, and highlighting the scenic appeal of the winery, are important strategies to attract Chinese visitors. Communicating to these visitors is critical also, given their interest in hearing stories and learning about wine.

Keywords: Wine tourism, New Zealand, Chinese consumers

1. INTRODUCTION

There is increasing recognition of the importance of Chinese visitors to the New Zealand tourism industry (Expert Advisory Group, 2012). Visitor numbers from China have experienced a rapid growth over the past decade, and in late 2012, China became the second largest source of visitors to the country (Insights Team TNZ, 2013). Chinese visitor numbers continue to increase, and in the year ending June 2015, 313,000 Chinese visitors (including 215,000 holidaymakers) came to New Zealand; a 30% increase over the previous year (Tourism New Zealand, 2015a). To date, most Chinese holidaymakers have been very short staying visitors. For example, the median length of stay of all Chinese holidaymakers is three days, due largely to the high proportion of visitors on group, or 'shopping tours'. However there are signs that this is beginning to change; while the majority of holidaymakers are still on group tours (144,000 visitors), the number of Free Independent Travellers (FITs) are growing considerably, with the 73,000 FITs representing a 60 percent increase on the previous year (Tourism New Zealand, 2015a).

The New Zealand tourism industry is committed to increasing the proportion of longer staying and higher-spending Chinese FITs to New Zealand (Tourism New Zealand, 2015a). In order to achieve this, considerable focus is being placed on improving the quality of Chinese visitors' experiences in New Zealand (Expert Advisory Group, 2012). This has included the launch in 2013 of the Premier Kiwi Partnership scheme (PKP) which offers quality assured accreditation to Chinese tour operators offering high quality itineraries (Tourism New Zealand, 2015c). Another way to achieve this objective is to shift the focus of Chinese experiences from 'shopping tours' to high quality tourist experiences, which enable Chinese holidaymakers to travel to more of the country, explore the regions and achieve more memorable holiday experiences; wine tourism experiences may offer potential in this regard.

On the surface, it would appear that wine tourism has little appeal to Chinese visitors to New Zealand. Figures from 2008 indicate only two percent of Chinese tourists visited a winery while in New Zealand (Ministry of Tourism, 2009, p. 2), and there is little indication that this proportion has increased in the past five years (Tourism New Zealand, 2014). However, there are many aspects of wine tourism that seem to closely match the interest of Chinese visitors to New Zealand, including the chance to get out into the rural landscape, enjoy clean, beautiful fresh air and meet local friendly people; all reported highlights of their New Zealand experience (Insights Team TNZ, 2013). The importance of buying gifts, and the desire to purchase high quality local produce (Expert Advisory Group, 2012), coupled with the role of foreign wine in gift giving in China (Camillo, 2012), suggest other potential synergies with wine tourism. Furthermore, evidence from Chinese visitors in the Tourism New Zealand Visitor Experience Monitor suggests that they are impressed by the good quality wine in New Zealand (Tourism New Zealand, 2012, p.9), and perhaps most interestingly, while only nine percent of Chinese visitors in this survey participated in 'food and wine events/shows', 77 percent of respondents said that they would have been interested to participate in this type of activity (Tourism New Zealand, 2012, p.19).

To date there has been little research globally on the emerging Chinese wine tourism market. This is beginning to change, with scholarly and popular articles exploring domestic wine tourism opportunities and motivations in China (Howson et al., 2013, 2014; Ye et al., 2014;

Zhang et al., 2013) and recent research on aspects of Chinese wine tourism in New Zealand. For example, recently completed Masters theses have examined the wine consumption and wine tourism experience of New Zealand Chinese residents (Deng, 2013) and the characteristics of a small cohort of female Chinese tourists who have visited a winery during their trip (Huang, 2014). Therefore, the objective of the current research project has been to explore the potential of wine tourism to engage and enhance the tourist experience of Chinese visitors to New Zealand, with this paper focused specifically on Chinese holidaymakers staying less than one month.

2. METHODOLOGY

The research for this study took two forms. Firstly, a series of in-depth interviews with key stakeholders in the wine and tourism industry was conducted to gain insight into current levels of activity and engagement by Chinese visitors in wine tourism activities, and particularly winery cellar door visitation. All Chinese Inbound Tour Operators (ITOs) who at the time of study were registered as part of the Premier Kiwi Partnership scheme were contacted, and five of the twelve agreed to be interviewed. Wineries were selected on the basis of an identifiable tourism focus in their operations (that is, a cellar door site advertised on their website) and were primarily larger operators with well-known brand names. There was some snowball sampling, whereby interviews with Chinese ITOs identified wineries they included on tours, and these wineries were then approached for interviews. All interviews were conducted face-to-face and were audio recorded and later transcribed and analysed for themes. The ITO interviews were conducted in Auckland, and winery interviews were conducted in Auckland and Central Otago.

The second part of the project was an intercept survey conducted in April 2014 with Chinese visitors in Auckland and Queenstown. In total, 240 Chinese visitors to New Zealand were surveyed, including 123 shorter-stay Chinese holiday makers (staying a month or less) and 80 longer-staying students. The survey, written in Chinese, was administered by a Chinese researcher. Respondents were asked their interest in experiencing various activities and attractions whilst in New Zealand, including wine tourism. They were asked about their experiences of wine tourism in New Zealand, and what factors were important to them for winery visitation. All data was entered into SPSS and descriptive analysis, including Chi square and *t*-tests, was conducted.

3. FINDINGS

3.1. Wine tourism stakeholders' perceptions

Findings from the in-depth interviews with stakeholders indicated that wine tourism was still of interest to a minority of the group holidaymakers who currently make up the bulk of Chinese visitors to New Zealand, with the activity of more interest to the 'high end' FIT holidaymaker and business and political groups. Lack of interest was explained by the ITOs to be due to limited knowledge or experience with wine and wine culture, the short stay of many visitors, and the fact that wine is not a key motivator for Chinese to visit New Zealand, as the following quotations attest:

I think the main priority when they come to New Zealand is still the natural scenery, that's the number one, and all the experiences of different cultures. Very small number of clients want to visit wineries (ITO-1)

Actually it depend on location because most of the people come from China they come to New Zealand for the beautiful natural scenery ..., if we change the [location], going to France, they definitely would want to go to winery, yeah. (ITO-2)

There was the perception, however, that this was beginning to change as the characteristics of visitors changed – longer stays and more travel experience in particular – and as awareness of New Zealand wine increased. Despite the relative lack of interest amongst their clients, ITOs acknowledged that winery visits often were a part of itineraries.

Unlike the Chinese ITOs, winery respondents were generally in agreement that the number of Chinese visitors to wineries was increasing, although a lack of market research meant that they were unsure whether these visitors were domestic Chinese, international students or holidaymakers. The ITOs and winery respondents were in agreement, however, that the major appeal for Chinese holidaymakers at wineries was the scenery and opportunities to take photos, rather than the wine itself:

I think first of all they enjoy the scenery, as I experienced a winery tour in Waiheke, I feel it is a very good, beautiful area and really elegant environment to enjoy, and very relaxing, and you can see very far away about the sea coast and about the vineyards. And you enjoy wine, so it is a very good experience. (ITO-2)

You know you'd start the wine tour and then some of them would just drift off, and they'll be posing and taking photos down by the lake, and then you come back here to do a tasting with them and they want to have a photo with you. I think that's part of the whole thing. They've got photos they can show people back home. (Winery-2)

Winery respondents reported that many Chinese visitors bought wine, with older visitors buying expensive red wine for gifts, while younger visitors were more likely to buy sweet white wine. Amongst these respondents there was a perception that interest in the wine, and learning about wine making in particular, was increasingly important for Chinese visitors. The Chinese ITOs felt also that with time, wine and wine knowledge would become a bigger focus of winery visits for holidaymakers.

3.2. Chinese holidaymakers' perceptions and experiences

The following findings focus on the 123 short stay Chinese holiday makers to New Zealand in the sample. It is worth noting that they differ considerably from the average Chinese holiday maker in New Zealand, in particular, they are longer staying visitors than the average holiday maker. This is partly a reflection of the location of the surveys; the average group tourist who stays in New Zealand only 2-4 days is unlikely to leave the Auckland –Rotorua area, so with 61.8% of these surveys being conducted in Queenstown, it is more likely that the longer stay holidaymaker will be over-represented. In this sample only 18.7% were staying a week or less, with 52.8% staying between one and two weeks, 22.8 were staying three weeks, and 5.7% staying between three weeks and a month. Similarly, while 27% of all Chinese holidaymakers to New Zealand are independent (FIT) travellers, 61.8% of this sample were travelling independently, with only 25.2% travelling in organised tour groups

exclusively, and a further 13% travelling in a mix of tour group and independent travel. For three quarters of respondents (76.4%) the main purpose of the trip was for a holiday. The majority of the sample were with travelling a spouse (33.3%) or family (30.9%), however 16.3% were traveling with friends and the same proportion were traveling on their own. There was an even gender split of 50% males and 50% females, and while there was a mix of age groups, the sample was generally younger than the overall profile of the Chinese visitor in New Zealand. This was a well-educated sample, with more than three quarters having either a four year degree (48.7%) or postgraduate qualification (29.1%). The largest proportion of respondents came from Shanghai (24.4%), followed by Beijing (13.8%), and Guangdong (12.2%), which reflects the profile of Chinese visitors to New Zealand overall.

Respondents were asked how interested they would be in participating in each of a list of activities available, using a Likert-scale where 1 is not at all interested and 7 is extremely interested, and the mean for these activities is presented in Table 1. It is not surprising that the highest rated activities relate to experiencing New Zealand's natural scenery (visiting a beach, scenic landmarks, scenic tour), as this is recognised as the main reason Chinese visit New Zealand. By comparison, visiting a winery or vineyard was ranked 13th out of 19 activities, which would suggest limited interest. It should be noted, however, that these holidaymakers were more interested in visiting a winery than shopping for souvenirs, participating in adventure activities, or experiencing or learning about Maori heritage and culture; all activities that are heavily promoted in the New Zealand tourism industry. Chi-square tests revealed that there were no statistically differences between those who stated an interest in visiting a winery and those who were not, although they were slightly more likely to be under 40 years of age and male. When asked why they were not interested in visiting a winery the most common reason given was that the respondent did not consume alcohol, or did not like alcohol, while other respondents said that they knew nothing about wine.

Table 1: Interest in New Zealand tourist activities (*n* = 123)

	Mean		Mean
Visit a beach	6.16	Visit museum/ historic building	4.48
Visit scenic landmarks	6.01	Learn about NZ European history	4.48
Go on a scenic tour	5.97	Visit a winery or vineyard	4.32
Take a scenic bushwalk	5.65	Shop for gifts or souvenirs	4.11
Visit an national park	5.46	Visit an art gallery	4.09
View/learn about NZ's wildlife	5.29	Participate in adventure sports	4.06
Visit geothermal sites/hot pools	5.23	Experience Maori cultural show	3.99
Visit a farm	4.96	Learn about Maori history/ culture	3.95
Experience local food and wine	4.84	Visit a casino	2.32
Go to a botanic garden or park	4.78		

When asked if they had visited a winery, or intended to visit one on their trip to New Zealand, 35.7% of holidaymakers stated they had visited, or would visit, a winery during this trip. This represents a much higher proportion than has been reported elsewhere. Of those 25 respondents who had already visited a winery, a slight majority had done so independently (57.1%), rather than as part of a tour (42.9%). Of respondents who stated they were not interested in visiting a winery (rated neutral or not interested), 34.7% had done so or intended to do so on their trip, compared to 54.5% of those expressing an interest in such a visit. To what extent a previous visit had reduced their interest, or need, for a winery visit was not investigated. Most of those who had visited a winery could not name the winery(s) in question, with only six respondents able to do so. There was more certainty about the wine region visited, with Central Otago (19 respondents), Waiheke Island (15 respondents), Auckland (10 respondents) and Marlborough (5 respondents) most frequently mentioned.

Those who had already visited a winery were asked about their satisfaction with the experience. Three quarters of these respondents (21 respondents) stated that they were satisfied with their winery visit, however only 14.3% (four respondents) gave it the highest rating of 'extremely satisfied'. The most often stated reasons given for satisfaction were the quality of the wine (9 respondents) and the scenery (8 respondents). Three respondents each expressed satisfaction with the opportunity to learn about wine and wine production processes and good service quality. Few respondents gave explanations for dissatisfaction, but one respondent mentioned lack of interest in wine. Not surprisingly, a *t*-test reveals satisfaction with the winery experience was much higher amongst those who had expressed an interest in winery visitation (5.81) than those who were not interested (4.56; $p < .01$).

All respondents, whether they had visited a winery or not, were asked to think about the factors that would be important to them if they were to visit a winery. This proved a difficult question for respondents to answer, with the interviewer reporting that those who had never visited a winery felt unable to consider the options. Others refused to answer the question on the basis that they did not drink alcohol. For this reason only 47 people answered these questions, including 22 respondents who had expressed an interest in visiting a winery and 21 who stated they were not interested.

Not surprisingly, those who expressed an interest in visiting a winery rated most factors as more important than those who were not interested in winery visits, although given the small sample sizes, in general the differences are not statistically significant. Overall, the opportunities to relax rated most highly for the sample as a whole, with this being the most important factor for those not interested in winery visits. Attractive scenery was the most highly rated feature for interested winery visitors, followed by opportunities to relax. While opportunities to taste wine is the third highest rated activity overall, for those interested in winery visits it ranks fourth behind opportunities to learn about wine and wine making, and it ranks fourth also for those less interested in winery visitors, below opportunities to hear stories about wine growing and wine making. Interestingly, given the emphasis on the Chinese propensity to buy wines as gifts and to participate in gift shopping whilst in New Zealand, there is no evidence that purchasing wine is an important factor in visiting a winery.

T-tests reveal that those interested in a winery visit are significantly more interested in opportunities to learn about wine and wine making ($p < .01$) than those with little interest. The presence of China UnionPay is more important for this group also ($p < .05$), perhaps suggesting their intention and willingness to buy wines. This group's significantly higher rating of the availability of winery restaurant suggests they are keen to broaden their winery experience. The one factor that those not interested in winery visits rated higher than the interested respondent was the need for the journey to be a short one, which is understandable given the latter's greater willingness to invest in such an activity.

Table 2: Important factors for a winery visit

	Total n=47	Interested n=22	Not interested n=21
opportunities to relax	5.00	5.36	4.45
attractive scenery at the winery	4.83	5.52	4.30
opportunity to taste wine	4.54	5.04	3.95
opportunities to learn about wine and winemaking	4.43	5.23**	3.65
hearing stories about wine growing & wine making	4.24	4.72	4.00
wines available to buy for yourself	4.13	4.46	3.70
wines available to buy for gifts	4.02	4.43	3.70
opportunities to meet the winemaker	4.00	4.57	3.65
having Chinese speakers at the winery	3.81	4.17	3.10
being able to take a guided tour around winery	3.80	4.09	3.45
wine tasting free of charge	3.77	4.30	3.26
availability of China UnionPay	3.77	4.30*	2.95
availability of an organised tour to winery	3.77	4.27*	2.90
availability of a restaurant	3.74	4.35*	3.00
easy to find the way to the winery	3.67	4.05	3.40
a short journey (less than one hour)	3.36	3.33	3.50

4. CONCLUSIONS AND IMPLICATIONS

It seems for the general Chinese holidaymaker in New Zealand wine tourism has limited, albeit growing, appeal. This is due in part to a lack of understanding of wine, or what is involved in wine tourism, but also due to priorities while visiting this country. It is important for wine tourism providers to recognise that the appeal of wine tourism for Chinese visitors may be quite different to other markets. For example, winery visitation is less about the wine, and more about the opportunity to participate in activities for which New Zealand is well known; opportunities to relax in uncrowded natural settings, and to enjoy the scenery and take photos. For some Chinese visitors, tasting wine may be less important than opportunities to learn about wine growing and wine making, or hearing stories about wine growing and wine making. These insights provide opportunities for both wineries and tourism operators; the latter might need to better highlight the scenic features of wine tours to give them greater appeal, while wineries need to provide opportunities for Chinese visitor to relax and enjoy the scenery, and to ensure staff can communicate effectively to ensure the Chinese visitor's desire for knowledge is fulfilled— whether that be technical information about wine and wine making, or human interest stories about the winery.

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Wine Cluster Key Driver of Success for Wine Tourism in the Czech Republic

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Abstract:

Purpose - Wine tourism development and investment should lead to the creation of new jobs. Significant assumptions were made in the region of South Moravia in the southeastern part of the Czech Republic. To achieve the objective of the study was developed inside structural analysis of the wine sector, conducted marketing research data collection and mapping the development of Wine Tourism projects. The main research objective of this paper was to find multiplication effects based on new investments in the wine sector and related development of Wine Tourism in the last ten years.

Design/Methodology/Approach - This study describes how to increase vineyard area related to the Czech Republic's accession to the European Union in 2004, when restrictions were associated threats of further expansion of vineyards. The dynamic development of the wine category, major changes in the market and consumer demand are the main causes of increasing the attractiveness of the sector for investment in new plantings of vineyards, subsequent related investments in the production of wine and also development of Wine Tourism.

Findings - The main results include the finding that the increase in new plantings of vineyards to four times the annual average has led to an increase in the number of grape growers and wineries have doubled over the last ten years. The application of the results of research was a plan for the establishment of new alliance – wine cluster, where is the potential cooperation between associations VOC appellation and other entities involving suppliers, customers, research institutions and universities. The plan to create a wine tourism cluster was proposed to establish cooperation between the newly emerging associations of VOC at three sub-regions of South Moravia, in order to achieve competitive advantage.

Practical Implications - For the development of the entire wine sector is also linked to the need to create new jobs directly in the industry, but also multiplication effects of related industry suppliers, as well as in tourism.

Keywords: Creating jobs, investments, multiplication effects, Wine Tourism, Wine Cluster

INTRODUCTION

Development of wine tourism is important for the South Moravia region, southeast part of the Czech Republic. In addition, the wine tourism brings revenue side entities operating in agriculture, thereby increasing the standard of living of the population, also brings to the region more jobs and higher income. Tourism and the service sector in general have progressive growth in recent years. Winery, wine and wine tourism are the flagship of South Moravia. In the segment of wine tourism is a dynamic development and is certainly not true that tourists come for winemakers only on so-called "wine cellar evening". Tourists as wine lovers are also interested in the possibility of tours vineyards, own work in the vineyard, and training in the production of wine in the cellar.

The research project follows the development of the regional associations of small and medium-sized wineries cooperating in system for appellations *Vína Originální Certifikace* (VOC). There are successful forms of wine tourism cooperation in wine clusters -in the world, which can serve as a source of inspiration for the growing cluster initiatives in the Czech Republic.

Cooperation in regional associations, which leads to the creation of new offer of services include wine tourism is strategic business decision, leading to a strengthening effect on the negotiating dynamics in the industry. As stated by Porter (2007) the reason why companies are successful or are falling, the question is in the center of strategy. Porter (1990) was the first in their work using the concept of cluster in the context of wine production, namely on the basis of research work related to wine producers in California, specifically in the Napa and Sonoma Valley. There was started a regional research activities to study winemaking. Before wine from California in the eighties of the last century broke on the export to all over the world, wine production has undergone great development in quality and quantity. This development has attracted some new producers to enter into this industry and also caused the development of other related industries such as wine tourism.

Furthermore research of clusters uniting producers of vine and wine published by Müller and Summer (2005). Formation of wine cluster in New Zealand is researched by Dana and Winstone (2008), in the South Africa by Davidson (2009) and in Chile by Visser (2004).

Aylward (2008) describe the differences in the two types of Australian wine cluster. South Australian Cluster, which can be described as innovative and organizational type cluster in Victoria and New South Wales.

There are also publishing researchers in the Czech Republic, who engaged in the initiatives of local and regional farmers which joint together to market, e.g. Lošťák, Kučerová, Zagata (2006).

Place-based marketing and cooperation winemakers appears frequently in publications from Mitchell and Hall (2006, 2012). The institutional theory and resource based-theory of clusters in wine tourism industry researched also Grimstad (2011).

MATERIAL AND METHODS

To achieve the objectives of the study and an overview of the target market segments requires analysis of the behavior of consumers and providers of wine tourism, which was done by the method of marketing research. For primary data collection system was used RELA (Research Laboratory). Service providers wine tourism were addressed questionnaires electronically.

In order to identify multiplying effects of wine tourism cluster can use the following macro-analytical tool that recommends Porter (1990):

$$x/X$$

Localization quotient (LQ) = -----

$$y/Y$$

LQ - location quotient of employment in the region

x – the number of employees working in the sector in the region; X - total number of employees in the region; y – the number of employees working in the sector in the state; Y - total number of employees in the state.

Potential for regional clusters is where there are groups of related industries with LQ greater than 1.

To achieve the goals of this research is designed concentration quotient, which is indicating the proportion of vineyards in the region and the total area of vineyards. This concentration factor is calculated for the association of VOCs in the Czech Republic.

a/A

Concentration quotient (CQ) = -----

b/B

CQ – concentration factor area of vineyards in the region / in a certain area for the establishment of an association of wine growers or cluster

a – the number of vineyards in the region certified by the association rules (ha); A – total number of vineyards across the region (ha); b – the number of vineyards of the all associations (ha); B – the total area of vineyards in the country (ha).

Sources of secondary data are The National Wine Centre, Valtice; Wine Fund of the Czech Republic; Confederation of Commerce and Tourism; Association of hotels and restaurants; CzechTourism; Tourist information centers in South Moravia region; Destination Agencies of the tourist areas.

RESULTS AND DISCUSSION

For further research, it was important to make a categorization of events and services. Based on consultations with experts were chosen individual criteria and design events categorization – the type of markets, festivals, wine tasting with typical local products and special gastronomy in conjunction with wine. Selection of current events is conducted with the aim to create an overall picture of "gastronomic and viticultural peculiarity" of the region.

Based on the results of the calculation of the coefficients for the determination of the potential for establishing a cluster and the objective situation in the European market in wine was established design of the cluster, which will be based on the principle of integrated VOC three regions (Pavlovice, Mikulov, Znojmo) with CE South Moravia. The proposed cluster has high coefficients of LQ and CQ (Chart 1). Due to the relatively high concentration of production resources has potential for competitiveness and clear identification of consumers in the domestic market, and also by Slovak wine market in Central Europe. The scope of activities in the first phase, coordination of services recommended wine tourism in Southern Moravia.

Chart 1: Localization (LQ) and Concentration Quotients (CQ) VOC

Wine Region	LQ	CQ
VOC Znojmo	1.02	1.51
VOC Modré Hory	1.30	2.46
South Moravia	2.26	2.81

CONCLUSIONS

Based on the results it can be concluded that the interprofessional association VOC Czech Republic meets the conditions for a cluster. Localization quotient was calculated on the value well above the minimum value. A new alliance of wine producers of VOCs in the Czech Republic also has a concentration quotient larger than a minimum value, and thus fulfills the opportunity for the formation of the cluster.

The plan to create a wine cluster was proposed to establish cooperation between the newly emerging associations of VOC at three sub-regions of South Moravia, in order to achieve competitive advantage in wine tourism.

This paper analyses the potential for wine tourism development and creating a plan for newly formed strategic alliance coordinating services offer all wineries in the region. This study describes the potential to offer services and products of wine growing areas in South Moravia region in the southeast part of the Czech Republic, suitable for promotion offers wine tourism destinations and services.

Based on the results it can be concluded that the interprofessional association VOC Czech Republic meets the conditions for a cluster. The plan to create a wine tourism cluster was proposed to establish cooperation between the newly emerging associations of VOC appellation at three sub-regions of South Moravia, in order to achieve competitive advantage.

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Does Wine Enhance the Attractiveness of a Destination?

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Abstract:

Purpose - The role of regional wines in attracting “average consumers” to a destination is only scarcely investigated.

Design/methodology/approach - While many studies examine wine store, wine region or wine festival visitors’ motives, satisfaction, spending etc. or cluster wine consumers or tourists who were interviewed within a specific environment i.e. a wine-store, -festival, -online platform or similar, very little is known of the people who are not necessarily to be found in such locations.

Findings - In order to find out if wine enhances the attractiveness of a destination for the “average consumer”, a representative German and Austrian sample was questioned in an online survey. Results proof and highlight the importance of wine as a tourism magnet and culinary tourism driver on the one hand and show that, on the other hand, wine as a single offer - at least in the case of Austria - is not a sufficient destination-choice argument for the German and Austrian “John Doe”.

Keywords: Wine, tourism, attractiveness, destination, average consumer

1. INTRODUCTION

Regional wines and food products have a significant, proven and well-documented impact on the image and consumer perception of tourism destinations (Crouch & Ritchie, 1999; Bessiere, 1998; Cusack, 2000; du Rand et al., 2003; Green & Dougherty, 2008; Fox, 2007; Handszuh, 2000; Henderson, 2009; Telfer & Wall, 1996; UNWTO, 2012). Particularly unique and handcrafted specialties with a protected appellation contribute significantly to enhancing the appeal of places (Karim & Chi, 2010; Stöckl, Rinke & Eisingerich, 2014). Most studies investigate consumer behaviour on site, i.e. in the wine (tourism) region or in special circles such as online wine platforms, representing an involved group of consumers. However, the role of regional wines in attracting “average consumers” to a destination is only scarcely investigated. Although there are many specific studies on influencing factors and purchase behaviour for specialists, in specialist stores and on wine-tourism destinations, for example investigating the influence of store environments (e.g. Orth, Heinrich & Limon, 2010), background music and shopping behaviour (Areni & Kim, 1993), region and country-of-origin effects (e.g. Skuras & Vakrou, 2002) or the impact of sustainable production methods on purchase decisions (Klohr, Fleuchaus & Theuvsen, 2014), as yet, no research investigated the role that wines and regional or national wine “umbrella brands” play for the “average consumer – in contrast to high involved wine connoisseurs – when rating or assessing the attractiveness of a destination.

Speculations or even estimations regarding the importance of “John Doe” as a wine buyer and as a culinary or even wine tourist are difficult due to a lack of research on the topic. Nevertheless, a number of indicators could help to assess the importance of the “average consumer” for both the wine business and tourism destination marketing. In Austria 74 per cent of all wines purchased off-licence i.e. for home-consumption (not in restaurants, bars or at festivals) were purchased in discounters and super markets; 82% of all purchased wines cost less than EUR 7,- (AWMB, 2014). Szolnoki & Hofmann’s (2014) study is a first approach to segment the German wine market by considering consumers’ usage of different sales channels. Their findings suggest that German consumers can be separated into two major segments: a basic group and a premium group. The majority of the participants of their survey among a representative German sample (62 per cent) belongs to the basic segments. The “average” German wine buyers account for roughly 50% of all purchases and about one third of the total turnover (Szolnoki & Hoffmann, 2014).

Although the “average consumer” is still far from being a wine connoisseur (Bernetti, Casini & Marinelli, 2006), changing consumer purchasing behaviour in the major retail chains indicates that wine “culture” is expanding. The average consumer normally devotes little time to the purchasing of most goods he or she selects in major retail chains, and their decisions are influenced predominantly by price (Bernetti, Casini & Marinelli, 2006).

Consequently, the overarching research question of this paper – in contrast to the vast majority of existing research that investigates motives and behaviour of high or medium involved consumers who are observed, questioned or interviewed in a wine-tourism environment – is: Does wine enhance the attractiveness of a destination for “John Doe”? Based on this research question, the aim of this study is, first, to investigate if countries with a highly developed wine culture are considered as more attractive for tourism with a culinary aspect than non-wine-growing countries. The second objective is to analyse the role of wine as a pull factor in tourism in comparison to other beverages such as beer, spirits, coffee and food products such as bread or vegetables and fruits. Finally, this study aims to find out whether or not wine is a culinary tourism driver. These efforts will result in answering the

question, if wine enhances the attractiveness of a destination. Using a representative online survey (n = 1,268) we first analysed which beverages and food products are of interest to this target group when travelling. Accordingly, a ranking was conducted with the average German and Austrian sample to find out whether or not wine growing countries would dominate a destination classification regarding the culinary attractiveness of a country. Secondly, a content analysis of Austrian culinary offers (n = 1,188) was carried out to examine if the range of culinary-tourism offers differs in wine-growing and non-wine-growing provinces. To this end, we decoded Austrian destinations as either “non-wine growing” or “wine-growing” region using the respective postal codes.

2. THEORETICAL BACKGROUND

Wine tourism is a rather new form of tourism that has been able to develop constantly over the last years. Food and wine were able to attract an ever increasing number of aficionados and stimulates food and wine-related traveling (Croce & Perri, 2010). “Increasingly passionate about food and moved by a desire to discover more about the terroir of particular products, changing consumer behaviour has had a decisive impact on wine tourism“ (ibid., p. 3).

However, for the majority of consumers wine and gastronomy is usually not the main motivation when choosing a destination (UNWTO, 2012, p. 6). An analysis of the Austrian National Tourist Office investigated the traveling motive “food and wine” of guests to Austria. Findings reveal that culinary offers do influence the destination choice behaviour, but the results again confirm that food and wine are usually not the main motive to choose or travel to a certain destination (Österreich Werbung, 2013). Hall et al. (2003), who stated that gastronomy plays a role in decision-making and traveling behaviour of individuals, also support this. However, great differences in the importance of this motive can be observed among travellers, who show a high interest towards cuisine and wine (and who are hence highly motivated to participate in gourmet tourism, gastronomic tourism and cuisine tourism) and travellers, who have an average or low interest in food and drinks (Hall, Sharples, Mitchell, Macionis, & Cambourne, 2003, p. 10), as indicated in figure 1.

Nevertheless, what has to be considered in this context, is that approx. one third of all holiday spending are allotted to food and drinks (UNWTO, 2012, p. 8). This means that every tourist – and therefore also the average or low involved consumer and (potential) traveller – is, to some extent, a culinary tourist due to the fact that each traveller needs to drink and eat (Hall, 2012).

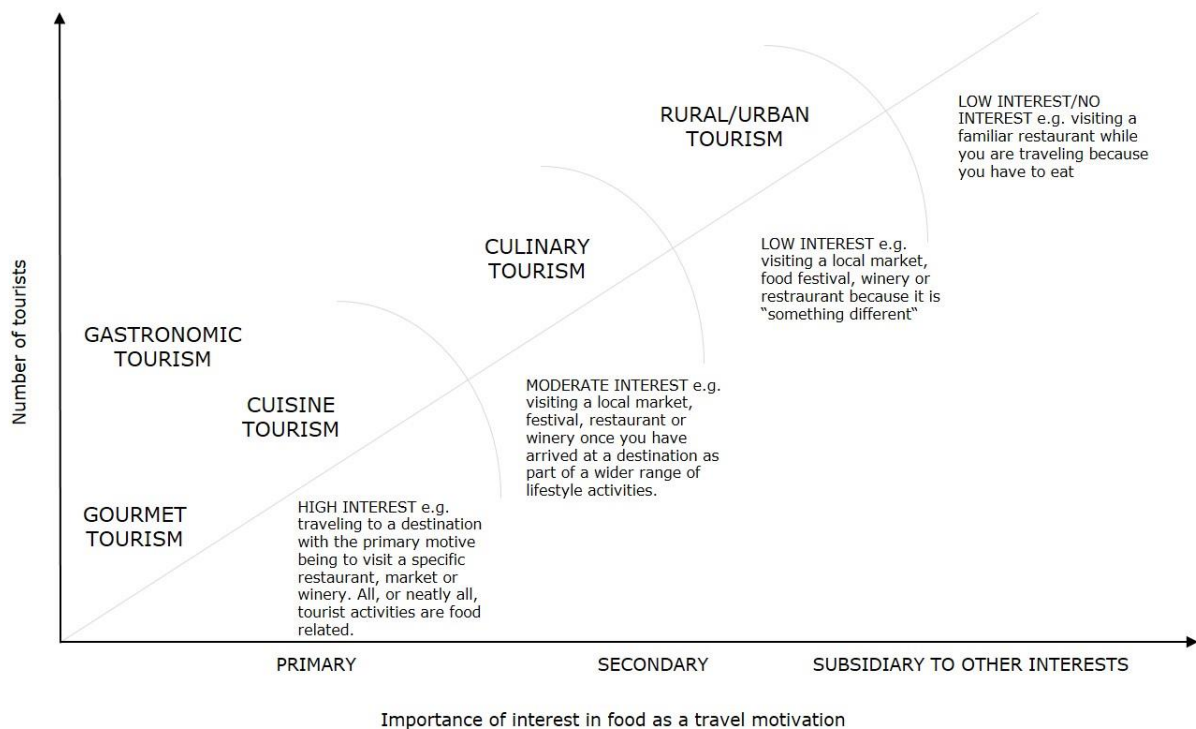


Figure 11: Importance of interest in food and wine as a travel motivation

Source: modified after Hall et al. (2003, p. 11)

(Potential) visitors with varying levels of culinary motivations must recognize national and local culinary identity and uniqueness, so that destination management organizations are able to make economic use of a destination's image and attractiveness (Henderson, 2009).

Culinary identity and heritage helps to create a unique positioning for a place (Fox, 2007). Food and wine thus became an important marketing and positioning instrument for destinations (Hjalager & Richards, 2002; Ottenbacher & Harrington, 2013).

Culinary offers do not only influence cultural identity and image (Bessiere, 1998; Du Rand, Heath, & Alberts, 2003a; Cusack, 2000; Handszuh, 2000; Telfer & Wand, 1996), they can also revalue visitor experiences at the destination (du Rand et al., 2003) and contribute to guest satisfaction and experience (Ryan, 1991; Smith, 1991; Timothy & Ron, 2013). Furthermore, significant correlations were proven between the culinary image of a destination and visiting intentions (Karim & Chi, 2010). Local cuisine and the entire culinary offer can therefore act as an image driver of a destination (Che, 2006; Lin, Pearson, & Cai, 2011; Tellström, Gustafsson, & Mossberg, 2006; Timothy & Ron, 2013), that may not only influence special and niche target groups.

Based on the above-mentioned studies and literature, the following hypothesis were derived:

H1: "Average consumers" from Germany and Austria will rate wine countries as more attractive culinary tourism destinations than non-wine growing countries.

H2: Wine is considered as an interesting part of the culinary offer of a place.

H3: Wine is a culinary-tourism driver and therefore the culinary offer – products (other than wine), culinary tourist attractions such as guided tours through production facilities and culinary events – are more numerous in wine-growing regions than in non-wine growing.

The study which is presented in the following sections tries to investigate the role of regional wines in attracting “average consumers” to a destination using a population-representative sample of German and Austrian consumers and the case of culinary tourism in Austria.

3. METHODOLOGY

A two-step methodology was applied to provide answers to the research question.

In order to explore if wine enhances the attractiveness of a destination, primary research in form of a quantitative survey was conducted at first. A population-representative online survey in Austria and Germany was carried out. For this purpose a quota sample based on the criteria age, gender and residential areas all over Austria and Germany was drawn to reach theoretical representativeness. A sample size of $n = 762$ was achieved for Austria. A total sample size of $n = 506$ was obtained in Germany. An online survey was chosen, as its advantages lie in the high perceived anonymity and flexibility of the respondents which helps to ensure data quality. According to Statistics Austria 81% of Austrians had internet access at the time of the survey (Statistik Austria, 2014). In Germany, the percentage of internet users amounted to 82% according to the Federal Statistical Office (Statistisches Bundesamt, 2014). The high internet penetration rate legitimizes the use of an online survey in both countries.

The contents of the questionnaire were based on the core research question of the study. At first, respondents were asked to state which countries they spontaneously associate with culinary tourism. Furthermore, respondents had to express their interest in various culinary offerings using a 5-point scale. Eventually, respondents were questioned to evaluate different elements of the culinary offer in Austria.

The survey was programmed using LimeSurvey and conducted online in January and February 2015. Respondents were asked to take part in the survey via an e-mail invitation sent out by a panel provider. Subsequently, data were analysed using SPSS 23. Frequency distributions showing measures of distribution, location and variability as well as cross-tabulations were used for data analysis. The internal consistency of the scale used was tested and classified as being reliable (Cronbach's $\alpha = 0.909$) (Fantapié Altobelli, 2011, p. 165). According to the scale levels and the specific requirements of analytical methods ((Berekoven, Eckert, & Ellenrieder, 2009, p. 219), Mann-Whitney tests (Untersteiner, 2007, p. 146ff) were carried out to detect significant differences between Austrians and Germans.

Ethical behaviour was kept in mind at any stage of the research. Participation in the survey was voluntary and respondents had the right to refuse to answer any questions. Participants were given the information that any personal information or data were treated as confidential and anonymous and that they have the right to access research findings at any time. Additionally the participants were not deceived regarding any aspect of the research (Jennings, 2010, p. 99).

Secondly, a content analysis of all websites of official destination management organizations in Austria was performed. The Austrian Hotelier Association, who regularly compiles and publishes contacts of all official destinations management companies in Austria, obtained the

list of all official Austrian destination websites. All culinary offerings of these destinations were recorded and categorized according to pre-established criteria. In addition, 35 experts were interviewed in different destinations to obtain a list of culinary offers that is as comprehensive as possible. These expert interviews were done by telephone, via e-mail or personally. Three types of culinary offers were investigated: culinary products (e.g. ham, cheese, wine, etc.), culinary events (e.g. festivals) and culinary attractions (e.g. companies that offer product-related tastings). This approach resulted in a list of 1,188 regional products, tourism attractions and events all over Austria.

4. FINDINGS

Three main findings based on the two-step methodology lead to the assumption, that wine enhances the attractiveness of a destination for the average consumer and that wine can be seen as a culinary tourism driver.

Firstly, average consumers assess Italy as the culinary destination par excellence, this holds true for both Austrians and Germans. This also confirms the results of Karim & Chi (2010), who see Italy as the country with the best culinary image and the highest potential for culinary tourism. Besides, France and Spain (as equally important wine growing countries) follow on the second and third place of the ranking. Results indicate that the image of these top three countries is highly shaped by wine as a culinary offer: The second most important spontaneous association of our sample for Italy was “wine” (after “pasta”). The same holds true for France with “baguette” followed by “wine” as the most important associations. The result for Spain is again quite similar with the highest connotations for “tapas” and “paella” followed by “wine” as predominant image items. Table 1 shows that well-known wine growing and wine exporting countries tend to be preferred culinary tourism destinations of Germans and Austrians. Wine producing countries clearly dominate the ranking regarding the overall culinary attractiveness.

Top 10 culinary tourism destinations of Germans and Austrians	
1. Italy	68.7%
2. France	37.4%
3. Spain	36.9%
4. Austria	32.5%
5. Greece	27.6%
6. Germany	16.5%
7. Turkey	13.2%
8. Croatia	11.8%
9. Thailand	9.8%
10. China	6.7%

Table 5: Top 10 culinary tourism destinations of Germans (n=506) and Austrians (n=539)

Secondly, the findings lead to the assumption that a good offer provided in the segment of wine can act as a moderate pull factor in culinary tourism. When comparing wine to other beverages such as beer, spirits and coffee, it can be seen that Germans and Austrians tend to be most interested in wine and coffee. Nevertheless, most food specialties arouse greater interest than wine (see figure 2). In contrast to the moderate interest, Austria's wine offer is assessed very positively. Wine can therefore act as a moderate pull factor and motivation for culinary tourism in Austria, especially in highly interested (niche) target groups.

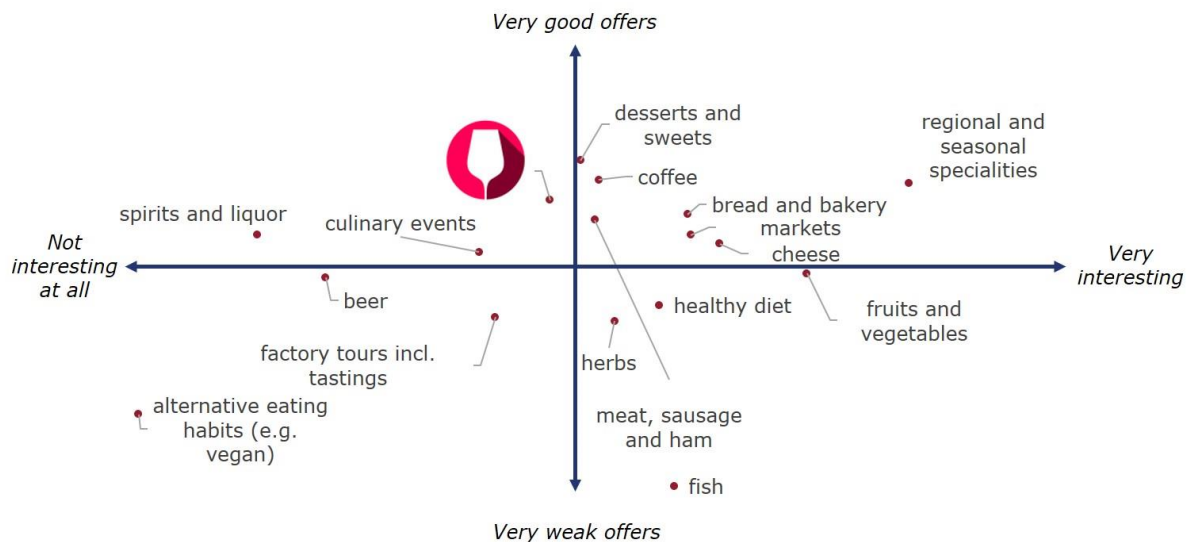


Figure 12: The position of wine in Austria's importance-performance matrix of "average consumers" (n=1,268)

Thirdly, it became obvious that wine can be considered as a culinary tourism driver in Austria. Based on the content analysis, the range of culinary-tourism offers (regional products, tourism attractions and events; 1,188 in total) was analysed for both types of provinces. Results show that culinary offers vary greatly by region. Almost every Austrian region offers a distinct range around one or more central food topics like cheese, apricots, pumpkin, etc. These products are often culinary trademarks of the respective region. Concerning beverages, a predominance of wine can be seen throughout Austria. This is by far the most important culinary product. For a deeper analysis, Austria was divided into its wine-growing and non-wine-growing provinces and afterwards, the range of culinary-tourism offers was again analysed. Findings indicate that wine growing regions offer considerably more events, products and attractions. Furthermore, wine is a driver of culinary tourism, as culinary hotspots typically arise around wine growing regions. Wine can thus be seen as an enabler of culinary tourism.

5. DISCUSSION

When summarizing the results, it becomes clear that wine can lead to higher visitor interest and a clearer culinary image. This underlines the findings of Karim & Chi (2010), who claim that the travelers' image perception of a destination helps destinations to determine what type of marketing program to develop in order to appeal to potential travellers. According to these authors, Italy and France have been quite successful in positioning wine as one of their core culinary tourism products and highlighting themselves as "lands of wine". Therefore, H1, which states, "average consumers from Germany and Austria will rate wine countries as more attractive culinary tourism destinations than non-wine growing countries," is verified.

H2, though, "wine is considered as an interesting part of the culinary offer of a place," cannot be thoroughly confirmed. Although wine is considered as the most interesting alcoholic drink as part of a culinary tourism experience and beer as well as spirits and liquor are regarded as far less interesting, wine ranges only in the lower bound of interest. Coffee for example raises

more attention. In addition, bread, fruit and vegetables, cheese and other everyday goods seem to have a higher attractiveness for culinary tourism experiences than more sophisticated products for “connoisseurs” such as wine and spirits.

Our third hypothesis (H3): “wine is a culinary-tourism driver” can be affirmed. Wine growing regions offer considerably better culinary “infrastructure” for visitors than non-wine growing areas. In the case of Austria it became apparent that wine-growing regions offer a larger amount of attractions and events, not only connected with wine, but also other culinary products. Wine and wine-related events and attractions can be seen as essential drivers of culinary tourism for Austria.

Results therefore proof and highlight the importance of wine as a tourism magnet on the one hand and show that, on the other hand, wine as a single offer – in the case of Austria – is not a sufficient destination-choice argument for Austrian and German consumers. Therefore, wine enhances the attractiveness of a destination, but it cannot be assumed that wine serves as the main motivation when choosing a destination, at least for Austria. A number of interesting managerial implications are to be derived for destination-, company- and product marketing and branding. Our results also indicate that research investigating “average consumers” who, after all, represent a considerable albeit laborious target group for the wine and wine-tourism industry is only in its very basic stage.

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Sources of Information Used by Wine Tourists Prior to Visiting an Australian Wine Region

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Abstract:

Purpose: This paper examines the different sources first-time and repeat visitors use when deciding to visit a winery's cellar door, and whether or not there are evident differences in the sources chosen between the two groups. We also examine if there are demographical differences (i.e. gender and education) in the information sources chosen. For example, do men commit more to word of mouth when deciding to chose a cellar door than women? Past literature involving information sources and wine tourism was analysed and suitable research questions were formed.

Design/methodology/approach: A highly structured questionnaire was used to determine what information sources were used when visiting a cellar door. The questionnaire consisted of 32 questions, where mostly were close ended questions over a six to eight week period. A total of six 3-cellar doors were chosen to reflect a broad range of winery sizes, tastes and visitors, whereby the cellar door staff administered the surveys. The final sample consisted of 240 respondents.

Findings: The study found that word of mouth communication was the most common source of information used by winery visitors when deciding to visit a winery. The study also found that heavy consumers of wine used word of mouth communication the most out of all of consumption levels of wine and first time winery visitors were slightly more likely to use word of mouth recommendation. No significant differences were found demographically in terms of information sources used.

Keywords: First-time visitors, repeat visitors, word-of-mouth, information sources, wine tourism

1. INTRODUCTION

Everyday individuals are faced with making decisions. Some are low involvement, for example what to have for dinner, and others are of high involvement, i.e. what life insurance company do we choose? (Sharp 2010). Yet, no matter what type of decision, the decision maker always seeks information through a variety of different sources, whether it is personal opinions (word-of-mouth) or mass media (TV, magazines, websites and newspapers) in order to reach a decision.

When planning to visit a cellar door at a winery, a visitor may use single source or multiple sources of information to determine which winery to visit. Yet depending on what type of visitor they are (first time or repeat), they may use different information sources (Bruwer & Lesschaeve 2012). A first time visitor is a visitor who visits a specific winery for the first time, whereas a repeat visitor is someone who has had a previous experience with that particular winery and is visiting again. Therefore, when visiting a winery for the first time, a first time visitor may rely on multiple sources of information (word of mouth, brochures, travel blogs or magazines), primarily because it is their first time and they need time to plan (especially if they are an overseas visitor) (Bruwer & Thach 2013). Yet, a repeat visitor may just rely on word of mouth from family and friends and past experiences of their own (Fodness & Murray 1997).

Studies conducted by Bruwer & Lesschaeve (2012) and Bruwer and Thach (2013) state that there is a difference in the information sources chosen by first time and repeat visitors. Bruwer and Thach (2013) discovered that first time visitors tend to use more formal sources, such as brochures and pamphlets and the regions information bureau more than repeat visitors when choosing to visit a cellar door. This is primarily because first time visitors need to plan their trip (especially if they are a tourist), as they aim to choose a winery that will offer them a positive experience. However, multiple studies conducted by Dodd (1998, 1999) and Barber et.al (2009) state that there is no major difference in the information sources chosen by first time and repeat visitors, however there are demographical differences. This study aims to fill this gap of understanding the types of information sources first time and repeat visitors use when visiting a cellar door, and whether or not there are any demographical differences between the information sources chosen.

2. CONCEPTUAL FRAMEWORK

Nowadays, there are many different ways to access and communicate information – formally or informally. Formal communication tends to occur through official communication channels, whereas informal communication tends to occur through unofficial channels that are not formally documented (Miller 2011). This distinction is important for wine tourism, as many wineries tend to focus on formal communication methods when promoting their winery to visitors, such as magazines, brochures and official websites. However, informal communication methods, such as word of mouth are increasingly powerful and are vital in wine tourism (Hall 2007).

Personal opinion (word of mouth - both positive and negative), TV, radio, magazines, information help services, newspaper and the internet are some examples of information

sources that are used by individuals. However, since its introduction, the Internet has been one of the fastest growing information sources used by individuals for a variety of different activities (i.e. information searching, shopping or communication). This is because individuals today live and are constantly surrounded by technology and the Internet, whether it is for work or for leisure purposes.

When planning to visit a winery's cellar door there are a vast number of sources that can be used to help aid a consumer's decision. Past studies state that the sources of information used by visitors to determine their visit to a particular winery is, newspapers and magazines, previous winery visits, previous exposure to the label, brochures, billboards and conventions, winery's own website and visitor information centres (Barber 2009; Batra 2008; Bruwer 2002b; Bruwer & Lesschaeve 2012; Dodd 1999). Thus, all of these sources help aid a consumer's selection when planning to visit a winery's cellar door, whether it be their first time or a repeat visit. Because there is a vast array of information sources that can be possibly used by visitors, this leads us to determine the incidence of information sources used by visitors, both first time and repeat.

From past literature, word of mouth has been found to be the main source of information used by first time and repeat visitors (Bruwer & Lesschaeve 2012; Bruwer & Reilly 2006; Bruwer & Thach 2013; Dodd 1998, 1999; Jacobsen & Munar 2012; Tassiopoulos, Nuntsu & Haydam 2004), rather than formal sources (i.e. websites, magazines and information centres). This is primarily because visitors inform others – friends, family, work colleagues and acquaintances, about their experience, which in turn spreads word of mouth about a particular winery, consequently influencing the individual to visit that particular winery and have a similar experience. This is evident in a study conducted by Dodd (1999) whereby approximately 70% of visitors stated that their friends and family were somewhat influential in their decision to visit their chosen winery. Therefore, based on previous findings from past studies, the aim of this research is to determine whether or not word of mouth is the main information source used by first time and repeat visitors.

Considering different types of visitors may use different information sources, multiple studies also claim that there are differences in demographics when deciding what information sources to use when visiting a cellar door (Barber 2009; Barber, Dodd & Kolyesnikova 2009; Chon 1990; Dodd 1998, 1999; Stoddard & Clopton 2015). Multiple studies conducted by Dodd (1998, 1999) discovered that women tend to place a higher importance on informal sources (i.e. word of mouth) than males. A study conducted by Barber et.al (2009) state that there are gender differences in information searching, as female search behaviour often encompasses interpersonal affiliations, such as asking the opinions of family, friends and other personal information sources. However, males tend to use impersonal or published material, as they prefer to rely on professional and academic advice (Barber et al. 2009).

A study by Barber et.al (2008) found that age and generation impacts what information sources are chosen when choosing to visit a cellar door despite being a first time or repeat visitor. Barber et.al (2008) discovered that Generation X tends to rely more on informal sources of information from friends and family, whereas Generation Y tends to rely on

formal sources from published work or media, such as blogs, magazine articles and reviews. This is primarily because Generation Y tends to be more tech savvy than Generation X.

In terms of education, Dodd (1998) and Jacobsen and Munar (2012), also found that visitors with lower levels of education used media sources as their primary information source when planning to visit a winery, rather than informal sources. This may occur because individuals with lower levels of education tend to trust the media more than those who are highly educated who place a greater emphasis on personal opinion due to surrounding themselves with like-minded individuals.

Yet, despite multiple studies stating that there is a difference in demographics when it comes to choosing and using information sources to visit a winery, studies conducted by Bruwer & Lesschaeve (2012) and Bruwer and Thach (2013) discovered that there is no difference in demographics (i.e. age, gender, education and income) when choosing information sources. Thus, these conflicting views and findings lead us to research whether or not there are differences in demographics when choosing information sources.

3. METHOD

The primary data collection instrument was a purpose-designed highly structured questionnaire. The questionnaire had 32 questions in total, most close-ended. On average, respondents managed to answer questionnaires within an 8-12 minute time period. The sampling frame was six 3-cellar doors within the McLaren Vale Wine Region (NPWR) in South Australia. The cellar doors were chosen to reflect a broad range of sizes of winery/tasting room businesses to obtain a wide as possible range of visitors and have an acceptable degree of fit with the universum of wineries.

The research questionnaires were administered at the cellar doors where data collection took place during a 6-8 week period in early 2014. Cellar door staff were given clear instructions on ensuring randomness when recruiting visitors to participate in the survey. For example, only one respondent from a household could participate in the survey and a time-based systematic random sampling technique used, first intercepting visitors randomly as they arrived during different times of the day and days of the week, but waiting until the identified persons were ready to depart. This ensured that visitors had first enjoyed the wine tourism experience before participating in the research. The amount of time needed to complete the questionnaire was explained and respondents given an assurance of complete confidentiality regarding their personal information.

Using cellar door staff to administer the surveys also had the advantages of first establishing a relationship of trust with the visitor before completion of the questionnaires in a relaxed atmosphere, and of course a considerable saving on the cost of data collection. Incentives were offered in the form of entry in a lucky draw for a case of the region's best wine. The final sample size is 240 respondents. A further 20 questionnaires were incomplete or incorrectly filled in and were not used in the study. The data was entered and manipulated in the SPSS 21.0 statistical software programme and information compared and extracted in accordance with the nature of the data collected.

4. FINDINGS

Table 1 shows the socio-demographic characteristics of respondents. Previous research conducted by Bruwer (Bruwer 2002b, 2002a, 2004) has shown that the majority of winery visitors in Australia are in the Generation X age group or older (34 years of age and above). This finding is also evident in the results of this study, with the majority of winery visitors (71.2%) being at least 35 years old. The age group with the highest representation amongst both males and females was 55-65 years old. There was greater representation of the older Generation X within the males surveyed (75.5% of males) than within female (66% of females). The majority of winery visitors surveyed were from South Australia, with slightly less coming from overseas and less again from interstate locations, which was due to the fact that the research was conducted in a well-known wine region in South Australia. The most commonly represented income categories were between \$50,000 and \$100,000 household income per year (42.9% of respondents).

<i>Characteristic</i>	Female (%) N=109	Male (%) N=131	Total (%) N=240
Gender	45.4	54.6	100.0
Age Group			
18 – 24	8.3	3.1	5.4
25 – 28	9.2	9.2	9.2
29 – 34	16.5	12.2	14.2
35 – 40	9.2	6.1	7.5
41 – 45	11.9	9.9	10.8
46 – 54	17.1	18.3	17.9
55 – 65	19.3	27.5	23.8
65+ years	8.3	13.7	11.3
Income Category			
< \$25,000	6.4	3.1	5.0
\$25,000 to \$50,000	13.8	14.5	15.5
\$50,001 to \$75,000	17.4	20.6	21.0
\$75,001 to \$100,000	23.9	16.8	21.9
\$100,001 to \$150,000	12.8	19.1	17.8
\$150,001 to \$200,000	9.2	9.9	10.5
> \$200,000	6.4	8.4	8.2
Place of Residence			
South Australia	43.1	38.9	40.8
Interstate	35.7	39.0	21.7
Overseas	21.1	22.1	37.5

Table 2 below shows the sources of information that were accessed before the winery visit and consequently led the respondents to choose the winery. As can be seen, word of mouth communication is by far the most prevalent source of information used for visitation decision-making, with a total of 128 affirmative responses to this information source (28.4% of the sample). Followed by word of mouth, previous exposure to the winery label and previous visits to the winery or region were the next two common information sources used by first time and repeat visitors. This finding is vital for wineries and their marketing, as the most preferred sources of information are not regarded as formal industry marketing communication platforms such as TV, magazines and information centres.

Information Sources	Responses	Sample %
Word-of-mouth	128	28.4
Previous exposure to label	65	14.4
Previous visits to the winery or region	47	10.4
Retail outlet	29	6.4
McLaren Vale visitor centre	26	5.8
Another winery in McLaren Vale	20	4.4
Wine festival or event	17	3.8
Newspaper or magazine article	17	3.8
Winery's own brochure	16	3.6
Newspaper or magazine advertising	15	3.3
Wine tasting attendance elsewhere	14	3.1
SAT centre Adelaide	12	2.7
Billboards or road signage	10	2.2
TV program	8	1.8
Winery's website	7	1.6
Tour guide or travel agent	7	1.6
Attending wine show or trade fair	6	1.3
Local accommodation provider	4	0.9
RAA	1	0.2
Local convention or conference	1	0.2
National Wine Centre Adelaide	0	0
Total responses	450	N=240
Mean number per visitor (450/240)	1.875	-

Table 3 shows the difference between first time and repeat winery visitors in terms of the information sources accessed, leading to a decision to visit a particular winery. The sample consisted of 165 first time and 75 repeat visitors. The difference between information sources used is highlighted between the two groups and shows a similar result to that of the overall sample. For both first time and repeat visitors, word of mouth is the predominant medium through which respondents heard about the winery and made their decision to visit. This finding corresponds with previous studies, whereby word of mouth was found to be the most popular information source used by both visitor groups (Bruwer & Lesschaeve 2012; Bruwer & Reilly 2006; Bruwer & Thach 2013; Dodd 1998, 1999; Jacobsen & Munar 2012; Tassiopoulos et al. 2004). Within their respective groups, first time visitors were slightly more likely to have heard of the winery through word of mouth recommendations (32%) than repeat visitors (30%).

<i>Information sources</i>	<i>First time</i>		<i>Repeat</i>	
	Responses	Sample (%)	Responses	Sample (%)
Word-of-mouth	86	32.2	42	29.8
Previous exposure to label	41	15.4	24	17.0
Retail outlet	21	7.9	8	5.7
McLaren Vale visitor centre	17	6.4	9	6.4
Another winery in McLaren Vale	15	5.6	5	3.5
Local accommodation provider	14	5.2	4	2.8
Wine tasting attendance elsewhere	12	4.5	2	1.4
Newspaper or magazine advertising	9	3.4	6	4.3
SAT centre Adelaide	9	3.4	3	2.1
Newspaper or magazine article	7	3.4	10	7.1
Billboards or road signage	7	2.6	3	2.1
Previous visits to the winery or region	6	2.2	6	4.3
Winery's own brochure	6	2.2	10	7.1
Tour guide or travel agent	6	2.2	1	0.7
Winery's website	4	1.5	3	2.1
TV Program	3	1.1	5	3.5
Attending wine show or trade fair	3	1.1	3	2.1
RAA	1	0.4	0	0.0
Wine festival or event	6	32.2	11	7.8
Local convention or conference	0	15.4	1	0.7
National Wine Centre Adelaide	0	7.9	0	0.0
Total Responses	267	-	141	-
Total Respondents (n)	165	-	75	-

Table 4 shows the difference in information sources used between male and female respondents. As can be seen, word of mouth communication was the most common source of information used and was almost equal in prevalence for both genders. This finding is similar to Dodd (1998, 1999), however the 1% difference overall indicates that it is not particularly significant.

<i>Information Sources</i>	Male	Sample (%)	Female	Sample (%)
Word-of-mouth	71	28	57	29
Previous exposure to label	36	14	29	15
Retail outlet	16	6	13	7
McLaren Vale visitor centre	15	6	11	6
Another winery in McLaren Vale	10	4	10	5
Local accommodation provider	1	2	3	2
Wine tasting attendance elsewhere	8	3	6	3
Newspaper or magazine advertising	9	4	6	3
SAT centre Adelaide	9	4	3	2
Newspaper or magazine article	11	4	6	3
Billboards or road signage	7	3	3	2
Previous visits to the winery or region	28	11	19	10
Winery's own brochure	6	2	10	5
Tour guide or travel agent	4	2	3	2
Winery's website	6	2	1	1
TV program	4	2	4	2
Attending wine show or trade fair	4	2	2	1
RAA	1	2	0	0
Wine festival or event	10	4	7	4
Local convention or conference	1	2	0	0
National Wine Centre Adelaide	0	0	0	0
Total responses	257	-	193	-
Total respondents (n)	131	-	109	-

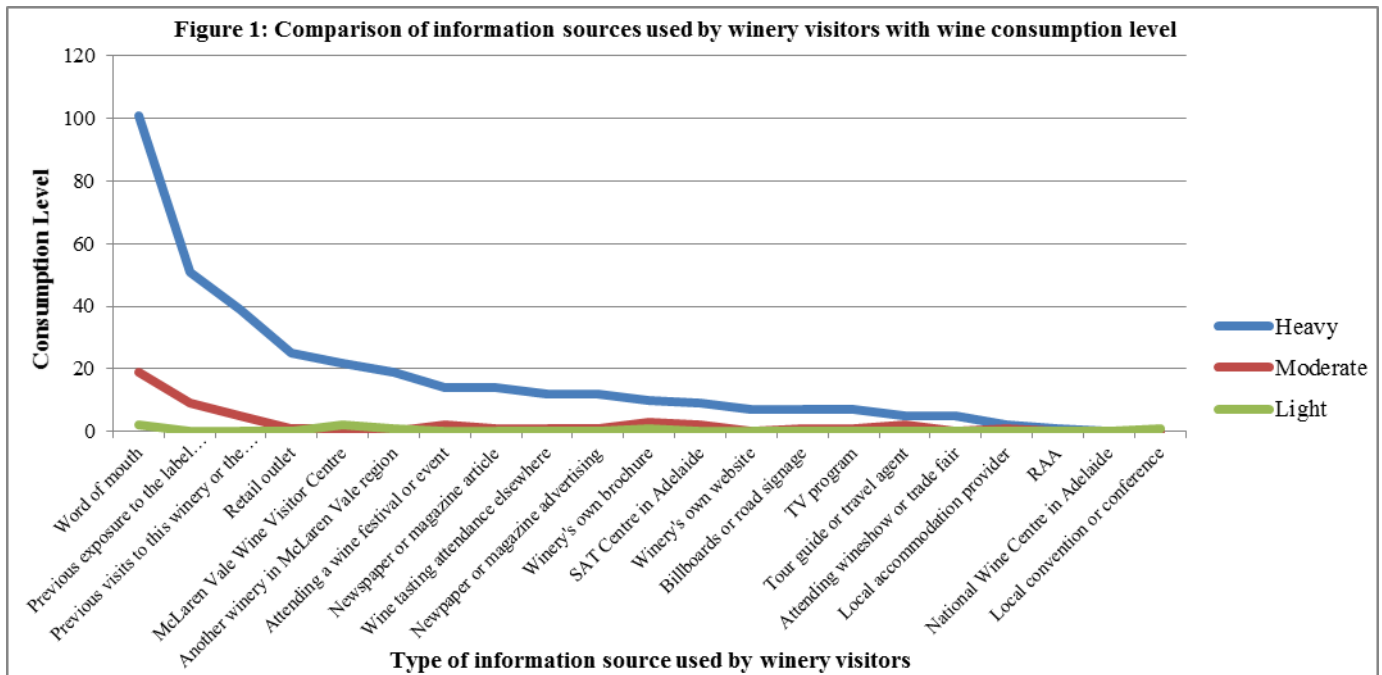
Table 5 below shows the sources of information used compared with the different levels of education within respondents. Word of mouth is the most popular source of information used, particularly amongst those with a Bachelor's level degree. However, this segment also had the highest amount of responses overall. Word of mouth communication has a similar prevalence across school leaving certificate, HSC, TAFE and Graduate diploma education levels. Previous exposure to the winery's label was the second most common source of information consulted before visiting the winery across all levels of education.

<i>Information sources</i>	School Leaving Certificate	HSC	TAFE	Bachelor's Degree	Graduate/ Postgraduate Diploma	Master's Degree	Doctorate Degree
Word-of-mouth	18	16	19	44	19	5	4
Previous exposure to label	11	12	11	17	10	3	1
Retail outlet	3	7	4	9	1	4	1
McLaren Vale Visitor Centre	3	2	6	9	2	3	1
Another winery in McLaren Vale	1	3	2	6	2	5	1
Local accommodation provider	0	0	3	0	0	0	1
Wine tasting attendance elsewhere	0	3	2	5	1	2	1
Newspaper or magazine advertising	4	3	3	5	0	0	0
SAT Centre Adelaide	0	3	1	5	2	0	0
Newspaper or magazine article	2	5	5	3	2	0	0
Billboards or road signage	0	3	1	6	0	0	0
Previous visits to the winery or region	7	7	8	16	4	2	2
Winery's own brochure	2	1	4	5	2	2	0
Tour guide or travel agent	0	1	1	2	1	1	0
Winery's website	2	1	1	2	0	0	1
TV Program	2	0	3	3	0	0	0
Attending wine show or trade fair	0	2	2	1	1	0	0
RAA	0	0	0	0	1	0	0
Wine Festival or event	2	2	5	5	1	1	0
Local convention or conference	0	1	0	0	0	0	0
National Wine Centre Adelaide	0	0	0	0	0	0	0
Total responses	57	72	81	143	49	28	13
Total respondents (n)	32	35	38	77	31	14	8

Table 6 shows no significant patterns of difference in age between different information sources used, especially between generations. Thus, the results of this study are consistent with previous findings from Bruwer & Lesschaeve (2012) and Bruwer and Thach (2013), whereby there are no demographical differences between the information sources chosen.

<i>Information sources</i>	<i>Generation Y</i>				<i>Generation X</i>			
	18 – 24	25 – 28	29 – 34	35 – 40	41 – 45	46 – 55	56 - 65	65+
Word-of-mouth	9	10	23	5	13	20	33	15
Previous exposure to label	2	6	7	4	8	16	16	6
Retail outlet	0	3	2	3	4	7	9	1
McLaren Vale Visitor Centre	2	3	4	4	3	2	5	3
Another winery in McLaren Vale	0	1	2	2	4	3	5	3
Local accommodation provider	0	0	0	0	1	1	1	1
Wine tasting attendance elsewhere	0	1	0	3	0	4	5	1
Newspaper or magazine advertising	0	1	0	0	1	7	4	2
SAT Centre Adelaide	0	1	3	2	2	1	2	1
Newspaper or magazine article	0	1	2	1	2	4	6	1
Billboards or road signage	0	2	1	0	1	1	3	2
Previous visits to the winery or region	0	3	4	2	4	14	12	8
Winery's own brochure	0	3	1	1	0	4	4	3
Tour guide or travel agent	0	0	1	0	0	1	4	1
Winery's website	0	2	1	2	0	1	0	1
TV Program	0	3	1	0	1	1	2	0
Attending wine show or trade fair	0	0	0	0	1	2	3	0
RAA	0	0	0	0	0	0	1	0
Wine Festival or event	2	2	2	2	1	2	5	1
Local convention or conference	0	0	0	0	0	1	0	0
National Wine Centre Adelaide	0	0	0	0	0	0	0	0
Total responses	15	42	54	31	46	92	120	50
Total respondents (n)	13	22	34	18	26	43	57	27

Wine consumption was also measured by the number of bottles consumed, and categorised into different levels by the number of times a bottle of wine was consumed. The categories were as follows: heavy (those who consumed wine between once a day and a few times a week), moderate (once a week to once a fortnight) and light (once a month and those who never drink wine). Figure 1 below shows that word of mouth has the highest usage incidence amongst heavy consumers of wine (101 responses). Moderate and light consumers were considerably less reliant on word of mouth recommendation in choosing a winery. The graph also shows that there was a more even spread of information sources used by moderate and light consumers compared to heavy, and that moderate and light consumers also used other sources of information more than heavy wine consumers.



5. DISCUSSION, CONCLUSIONS AND IMPLICATIONS

This study adds to previous research undertaken on winery visitors and the sources of information that are used when choosing to visit a winery. The key finding of this study is that informal sources of information are the most common catalysts to the selection of a winery destination. In particular, word of mouth communication was found to be the most popular source of information used when making a decision to visit a winery, and it was identified as a strong force when it comes to influencing the decisions of all winery visitors. However there was a higher incidence among first time visitors to the winery when compared with repeat visitors. Among first time visitors, informal information was generally a more common source used than among repeat visitors. Word of mouth and prior exposure to the label were the most prevalent, of which wineries and marketers alike traditionally have little to no control over.

The second key finding of this study was that winery visitors classified as heavy consumers of wine (those who consumed wine once a day to a few times a week) were seen to access almost all information sources more than lighter consumers. However again, overwhelmingly so, word of mouth was the dominant source of information accessed by the group of heavy wine consumers. It was also the most common source of information used by moderate and light wine consumers, however by far less. The word of mouth incidence among light consumers was particularly low. This could be due to the fact that they along with their family and friends are less knowledgeable in general about wine regions and wineries than heavier consumers of wine. This study also found no significant differences between gender, age and education demographics and the information sources used to select a winery.

It has been established that word of mouth communication is the most common source of information used among consumers when deciding upon a winery destination. The results

show that first time visitors to a winery rely more so on word of mouth recommendations than first time visitors. The results also indicate that word of mouth recommendations are most common amongst the heaviest consumers of wine; however it was also the most prevalent source of information used by all consumption groups. These findings highlight the importance that word of mouth has for consumers when selecting a winery to visit, which also has several implications for managerial decisions.

The implication of these findings is that it is important for winery and cellar door managers to be aware of the power that word of mouth has in influencing winery choice. Particular consideration must be given to the power that it has in acquiring new visitors, as they are most likely to use a word of mouth recommendation when choosing to visit a winery. Relationships between neighbouring tourism operators such as tourist centres or other wineries in the region is one possible way to increase the positive impact of word of mouth by encouraging referrals between businesses. It is also vital that wineries leave a positive impression on their visitors in order to increase the likelihood that a positive recommendation will be passed on to potential new customers in the future. Positive referrals have the potential to benefit many wineries within regional boundaries such as the McLaren Vale. In the future, it is recommended that this study be replicated in other wine regions to further investigate the information sources used by winery visitors, with the hope to increase generalisability over time.

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Does location of origin differentiate wine tourists? Findings from McLaren Vale, Australia

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Abstract:

Purpose - The purpose of this study is to explore and compare the profile, motivation and consumer behaviour at the regional destination and at the winery cellar of wine tourists coming from different places of origin.

Design/methodology/approach - A highly-structured questionnaire was used and administered over an eight-week period. Cellar doors in the McLaren Vale Wine Region of South Australia were chosen to reflect a broad range of winery sizes, tastes and visitors, whereby the cellar door staff administered the intercept surveys. The final sample is 441 respondents.

Findings - The findings reveal interesting and useful differences but also similarities amongst three groups of wine tourists depending on their locations of origin: South Australia, Rest of Australia and overseas. Although all wine tourists share the same motivation for visiting the destination and cellar door, they do have significantly different socio-economic profiles, spending and decision-making as regards the planning and implementation of their trip to the wine region.

Keywords: Wine tourism; wine tourist profile; tourist behaviour; location; Australia

Introduction

Wine tourism has been growing and evolving significantly during the last two decades all around the globe (O'Neil and Palmer, 2004; Nella et al., 2012). The development of wine tourism is equally driven by both supply and demand factors. Indeed, as the wine tourism offer is evolving, so do the wine tourists, and vice versa. Trends in the experience economy have pushed winemakers to enrich the wine tourism offering to include experiential attributes beyond just the wine product offer and the cellar door experience (i.e. wine tastings and cellar tours) such as, the natural, heritage and cultural features of the vineyard and the regional tourism territory (Pikkemaat et al., 2009). In turn, this enrichment of the wine tourism offering now appeals and attracts a greater variety and profile of wine tourists, whose new lifestyles, fashions, wine consumption styles and tastes further demand the transformation of the wine tourism offering.

The development of wine tourism is critically important for all its involved stakeholders. Research shows that wine tourism helps wineries to increase sales, consumer awareness, education and consumption of wine (Bruwer and Lesschaeve, 2012; Bruwer et al., 2012; Getz, 2000) as well as boost customer loyalty to wine brands (O'Neill and Charters, 2006). Wine tourism is also beneficial to destinations enabling them to develop and market wine-related attractions and imagery which in turn boost multiplier economic effects, entrepreneurship and sustainable regional development (Bruwer, 2003). However, in order for wineries and destinations to develop specific marketing strategies for wine tourists, detailed knowledge of the target markets for wine tourism is required. A deeper and updated understanding of consumer behaviour in wine tourism also becomes more paramount when considering the rapid evolution of wine tourism offering and the continuous diversification of its market segments.

Research on demand issues of wine tourism tends to be less focused compared to the supply side issues in wine tourism (Brown et al, 2007). Wine tourism market research also suffers from a lack of officially and systematically recorded data (Van Westering and Niel, 2003; Carlsen, 2004), because of the definitional issues of who should be regarded as wine tourists (Charters and Ali-Knight, 2002; O'Neill and Palmer, 2004) and the structural differences of wine tourism destinations (Getz and Brown, 2006). Indeed, wine tourists are found to be attracted to wine tourism regions based on the "difference of place" and how this difference is branded (Bruwer, 2003). Moreover, as the country of origin clearly affects the demand of agricultural products and consequently, the wine's (tourism) demand and selection (Brown and Getz, 2005), there is an increasing need to study wine tourists in a country-to-country or better still on a region-to-region basis. Finally, more refined wine market research is demanded, because preliminary findings of market segmentation studies (Alonso et al. 2007a and 2007b) show that socio-demographic variables (e.g. male/female, domestic/ international visitors, visitors of different age groups) reveal differences amongst some discrete sub-groups of wine tourists in terms of their winery experiences and expenditures. A recent study (Nella et al. 2013) has also revealed that there are country and cultural differences amongst wine tourists and motivations. Because of that, future research is also required to further understand the relation between wine consumption and wine tourism behaviour. The results of this research can be of critical importance, as they can provide insight into how to support

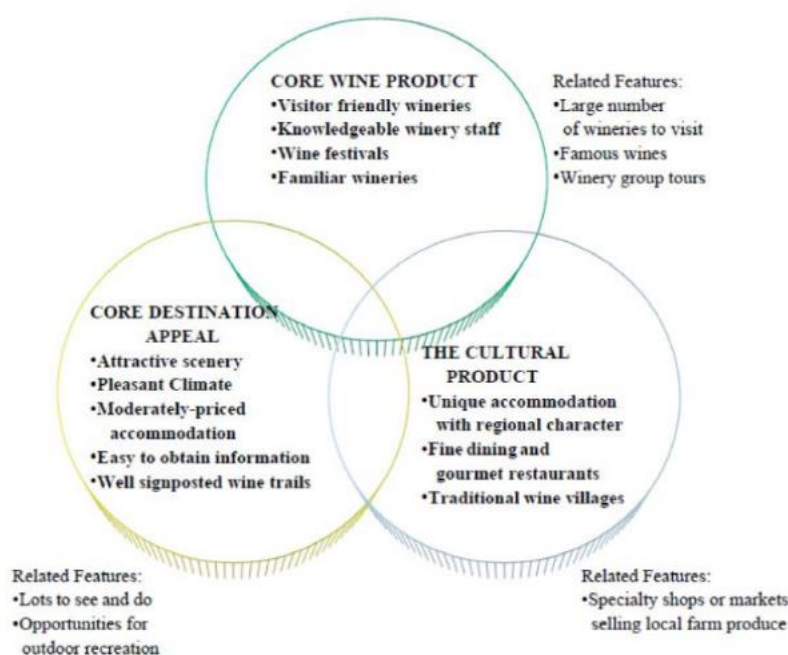
the integration between the wine and tourism industries and boost the interlocking effects between demand for wine and other regional (tourism) products.

It is the aim of this study to address the abovementioned gaps by exploring and comparing the profile, motivation, wine tourism behaviour with the buyer behaviour and expenditure of wine tourists in a specific region namely, McLaren Vale in South Australia.

Wine tourism: definition, evolution and importance

There are numerous definitions of wine tourism, and in this vein, Getz and Brown (2006) suggested a three dimensional analysis of the wine tourism offering including: the core wine product; the core destination appeal; and the cultural product (Figure 1).

Figure 1. The dimensions of the wine tourism offering



Source: Getz and Brown (2006)

Subsequently, the typologies of wine tourism that have emerged also stress the expansion of the wine tourism offering to include various experiential features of the natural, cultural and heritage environment of the regional territory of the wine yards. For example, Mitchell (2004) distinguished between wine tourism and winery visitation, while Macionis (1996) proposed a model of wine tourism based around a special interest in wine motivated by the destination (wine region), the activity (wine tasting) or both. Because of the interrelation of wine tourism with its wider region, wine tourism has been proposed as a strategy and tool for developing and repositioning destinations by enhancing their product portfolio and making it more attractive (Bruwer, 2003, 2002; Getz 1998, 2000). However, there is a lack of research investigating whether there is any association between the wine consumption profile and the wine experiences of the wine tourists and their consumption behaviour at the wine destination (e.g. activities at the destination, length of stay and total spent) and at the winery (e.g. type and volume of wine products and offerings). Findings from previous studies and the lack of

detailed market segmentation data also demand research investigating whether there different degrees of associations between wine consumption profiles, wine experiences and consumption behaviour at destinations and wineries for different wine sub-groups based on socio-demographic variables (e.g. male/female, local/domestic/international visitors, visitors of different age groups).

Wine market segmentation and motivation

There is a lot of debate about the profile of the average wine tourist and various typologies for wine tourists have been proposed. Although some studies show that wine tourists usually belong to specific age groups, i.e. 40 to 50 years old and have enhanced wine knowledge (Heaney, 2003), other studies contradict these findings (e.g. Taylor, 2004). However, as wine tourism grows rapidly, the generalisability of such regional or even national scale findings can be easily questioned. For example, Charters and Ali-Knight (2002) suggest that the profiles of wine tourists may vary from region to region or even from winery to winery.

Thus, it is not surprising that many authors now agree that there is not a typical profile of wine tourists (Ali-Knight and Pitt, 2001; Bruwer et al., 2001; Charters and Ali-Knight, 2002; Bruwer and Alant, 2009; Alant and Bruwer, 2004). Research evolution into wine tourists increasingly shows that psychographic variables (such as motivations, relationship and involvement with wine) can help researchers better understand the differences among wine tourists' segments than using demographic and social characteristics for market segmentation (Bruwer, Li and Reid, 2002). Moreover, research has failed to explore the link between wine consumption and wine tourism behaviour. This is surprising because past research already provides evidence of the relation between the wine consumer's level of involvement (with wine in general or particular wines) and his/her wine purchase behaviour, but not with his/her wine tourism consumption behaviour (e.g. length and period of stay, destination spending, type of wine destination activities etc.)

Because of all these, three critical research questions emerge:

- Do the wine tourists coming from different regions (local, national or international tourists) have a similar or a different socio-demographic profile (e.g. age, education, income, gender)
- Do the wine tourists coming from different regions have the same or different behaviour at the tourism destination (in terms of length of stay, days of traveling, timing of the travel decision, mode of transport and motivation for visiting the wine region)
- Do the wine tourists coming from different regions have the same or different behaviour at the cellar door (in terms of wining tasting and purchase, activities conducted and attracting the wine tourist at the winery, spending on food, wine and merchandising)

Methodology

The primary data collection instrument was a purpose-designed highly structured questionnaire. The questionnaire had 38 questions in total, most close-ended. On average, respondents managed to answer questionnaires within an 8-12 minute time period. The sampling frame was cellar doors within the McLaren Vale Wine Region (NPWR) in South Australia. McLaren Vale is one of Australia's premier wine regions and located only a 30-minute drive from the Adelaide CBD, South Australia's capitol city. The cellar doors were chosen to reflect a broad range of sizes of winery/tasting room businesses to obtain a wide as possible range of visitors and have an acceptable degree of fit with the universum of wineries.

The research questionnaires were administered at the cellar doors where data collection took place during a 6-8 week period. Cellar door staff were given clear instructions on ensuring randomness when recruiting visitors to participate in the survey. For example, only one respondent from a household could participate in the survey and a time-based systematic random sampling technique used, first intercepting visitors randomly as they arrived during different times of the day and days of the week, but waiting until the identified persons were ready to depart. This ensured that visitors had first enjoyed the wine tourism experience before participating in the research. The amount of time needed to complete the questionnaire was explained and respondents given an assurance of complete confidentiality regarding their personal information. Using cellar door staff to administer the surveys also had the advantages of first establishing a relationship of trust with the visitor before completion of the questionnaires in a relaxed atmosphere, and of course a considerable saving on the cost of data collection. Incentives were offered in the form of entry in a lucky draw for a case of the region's best wine. The final sample size is 441 respondents. The data was entered and manipulated in the SPSS 22.0 statistical software programme.

Results and Discussion

Respondents' profile

The respondents' profile (Table 1) reflects a good balance between men (51.3%) and women (48.3%) and a good spread of wine tourists across all age categories, although a great percentage of respondents (34.2%) are quite young (25-34 years old). The respondents also represent consumers with a high educational profile (i.e. more than 50% of respondents have achieved a university degree, Bachelor and/or postgraduate degree), which is also compatible with the professional and income profile that the respondents have reported. Indeed, more than 50% of the respondents possess a managerial and/or a professional work, while more than 40% of respondents earn a total household income more than 75,000 AUD.

As regards the residency of respondents (Table 2), the greatest majority (48.5%) resides in SA, significantly less (36.7%) live elsewhere in Australia, while only 14.8% come from overseas and specifically, mainly from the UK (50.7%) and/or USA (14.5%). The fact that these two countries represent the major source markets of wine tourists in the region is not surprising when considering the Anglo-Saxon (immigrant) connection of Australian with these two major countries, while the remaining respondents also come from other European countries and significantly less from neighbouring countries like NZ (2.9%), Japan (1.4%)

and China (0%). Of course, this represents a major weakness of the wine industry in S. Australia given the geographical proximity and the potential of these new emerging wine consuming markets.

Chi-square tests were conducted for investigating whether respondents from different regions (SA, Australia and overseas) share the same or not socio-demographic profile. Data show that respondents from overseas have a significantly higher educational profile ($df=4$, $\chi^2=0.001$) and a significant high total household income ($df=4$, $\chi^2=0.036$): analytically, significantly more overseas respondents have earned a postgraduate degree than SA and Australians, and significantly more overseas respondents have more than 75,000 AUD total household income than Australians and SA. This is not surprising since overseas respondents need a higher income to support their travel to Australia in relation to SA and Australia travellers that can visit the SA wine region with much less money.

Table 1. Demographic profile of respondents

Age	No.	%	Gender	No.	%
18 -24 Years	53	12.1	Male	226	51.2
25 - 34 Years	150	34.2	Female	213	48.3
35 - 44 Years	75	17.1	Total	439	100
45 - 54 Years	95	21.7	Profession	No.	%
55 - 65 Years	47	10.7	Managers and Administrators	54	13.3
65+ Years	18	4.1	Professionals	144	35.4
Total	438	100	Para professionals	44	10.8
Highest Education achieved	No.	%	Tradespersons	24	5.9
School leaving certificate (15 yrs +)	62	14.5	Advanced clerical & service workers	6	1.5
HSC	52	12.2	Intermediate clerical & service workers	35	8.6
TAFE certificate/diploma	68	15.9	Intermediate production & transport workers	5	1.2
Bachelor's degree	114	26.7	Elementary clerical & service workers	14	3.4
Graduate/postgraduate diploma	74	17.3	Labourers & related workers	4	1
Masters degree	37	8.7	Student	26	6.4
Doctorate degree	10	2.3	Retired	37	9.1
Other	10	2.3	Home duties	12	2.9
Total	427	100	Unemployed	2	0.5
Annual household total income (AUD)	No.	%	Total	407	100
\$25,001 to \$50,000	95	25.3			
\$50,001 to \$75,000	99	26.3			
\$75,001 to \$100,000	65	17.3			
> \$100,000	89	23.7			
Total	376	100			

Table 2. Residency of respondents

Residency	No.	%	Country of origin	No.	%
South Australia	213	48.8	Canada	7	10.1
Elsewhere in Australia	161	36.3	Japan	1	1.4
Overseas country	69	15.6	France	2	2.9
Total	443	100	Germany	2	2.9
			USA	10	14.5
			UK	35	50.7
			Denmark	1	1.4
			NZ	2	2.9
			Spain	1	1.4
			Austria	2	2.9
			The Netherlands	2	2.9
			Switzerland	1	1.4
			Italy	1	1.4
			Ireland	1	1.4
			Norway	1	1.4
			Total	69	100

Wine tourists' behaviour at the destination

Findings reveal (Table 3) that the majority of the wine tourists decided to go on a wine experience one day (30%) or one week (27.4%) before their trip. Less than 20% of wine tourists plan their trip one month before, and less than 10% plan it 3 months before. In addition, very few (13.3%) decided to visit the specific wine cellar because they were passing by. Hence, the findings confirm that a wine experience is almost a last minute decision, which might be true because traveling to the region is usually affected by unpredicted factors such as weather, traffic or other personal conditions (i.e. mood, commitments or illness). On the other hand, as the percentage of 'walk in' customers is also quite low, this also means that relying on getting 'customers' by chance is not a good strategy, as the greatest majority of wine tourists make a pre-decision on what winery to visit before they start their trip.

The findings are more or less the same for all types of wine tourists irrespective of their region of residency. However, in relation to local or national wine tourists, a greater percentage of overseas wine tourists seems have decided to visit the winery because they were passing by and/or they have planned it 6 months before. This is not surprising, since many overseas wine tourists: travel around with a rented car and wish to explore and visit places as they travel; and / or plan their trip to Australia several months before to ensure good prices but also design a personalised experience and make sure that they see and visit places that they wish. This advised planning and/or last minute planning of tourists from far away that do not have the opportunity to visit local places at any other time they wish is very typical and not surprising to the behaviour of locals who have many more opportunities and time chances to visit wineries at any time of the year.

Holiday and wine tourism are found to be the major purposes for visiting the wine region (Table 4). This is true for all types of wine tourists irrespective of their location of origin, which confirms the definitions of wine tourists, i.e. that wine can be a major motive for people to travel for holidays in a region. However, in relation to the other two groups, a significant higher percentage of wine tourists from SA reported that they visited the region just because they were passing around. This finding highlights that although wine tourism means that you just take the car and drive around with the aim to explore and find what exists in a wine region, wine tourism for Australian and overseas tourists is a well previously planned process whereby they need to know where they are going before they start their trip. This might not be surprising, since overseas and Australian tourist come to the region with a specific purpose to visit their favourite or popular wineries, while the local wine tourists are more relaxed to explore what is available and if they do not like it, then they can explore another winery the next time they drive around.

Wine tourists' behaviour at the winery

Buy and taste wine as well as a day out have been found to be the major activities in which respondents engaged when visiting the winery (Table 5). This is not surprising since these are the wine experiences that are heavily sought and drive wine tourists to go to the cellar door. ANOVA tests investigating differences in relation to the activities undertaken by wine tourists from different regions of origin revealed that there is no significant difference in terms of any of the reported activities apart from one. Analytically, it was found it is more likely (sign= 0.003) that overseas tourists have visited the winery in order to learn more about the wine than wine tourists from Australia or SA. This is not surprising since it is very unlikely that overseas tourists would have any detailed knowledge and information about the wineries in McLaren Vale and so, they purposefully wish to exploit their visit to learn more about the cellar. This is very beneficial for the wineries, as they need to exploit the wine visit experiences of overseas tourists in order to more and better educate them about their wines, production methods and their cellar and so make them long term loyal customers and good ambassadors of their brand to their peers and networks. Given the above mentioned, it is not surprising that the majority of the respondents have reported to have tasted and purchased wine at the cellar door (Table 6). This was found to be true for all type of respondents irrespective of their location of origin (chi-square tests did not reveal any statistically significant differences). However, as concerns the spending behaviour of the respondents at

the cellar door, the findings revealed an interesting finding. ANOVA tests showed that in relation to local and Australian wine tourists, overseas wine tourists spend significantly less money on wine. Further research is required to investigate this, as there are many reasons that may explain this behaviour. For example, overseas tourists may not wish to carry back weight or may be afraid of air transportation limitations, or it might be the case that they are not persuaded enough that buying wine from this specific winery is a good investment or value for money. Depending on the reason, wineries would need to develop different strategies for addressing them. Overseas tourists were found to spend less on merchandising as well (although ANOVA tests did not reveal significant differences), but this might also be an interesting and related finding. South Australian (local) tourists spent significantly more money in total than both overseas tourists and visitors from elsewhere in Australia.

Table 3. Timing of the traveling decision

	SA		Australians		Overseas		TOTAL	
	No	%	No	%	No	%	No	%
When decision to visit McLaren Vale was made:								
As I was/we were passing by	34	16.5	13	8.2	10	15.9	57	13.3
During the last 24 hours	64	31.1	43	27.0	20	31.7	129	30.0
During the last week	57	27.7	45	28.3	16	25.4	118	27.4
During the last month	33	16.0	30	18.9	6	9.5	69	16.0
During the last 3 months	15	7.3	21	13.2	4	6.3	40	9.3
Other	2	1.0	6	3.8	6	9.5	14	3.3
During the last 6 months	1	0.5	1	0.6	1	1.6	3	0.7
Total	206	100	159	100	63	100	430	100

Table 4. Purpose of visiting McLaren Vale region

Purpose for visiting McLaren Vale	SA		Australians		Overseas		TOTAL	
	No	%	No	%	No	%	No	%
Business/conference	5	2.3	9	5.6	2	3.1	16	3.6
Holiday	41	19.2	69	42.9	25	38.5	135	30.8
Wine tourism	98	46.0	61	37.9	25	38.5	184	41.9
Visit friends and relatives	11	5.2	7	4.3	9	13.8	27	6.2
Just passing through	35	16.4	6	3.7			41	9.3
Recreation	4	1.9	2	1.2	1	1.5	7	1.6
Other	15	7.0	2	1.2			17	3.9
Holiday and wine tourism	3	1.4	1	0.6	2	3.1	6	1.4
Business and wine tourism	1	0.5	1	0.6			1	0.2
wine tourism and visiting friends and relatives			1	0.6			2	0.5
holiday and visiting friends or relatives					1	1.5	1	0.2
business and holiday			2	1.2			2	0.5
Total	213	100	161	100	65	100	439	100

Table 5. Motives for visiting the specific winery

	TOTAL		SA		Australians		Overseas		F	Sig.
	No	Mean	Mean	SD	Mean	SD	Mean	SD		
Learn more about wine	199	3.79	3.68	2.742	4.39	3.147	2.41	1.701	5.998	.003
Rural setting	126	5.52	5.74	3.531	5.65	3.645	4.71	3.837	0.535	.587
Find information	97	6.64	6.10	3.144	7.58	3.195	4.88	2.619	5.508	.005
Experience the atmosphere	193	3.88	3.65	2.512	4.30	2.794	3.14	2.401	2.584	.078
Have a BBQ or picnic	61	8.75	9.65	4.212	8.89	4.234	6.25	4.268	1.797	.175
Buy wine	295	2.73	2.54	1.424	2.78	2.689	3.03	1.946	0.698	.498
Entertain	167	3.75	4.17	2.621	3.53	2.736	3.48	3.010	1.087	.340
Taste wine	351	1.89	1.65	1.059	2.15	1.699	1.67	1.052	5.447	.005
Day out	218	3.23	3.00	1.993	3.38	2.302	3.30	2.830	0.619	.540
Meet winemaker	73	8.56	8.89	4.122	8.86	3.590	6.82	5.363	1.215	.303
Eat at restaurant	71	8.73	9.05	4.617	8.81	4.261	7.67	5.292	0.309	.735
Find unique wine	148	4.31	3.52	2.175	5.30	3.178	3.21	2.485	8.683	.000
Socialise	111	5.69	6.10	4.110	5.77	3.578	4.53	3.204	.0941	.394
Winery tour	94	6.37	7.36	4.847	7.26	4.460	3.36	2.300	7.446	.001
Other	10	3.00	2.80	1.789	3.75	4.856	1.00		.270	.771

Table 6. Respondents' spending at the cellar door

Factor	SA		Australians		Overseas		Statistics	
	Mean	SD	Mean	SD	Mean	SD	F	Sig.
Value of wine	\$44.34	\$39.35	\$84.70	\$131.94	\$34.46	\$34.69	5.718	.004
Value of food	\$15.00	-	\$6.00	-	\$17.70	\$17.40	.153	.875
Value of merchandise	\$37.148	\$35.43	\$53.13	\$48.87	\$10.00	-	.599	.563
Total Value	\$85.85	\$134.82	\$50.56	\$53.07	\$35.83	\$35.17	4.861	.009

Conclusions and Implications for Research

As the field of wine tourism continues to develop rapidly, the need for deeper understanding of consumer behaviour in wine tourism becomes more paramount. Moreover, as market segmentation in wine tourism suffers from a lack of regional data and inability to do cross comparisons amongst various cultures and nationalities of wine tourists, this study aimed to address this gap by collecting data from a specific wine region and by comparing the behaviour of wine tourists coming from various regions. Finally, the findings provide critical knowledge for implementing a consumer-centric wine strategy that provides and promotes wine experiences that can offer vast opportunities for both the wine and tourism industries to promote their products and increase customer loyalty and spending.

No wine region can be described as 'typical' of all other wine regions, nor of a country's wine regions, for example, as in Australia. The results of this study should therefore be used with this caution in mind. We recommend that similar studies be conducted in other wine regions to compare findings with our study.

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Evolving Consumption Patterns and Free Trade Agreements: Impacts on Global Wine Markets by 2020

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Abstract:

Purpose - Over the past decade Asia has become far more important in global wine consumption, while in traditional wine-producing countries consumption has continued to fall and consumers are moving to higher-quality wines. Bilateral trade patterns are being affected also by changes in real exchange rates and the signing of new free trade agreements (FTAs). This paper examines empirically the impacts of these recent developments, and also of prospective FTAs, in key markets.

Design/methodology/approach - We draw on our model of global wine markets to project all key markets over the next five years under various assumptions that reflect current views on prospective macroeconomic developments.

Findings - We conclude that (1) China looks set to continue to dominate growth in global wine consumption and imports over the remainder of this decade and thus to become a far more dominant player in Asian wine markets, and (2) recent changes in real exchange rates and (to a lesser extent) the signing of new free trade agreements will change current bilateral trade patterns, particularly for New World wine-exporting countries.

Keywords: Changes in tastes, global grape and wine model projections, real exchange rate changes, free trade agreements

1. INTRODUCTION

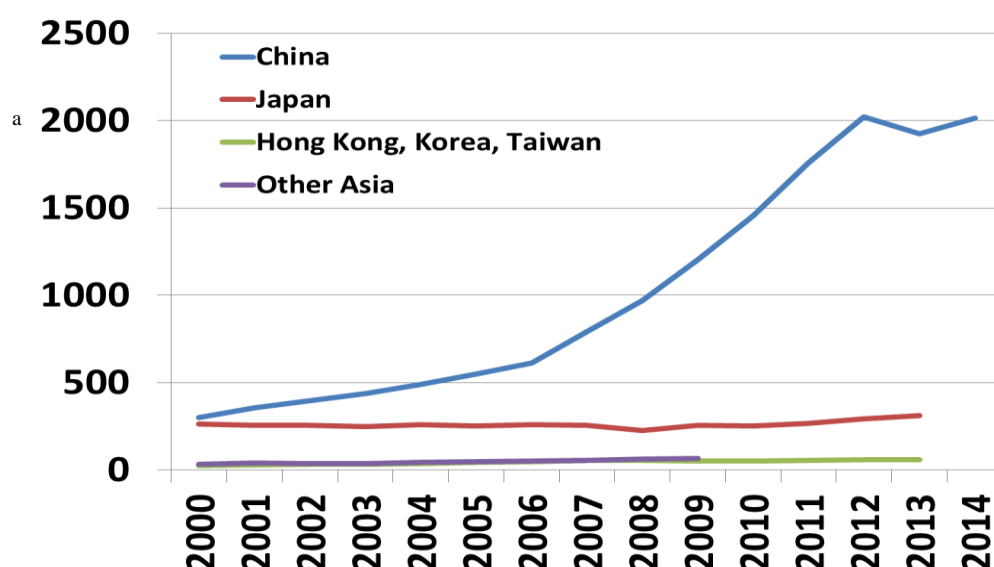
Wine consumption patterns have changed a lot in recent years. Consumption has continued to fall in traditional wine-producing countries, and consumers there and in other high-income countries are moving gradually to higher-quality wines. Meanwhile, East Asia has become far more important in global wine consumption, and China is expanding rapidly as a wine producer as well. Consumption, production, and hence bilateral trade patterns are being affected too by changes in real exchange rates and the signing of new free trade agreements (FTAs).

The purpose of this paper is to examine empirically the impacts of these recent developments, and also of prospective FTAs, in key markets. We begin by summarizing market growth in the Asian region. We then outline our model of global wine markets, before describing our scenarios for projecting those markets to 2020 under various assumptions that reflect current views on prospective macroeconomic developments. The model results generated from those scenarios are then discussed in some detail. The final section draws out implications and concludes.

2. RECENT DEVELOPMENTS IN ASIA'S WINE MARKETS

There are now seven Asian economies where per capita grape wine consumption exceeds 0.2 litres per year. In each of those countries the level in 2012 was well above that of 2000, but the most dramatic increase has been in China (Figure 1). Since that is also the world's most populous country, its growth has overwhelmingly dominated Asia's overall increase in wine consumption, which has quadrupled since 2000. China accounted for barely half of Asia's wine consumption in 2000, but now it accounts for all but one-fifth. Populous India, by contrast, has a wine market one-fiftieth the size of China's, notwithstanding its double-digit growth over the past decade.

Figure 1: Consumption of grape wine in Asia, 2000 to 2014 (millions of litres)



Source: Updated from Anderson and Nelgen (2011).

During the first decade of this century wine doubled its share of Asia’s recorded consumption of alcohol, but that brought it to just 3%, or only one-fifth of wine’s global share of recorded alcohol consumption (Anderson and Nelgen 2011).

So despite the recent rapid growth in wine consumption in Asia, the potential for further expansion remains enormous, given the current very low level of per capita consumption and share of wine in total alcohol purchases. The rapid aging and educating of the populations in Asia’s emerging economies also lends itself to a continuing expansion of demand for wine there. Certainly the Chinese Government’s austerity drive from late 2012 discouraged consumption of expensive wines and other luxuries over the subsequent two years, but that influence was minimal on lower-quality wines which are by far the most voluminous (as shown in Table 1).

Table 1: China’s wine production, consumption and trade, by quality categories, 2009 (ML)

	Production	Imports	Consumption	<i>Self-sufficiency (%)</i>
Non-premium	600	80	680	88
Commercial premium	344	86	430	80
Super premium	18	7	25	72
TOTAL	962	173	1135	85

Source: Anderson and Nelgen (2011, Section VI).

Few Asian countries are producing wine from grapes, and none has yet produced enough to export in noticeable quantities. However, China’s volume of wine production has been growing rapidly. In fact it has grown more than twice as fast as its area under vines. This has been possible partly because the share of domestically grown grapes destined for wine rather than for the table has risen, but also because China imports a lot of wine in bulk and blends it with wine made from Chinese grapes. Such blending is legally possible because national labeling laws are such that a bottle marked ‘Product of China’ is required to have only 10% local content.

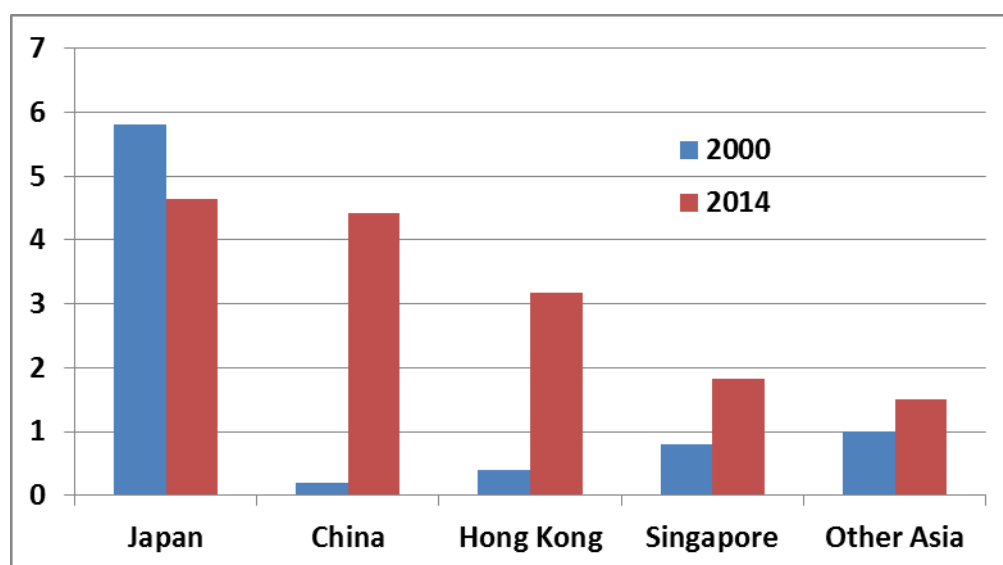
As for import dependence, it varied in 2009 from 15% in China (up from 8% in 2000-05) to 68% in Japan, 96% in Korea, and 100% for all other Asian countries (Anderson and Nelgen 2011). Thus China’s share of Asian wine imports is much less than its share of consumption, especially when expressed in value terms because the unit value of China’s imports during 2009-14 was only half the Asian average. Even so China together with Hong Kong now dominate Asia’s wine imports, eclipsing even Japan -- whose share was more than 70% in 2000 (Figure 2).

Asian markets are important also because they are high-priced markets. Their average unit import value in 2014 was 2.5 times that of the rest of the world, and even China’s was one-fifth above the global average (Figure 3). For small producers of super-premium wines,

especially in nearby Australia, they are therefore becoming very important and profitable markets.

Needless to say, Asian wine imports would be considerably larger if import tariffs and excise taxes on wine were less. In numerous Asian countries they exceed those for beer and spirits on a per-litre-of-alcohol basis (Table 2). The decision by Hong Kong to eliminate its tariff on wine imports in early 2008 is partly why its imports in Figure 2 are so much higher in 2014 than in 2000. As for China, it reduced its MFN tariff on wine from more than 60% to 14% for bottled wine and 20% for bulk wine as part of its Protocol of Accession to join the World Trade Organization in December 2001.

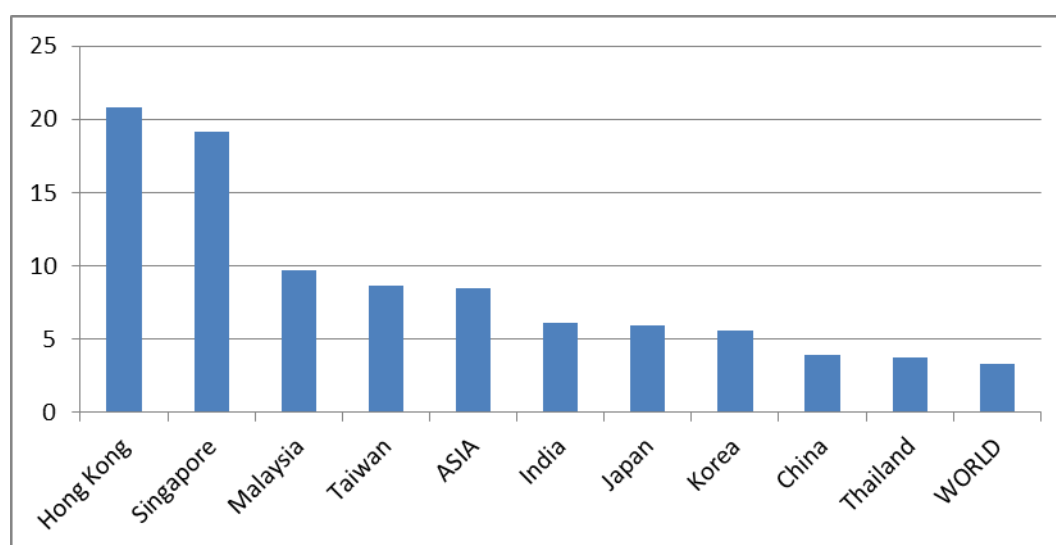
Figure 2: Shares in the value of global wine imports, Asia, 2000 and 2014 (%)



^a Japan's volume (value) shares are 5.3% (5.8%) in 2000 and 2.1% (3.9%) in 2009.

Source: Updated from Anderson and Nelgen (2011).

Figure 3: Unit value of wine imports, Asia and the world, 2014 (US\$/litre)



Source: Authors' compilation from Wine Australia and OIV data.

Table 2: Consumer tax equivalent^a of excise plus import taxes on alcoholic beverages, 2008 (%)

	Non- premium wine (\$2.50/litre)	Commercial premium wine (\$7.50/litre)	Super premium wine (\$20/litre)	Beer (\$2 /litre)	Spirits (\$15 /litre)
China	32	25	25	18	21
Japan	32	11	4	0	12
Hong Kong	0	0	0	0	100
India	165	155	152	100	151
Korea	46	46	46	124	114
Philippines	22	12	9	10	35
Taiwan	23	14	12	2	23
Thailand	232	117	81	51	52
Vietnam	88	88	88	96	115

^a At the prices shown in the column headings, excluding VAT/GST. Vietnam rates refer to 2012.

Source: Anderson (2010), expanded to include China and Vietnam.

Even without further reforms of current taxes, consumption and imports of wine in Asia are destined to rise over the years to come. How much they might rise, and how much China's wine production might expand to satisfy at least some of that demand increase, is not easy to guess. Hence the value of projecting the world's wine markets over the next five years using a formal model with explicit assumptions that can then be altered as more/better information becomes available. The next section describes such a model and the following section reports on its findings, both without and with some recent bilateral and prospective regional trade policy changes.

PROJECTING THE WORLD'S WINE MARKETS TO 2020

Anderson and Wittwer (2013, 2015) have revised and updated a model of the world's wine markets that was first published by Wittwer, Berger and Anderson (2003). In it, wine markets are disaggregated into non-premium (including bulk), commercial-premium, and super-premium, and two types of grapes also are specified (premium and non-premium).

The model's database is calibrated initially to 2009, based on the comprehensive volume and value data and trade and excise tax data provided in Anderson and Nelgen (2011, Sections V, VI and VII). It is projected forward in two steps. The first step involves using actual aggregate national consumption and population growth between 2009 and

2012 (the most-recent year for which data were available for all countries when this study began), together with changes in real exchange rates (RERs). The second step assumes aggregate national consumption and population grow from 2012 to 2020, and that RERs over that period either (a) remain at their 2012 levels (the Baseline Scenario) or (b) change to the extent observed between 2012 and May 2015 and remain unchanged thereafter (the Depreciation scenario, referring to the fact that most currencies depreciated against the US dollar over those 3 years).

Concerning preferences, there is assumed to be a considerable swing towards consumption in China as more Chinese earn middle-class incomes. We project a rise in per capita consumption from 1.2 to 1.6 litres per year. This may be too conservative, as the number of middle class in China is currently around 250 million and growing at 10 million per year, and grape wine account for less than 4% of alcohol consumption in China. As for the rest of the world, the long trend preference swing away from non-premium wines is assumed to continue. Aggregate consumption and population are assumed to grow as projected by the World Bank.

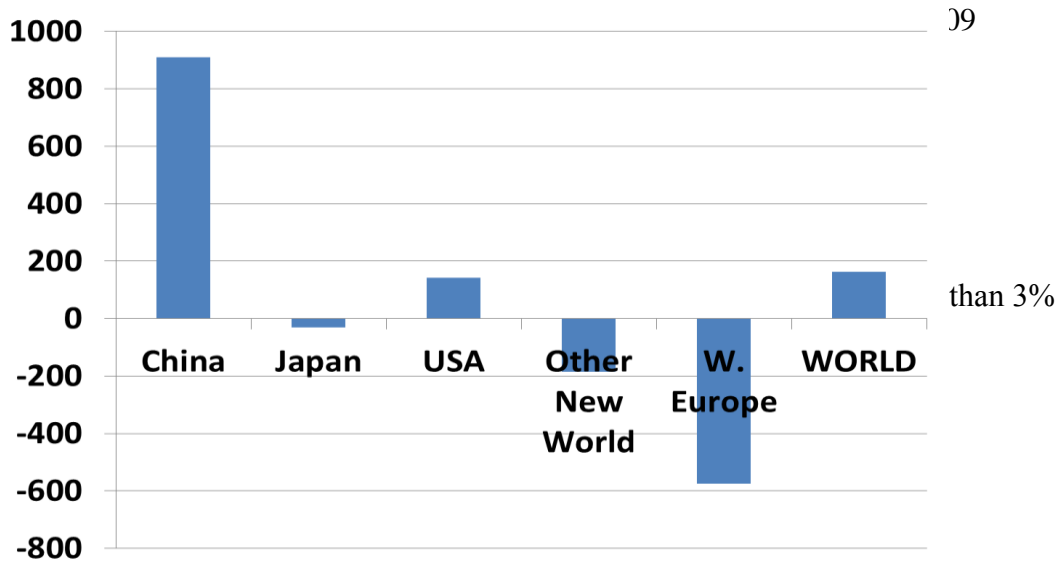
Both grape and wine industry total factor productivity is assumed to grow at 1% per year everywhere, while grape and wine industry capital is assumed to grow net of depreciation at 1.5% per year in China but zero elsewhere.

3. PROJECTION RESULTS

Given the above assumptions, the model's projected changes in global wine consumption continue the three key trends of the recent past, namely, the decline in the volume of sales in traditional wine countries of Europe, the rapid growth in sales in China, and the switch from lower to higher quality wines. Over our projection period the expansion of sales in China outweighs the shrinkage in Europe sufficiently for global wine consumption to be slightly high in 2020 than in 2012 (Figure 4); and the percentage increase in fine wine exports (defined as above US\$7.50 per litre f.o.b.) is roughly four times that of commercial wines (Figure 5).

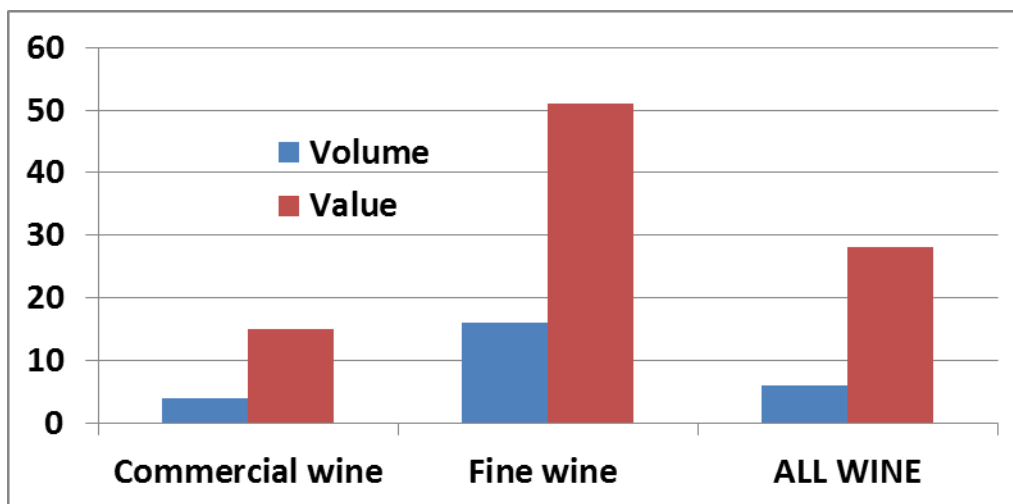
The changes in production and trade that allow this growth in consumption vary across countries depending on the modelled changes in real exchange rates (RERs) and in the mix of fine versus commercial quality wines, as do their impact on producer prices. In Table 3 the RER changes are shown in column 1 and the projected price changes are shown in the other columns in real local currency terms. Australia has had the largest devaluation, so it is not surprising that its grape and wine prices rise most. The decline in demand for lower-quality wines is sufficient to project a fall in prices for US and European commercial premium wines, while in all regions the producer prices of fine wines rise substantially.

Figure 4: Differences in wine consumption in 2020 compared with 2012 (millions of litres)



Source: Authors' model projections, Depreciation Scenario.

Figure 5: Growth in world international trade in commercial and fine wines,^a 2012 to 2020 (%)



^a The dividing line between the two types of exported wine is US\$7.50 per litre f.o.b.

Source: Authors' model projections, Depreciation Scenario.

Table 3: Baseline Scenario compared with Depreciation Scenario: impact of real exchange rate (RER) changes between 2012 and mid-2015 on real prices of grapes and wines in key producing countries as of 2020 (%)

	Change in real exchange rate, (%)	<u>% change in real local-currency producer price of:</u>		
		<i>Premium grapes</i>	<i>Comm. premium wine</i>	<i>Super premium wine</i>
Western Europe	-15	14	-2	39
United States	0	23	-9	39
New Zealand	-4	20	-8	35
Chile	-19	17	9	55
Australia	-27	30	17	59

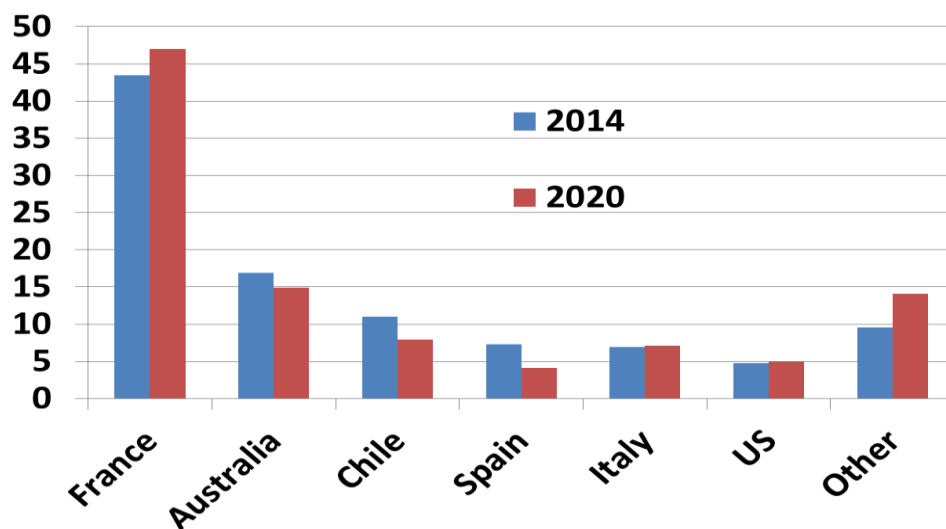
Source: Authors' model results.

Imports into China, which are projected to continue to grow more than into any other country, are projected to come slightly more from France, Italy and the United States, slightly less from Australia, and considerably less from Chile and Spain (Figure 6).

The above projections have ignored recent and prospective free trade agreements (FTAs). To examine their impact, we re-ran the Depreciation scenario several times, progressively removing by 2020 the tariffs on imports between countries joining particular FTAs. Specifically:

- *FTA1*: Chile's FTAs with China, Japan and Korea and New Zealand's FTAs with China;
- *FTA2*: *FTA1* plus Australia's new FTAs with China, Japan and Korea and New Zealand's expected one with Korea;
- *FTA3*: *FTA2* plus the proposed Trans-Pacific Partnership that includes US and Canada.

Figure 6: Origins of China's wine imports (% by value), actual 2014 and projected 2020, assuming real exchange rate changes to 2015 hold to 2020 and ignoring new FTAs



Source: Wine Australia data for 2014 and authors' model projection, Depreciation Scenario.

The results (which are detailed in the longer Working Paper version of this note) reveal that these FTAs will have relatively little impact on grape and wine production or on wine consumption in China compared with the market's growth between 2012 and 2020 projected in the Depreciation scenario. The FTAs' impacts on wine-exporting countries are non-trivial, however. For example, *FTA1* causes Chile and New Zealand to gain market share in China (especially in volume terms for Chile), but partly at Australia's expense.

FTA2, by contrast, provides an export gain for Australia that will much more than offset the reduction it otherwise would have suffered from those two earlier-signed FTAs. China's imports from its new FTA partners in the Southern Hemisphere will grow at the expense of its imports from the United States and Europe, and the FTA partners' wine exports to countries other than China will shrink – although by less than the increase in their exports to China. That is, global wine trade creation outweighs trade diversion from these FTAs, according to these results.

FTA3 (the proposed Trans-Pacific Partnership) adds little extra to global wine trade, since the bilateral FTAs already signed will have freed up most wine trade in that region by 2020.

4. SUMMARY AND IMPLICATIONS

China has already become by far the most important wine-consuming country in Asia, and the above projections point to the speed with which China may become an even more dominant market for wine exporters by 2020. Since China's domestic production is projected to increase by 'only' about 300 ML by 2020, its net imports are projected to rise substantially, and slightly more once the full impact of the FTAs with Southern Hemisphere countries are felt.

Of course these projections are not predictions. How exchange rates move, and how fast various countries' wine producers adjust, will be key determinants of the actual market changes.

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The Chinese Premium Wine Market after Bordeaux: Opportunities for Port Wine

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Abstract:

Purpose: This paper develops a market entry framework to evaluate performance of entrants in China's luxury wine market. The market entry framework contains seven propositions related to the areas of relationship management, price, product, distribution, promotion and marketing mix strategies according to entry order.

Design/methodology/approach: The methodology involved a synthesis of existing work about the Chinese wine market to develop the framework and the seven propositions together with an application of the framework to two luxury wines: Bordeaux, an already established luxury wine, and Port, a late mover into the Chinese market. The application to Bordeaux and Port was based on secondary data using diverse sources to triangulate the information.

Findings: We found the framework helped to organise scattered secondary data about the performance of Bordeaux in the Chinese market and identify potential opportunities for Port from the lessons learned from Bordeaux as well as understand current activities taken by Port. Port may position as a dessert and gift wine given its sweetness and packaging characteristics. Port can also benefit from its connection with colonial Hong Kong and Macau since the 17th century. Current activities by the Port producers seem to be on the right direction.

Practical implications: The framework can be very useful for new wines intending to enter into the Chinese market or existing wine that have not achieved the expected success.

Keywords: Market Entry Strategies; China; Port Wine; Luxury Wines

1. INTRODUCTION

Asian markets are increasing their wine consumption and production rapidly (Anderson and Nelgen, 2011), but wine is still considered a luxury good (Hwang and Kunc, 2015). For example, seven of the top fifteen luxury wine importers in terms of value were Asian (Anderson and Nelgen, 2011). French wines are the global leaders in premium still-wine exports, supplying 40% of the world value, followed by Italy (17%), New Zealand (9%), and Portugal (6%) (Anderson and Nelgen, 2011). Bordeaux wine has seen huge demand in China, particularly in value terms. While fortified wine consumption in China is only 4% (Euromonitor, 2014), there may be an opportunity for Port wine to become successful in China since Port is a red wine with a luxury image. The apparent success of Bordeaux in the Chinese premium wine market may indicate a comparable opportunity for Port. However, Port may face different strategic hurdles since it is not the first product in the market. Consequently, our research question is: Can Port follow Bordeaux's success pattern into this largely unexplored market? And a subsequent question derived from the first question is: Can Bordeaux have paved the way for Port or may Port expect strong barriers to entry into the Chinese luxury wine market? To address the research questions, we propose a two-stage research process. First, we develop a framework to evaluate market entry strategies from a marketing perspective. Second, using the framework and secondary data sources, we evaluate the lessons from Bordeaux and their applicability to the case of Port.

2. LITERATURE REVIEW

In this section, we define a framework to explore the potential opportunities for Port wine as follower in the Chinese wine market. Before entering a new market, a company needs to evaluate whether it is a first mover (an innovative product in an incipient market) or a follower (a competitive product in an existing market) (Doole, 2012). Arguably, degrees of cost and risk differ depending on the situation, but it is debatable whether it is more desirable to be a first mover or a follower (Gaba et al, 2002). Depending on a pioneer's ability to read and exploit market developments, followers may surpass initial leaders by developing superior market knowledge and by observing the first entrant's behaviour and success levels (Aaker and Day, 1986). Followers may "free ride" on pioneers' investments in areas such as R&D, customer education and infrastructure development (Luo and Peng, 1998). In later stages of market maturity, followers can benefit when technology and consumer preferences change (Conner, 1988), for example by highlighting attributes in the new product that distinguish it from the pioneering product (Carpenter and Nakamoto, 1989). On the other hand, followers may face competitive disadvantages (Bowman and Gatignon, 1996). For example, price sensitivity reduces so it is difficult to gain share from first movers through pricing; quality differential needs to be large with respect to the existing product; promotional response decreases and late entrants tend to spend more money on it; and finally obtaining distributors becomes more difficult (Bowman and Gatignon, 1996). Based on this, our empirical contribution will be the evaluation of opportunities or hurdles that Port, as follower, may face from Bordeaux's first moves in the Chinese market using a marketing entry frame.

2.1. Marketing Strategies for Chinese wine market

Merely analysing the existing competition (Bordeaux) in a target market is not enough preparation before designing an entry strategy (Port). Market-specific issues are also considered. Before creating a more detailed market entry strategy (our theoretical contribution), this section of the literature review will cover suggestions made by past researchers for marketing wine in China. Breherton and Carswell (2001), analysing the entry of Western wine in China, followed the traditional "4P" structure when outlining marketing strategies for wines in China. Supporting findings related to the use of "4P" have also been provided by other authors: Beverland (2000), (2002); Liu and Murphy (2007); Lee (2009); Camillo (2012). More importantly, underpinning Breherton and Carswell's (2001) suggestions for the Chinese market is the importance of relationship management. The importance of forming relationships in China has long been recognized by other authors e.g. Tsang (1998) and Beverland (2008). Consequently, our framework will be based on these two areas of research in marketing.

2.1.1. Relationship Management

Cultural differences in business practices are one of the main difficulties for foreigners entering the Chinese market. Within a collectivistic culture, doing business in China relies on personal contacts, relationships and business networks (Hofstede, 1983). Central to this is the emphasis on *Guanxi* which is the informal interpersonal connections to gain approval for or access to anything in China (Tsang, 1998). *Guanxi* concentrates on long-term committed relationships (Chee and West, 2007) and the concept of reciprocity is important: if a wine marketer offered, for example, wine training courses to Chinese retailers, they are likely to reciprocate by providing extra help to the foreign marketers (Beverland, 2002). Thus, relationship marketing, while requiring patience and investment in trust, seems to be one of the keys to enter China's wine market (Breherton and Caswell, 2001; Beverland, 2000, 2002).

Proposition 1: Develop relationships with customers and the distribution network

2.1.2. Price

Chinese cultural values related to reputation, or "face"⁶, suggest that imported wine should be priced in the premium category (Breherton and Carswell, 2001; Liu and Murphy, 2007). "Face" has been employed to explain consumer behaviour related to luxury products because showing wealth can help buyers achieve social status among social connections (Ho, 1976). This leads the buyer to prefer well-known and immediately recognizable luxury brands (Wong and Ahuvia, 1998). Wine represents luxury and decadence in China (Camillo, 2012). Therefore, being able to afford an expensive wine is symbol of economic success (Anderson and He, 1998; Wang et al, 2010).

⁶ There are two types of "face": "lian" or "mianzi". "Lian" is related to the society's belief about a person's moral character and integrity. "Mianzi" conveys the idea that reputation or status in the society is achieved through success and ostentation (Hu, 1944).

Proposition 2: Position in the premium range using famous brands

2.1.3. Product

The food and dining habits of a consumer are deeply associated with culture so it is challenging to change individual eating and drinking habits (Lee, 2009). Traditional Chinese dining habits involve eating all dishes simultaneously, chilled drinks are rarely drunk due to the belief that they are unhealthy and Chinese don't linger over dinner with a bottle of wine (Cho Lee, 2007). However, there is an increased interest in wine, especially red wine, due to lower content of alcohol than spirits and the acceptance of popular Western cultural elements (Lee, 2009). Wine is perceived by the majority of Chinese customers as "masculine" (Milner and Fondness, 1996). Consequently, it is essential that the marketing strategy involves understanding how Chinese perceive wine within the context of luxury consumption.

Proposition 3: Identify customer needs related to wine consumption

2.1.4. Promotion

Word-of-mouth is important in a collectivistic society like China (Anderson and He, 1998) and it can be increased by brand awareness, for example by developing relationships with customers through wine tasting classes or events (Breherton and Carswell, 2001). In terms of advertising, Breherton and Carswell (2001) suggest promoting wine by using clever translations into Chinese names associated with luck and fortune.

Proposition 4: Reach, educate and retain the customer by creating relationships

Proposition 5: Use cultural symbols and beliefs.

2.1.5. Distribution or Place

While coastal cities, e.g. Shanghai, were the initial targets when the Chinese market opened, nowadays cities outside the coastal area are growing in size and both Chinese and foreign wine distributors now have access to hotels, restaurants, bars, supermarkets and specialty stores across provinces (Noppé, 2012). Breherton and Carswell (2001) propose to focus on single regional markets at each time starting with China's major cities which have developed infrastructure and more affluent customers

Proposition 6: Start in China's large cities

Relationship management is important for managing distribution. Joint ventures with local partners can help diffuse the risks of exploring an unfamiliar market (Cui and Liu, 2000). Joint ventures are also seen as important from the government perspective (Breherton and Carswell, 2001). Thus, a local partner's involvement and a long-term attitude to business relationship (Guanxi) can become key for success.

Proposition 7: Invest in developing relationships, especially with distribution

2.2. Seven-propositions Marketing Entry framework

Most of the literature on Chinese wine market precedes Bordeaux's recent success in China so it begs the question whether the marketing strategies can be employed by late entrants such as Port, or if the market has changed to present new possibilities for Port.

<i>Marketing Strategies</i>	<i>Bordeaux Performance as early entrant</i>	<i>Implications for Port as a follower</i>
Proposition 1: Develop relationships with customers and the distribution network	How did Bordeaux perform in each strategic proposition? Did Bordeaux affect the possibilities for late entrants?	Based on Bordeaux performance as an early entrant and the current market situation, how can Port benefit from being a follower?
Proposition 2: Position in the premium range using famous brands		
Proposition 3: Identify customer needs related to wine consumption		
Proposition 4: Reach, educate and retain the customer by creating relationships		
Proposition 5: Use cultural symbols and beliefs.		
Proposition 6: Start in China's large cities		
Proposition 7: Invest in developing relationships, especially with distribution		

Table 1. Framework to analyse entry performance in China wine market.

3. METHODOLOGY

The approach to this research is qualitative and exploratory. Qualitative research is an interpretative technique that seeks to describe the meaning rather than the frequency of phenomena (VanMaanen, 1983), and used in this way it suits the exploratory and phenomenological approach used here (Collis and Hussey, 2003). The qualitative data is collected from secondary sources. One of the sources employed was the documentary *Red Obsession* (2013) which explores the entry and performance of Bordeaux in China by interviewing wine journalists, representatives of the most known Bordelais Châteaux, as well as others involved in selling Bordeaux wine in China. However, solely using the documentary as a source presents problems relating to rigour and subjectivity (Collis and Hussey, 2003). To address this issue, we triangulate diverse sources of information, such as trade associations (Wines of Portugal), newspapers (e.g. Huffington Post), reports (Euromonitor, Marketline) and magazines (Decanter) (Collis and Hussey, 2003).

4. RESULTS

This analysis explores Bordeaux's performance in China and considers the implications for Port as a follower using the propositions in table 1. Due to size restrictions, we only present a summary of the results in table 2 using the format defined in table 1.

<i>Marketing Strategies</i>	<i>Bordeaux Performance as early entrant</i>	<i>Implications for Port as a follower</i>
Proposition 1: Develop relationships with customers and the distribution network	China became a key market for Bordeaux in a very short time, taking producers by surprise. Producers were worried that Chinese demand would disappear without a track record of relationships. So Bordeaux develops relationships with consumers leading to high loyalty.	While it will be difficult for Port wines to enter the Chinese market with the same brand strengths as Bordeaux, we should note Hong Kong and Macau have a history of importing Port due to their colonial past. Port producers are establishing through these two places to access China mainland but they need to help people to understand what Port is and how to drink it.
Proposition 2: Position in the premium range using famous brands	Bordeaux's success may be related to the concept of "face" in China. Additionally, buying famous brands is easier for a developing market. The 1855 official classification of Bordeaux producers has made it easy for the Chinese to identify the wines considered as most prestigious.	Personal gifts and holidays like Chinese New Year are currently the most important sources for Port sales. Additionally, there is a new generation of luxury consumers in China, the "sugar generation", who shift away from too recognisable or easily available brands, to avoid being part of a crowd. Port may be positioned as a niche product in contrast to the high visibility of Bordeaux brands.
Proposition 3: Identify customer needs related to wine consumption	Nearly 80% of the wine consumed in China is red, well above the global average at 54%, due to diverse beliefs among Chinese consumers. Thus, Bordeaux prominence in red and strong brands are two key factors explaining its success.	Port may benefit from increasing interest in cocktails in the Chinese market, which ties up with Port's recent strategy in European markets. Port classifies as a feminine drink in contrast to other dessert drinks such as whisky or cognac. Additionally, pairing Port with chocolate or tarts can be an opportunity to become an alternative to traditional food pairing for reds, e.g. cheese, the consumption of which is limited in China.
Proposition 4: Reach, educate and retain the customer by creating relationships	Bordeaux producers have taken every chance to reach to and educate Chinese consumers, e.g. Châteaux Margaux sponsored a beauty pageant where they taught contestants how to drink red wine, or the development of Vinexpo Asia Pacific since 1998, leading to long-term relationships. However, educating consumers may result in them exploring other wines	If we consider Port as part of the fortified wine maker, then Port will be at a disadvantage due to the small scale and the need to educate consumers. To face this, six Port houses launched "The Vintage Port Academy" in 2010 to organise wine master classes in Hong Kong, Shanghai, Beijing and Macau. However, Port may also be associated to the red wine market, where existing consumer education is expected to lead to a growth in interest in new types of wines.
Proposition 5:	Bordeaux used and benefited	Port can exploit its packaging in red

Use cultural symbols and beliefs.	from cultural symbols in its marketing strategy: red colour, numerology, labels.	and gold. Additionally, Portugal in Chinese language means “grape country”, which has not been extensively exploited.
Proposition 6: Start in China’s large cities	While China’s tier 1 cities have extensively been exploited in all Western aspects related to luxury consumption, there are opportunities in other cities that Bordeaux are taking, e.g. Bordeaux organises China Dalian International Wine and Dine Festival.	The regions/cities with colonial past, e.g. Hong Kong and Macau, together with the tier 1 cities offer the best opportunities to Port wine. This has been the focus of recent campaigns through ViniPortugal and Vintage Port Academy. One of the key challenges is to find distributors that run fine wine distribution lists across all mainland China to accelerate entry to other cities.
Proposition 7: Invest in developing relationships especially with distribution	Bordeaux Wine Council's president suggests the success is attributed to the work done in networking the distribution system. There is important investment in wine training for staff in retailers, restaurants and hotels. Additionally, there are important partnerships to develop Chinese wine producers.	Port producers' offices in Hong Kong manage the development of their Chinese market. As wine is consumed to reflect status, this is often done in visible places so Port may focus on the on-trade channel. However, Port may consider the benefits of positioning as a niche product, and communicating this strategy to distributors so they can see the advantages of enriching their portfolios.

Table 2. Market entry framework applied to Bordeaux and Port wines.

5. DISCUSSION

The previous analysis explains benefits that Bordeaux have experienced as a first mover into the Chinese market: loyalty and high price positioning. Simultaneously there are some potential opportunities for Port to gain market share despite its late follower entry. The main opportunity is to exploit a maturing Chinese premium wine market and the education received by Chinese consumers. As Chinese consumers become more educated, they expect to drink other wines than Bordeaux, thus pushing distributors to diversify their portfolios of wine with more niche and sophisticated offers. Port may use a niche position as a dessert wine based on its sweetness and lower alcohol content than whisky, thus avoiding direct competition with Bordeaux. Distinctive packaging can also be useful to position as a luxury gift rather than a common wine. However, the main benefit may come from being a category leader in the fortified wine category.

6. CONCLUSIONS

Our research question was: Can Port follow Bordeaux’s success pattern into this largely unexplored market? We answered this question developing a 7-propositions framework to evaluate strategic market entry into the Chinese wine market and applied it using a comparative case study of two well-known wines: Bordeaux and Port. A subsequent question

derived from the first question was: Can Bordeaux have paved the way for Port or may Port expect strong barriers to entry into the Chinese luxury wine market? Our conclusion is that there are important benefits for Port as a follower but some barriers were raised by Bordeaux.

In this way, we contributed empirically and theoretically to the market entry strategy literature by comparing an early entrant (Bordeaux) with a follower (Port) but further research may compare two simultaneous entries.

The main limitations of this paper are related to the use of secondary data and its quality to address the propositions suggested. For example, the data selected may be affected by potential biases from researchers, issues with legitimacy and reputation of the authors. Future research will involve a set of interviews and surveys with Port producers, Chinese consumers and distributors to confirm our initial findings.

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**Exploration and exploitation in accelerated internationalization:
Evidence from the global wine industry**

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Abstract:

Purpose - To examine the use of social ties by late entrant firms into a dynamic market context, the global wine industry. Using social network theory and the entrepreneurial model of internationalization, we compare the opportunity-seeking behaviour of newer and smaller firms with older and larger ventures from new entrant countries into the wine industry. New venture survival depends on transitioning from the founder's interpersonal to inter-organizational networks, with the importance of such links in internationalization decreasing over time. Much is known about networks in internationalization, less about the interpersonal effects on internationalization relating to firm age.

Design/methodology/approach - Analysis of data from a four-country quantitative survey of firms' international marketing and growth strategies investigated the differential use between newer and older firms of social and inter-organizational ties in opportunity exploration and exploitation.

Findings - We identified that the knowledge-intensive wine industry context pushes smaller, newer ventures to simultaneously pursue exploration and exploitation strategies. New entrants into a global industry under conditions of fast-moving change accelerate the formalised management of exploratory social ties to move quickly to exploitation, while simultaneously maintaining exploration possibilities through informal social ties.

Practical implications - Managers need to know how to balance exploiting the opportunities they currently have with exploring new ones. We contribute to theory by explaining how firms in an international sample of firms in one industry do this and balance the two in an ambidextrous approach to their internationalization strategies.

Keywords: Social ties, exploration and exploitation, internationalization

1. INTRODUCTION

The objective of this research is to investigate the use of social ties by ‘New World’ firms in their international marketing strategies in the global wine industry (Johanson and Vahlne, 2009). We begin from the assumption that firms use their social ties to develop capabilities and that the social ties of individuals are available for use by the firm (Ellis, 2011). Network theory views economic action as embedded in ongoing social ties, which can both facilitate and sometimes ‘derail exchange’, yet there is ‘theoretical indefiniteness’ about how these processes develop (Uzzi, 1996, p.35). Entrepreneurs in new ventures rely heavily on their social ties to explore opportunities and these ties can be a *source* of the actual international opportunity (Vasilchenko and Morrish, 2011). Better understanding of the role in internationalization processes (Wouter, Arzlania and Elfring, 2014) of opportunity individuation (Wood, McKelvie and Haynie, 2014) and how firms develop operational and dynamic capabilities to serve multiple purposes (Helfat and Winter, 2011) remain under-researched. We investigate how this nexus of issues plays out in practice in the specific activities and strategies pursued by relatively new entrant firms into global markets.

As companies grow they may diversify and small and medium-sized enterprises (SMEs) especially must balance new approaches and efficiency (Raisch, Birkinshaw, Probst and Tushman, 2009) as they are at greater risk through a lack of resources or competences available to larger firms. However, in a growing, dynamic sector, the differentiation between large and small firms may be blurred, based on innovative approaches albeit with differential asset bases, because of the speed of internationalisation (Oviatt and McDougall, 2005). Our paper addresses firm-level use of micro-level social ties within an international industry context. Our contribution comes from understanding social ties as micro-foundations of internationalization, which are individual-level factors that help to explain a collective phenomenon (Felin, Foss, Ployhart, 2015), to explain the behaviour of both smaller and larger firms.

Network theory argues that entrepreneurs use social ties and business networks for internationalization *but in different ways* (Vasilchenko and Morrish, 2011). These change as the internationalization of the firm proceeds, because the role and the nature of networks also change. As opportunities are refined, resources and knowledge are developed further and new problems emerge, requiring more formal strategies (Fernhaber and Li, 2013). The change from social to more calculative interactions (e.g. business networks) tends to develop in the later stages (Sleuwaegen and Onkelinx, 2014). Yet, we know very little about *where* and *how* these interactions of inter-firm cooperation occur; and what *features* of these social and business relationships are important to managers. To investigate these two *lacunae* our study addresses four interrelated questions: (1) What local sources and inter-firm cooperative relationships enable international marketing opportunities? (2) What joint international marketing activities do firms envisage? (3) In which groups do managers discuss inter-firm marketing co-operation? (4) What are the important features managers look for in their partners and other sources of international marketing advice? Our aim is to respond to recent research by providing a more precise explanation of how networks affect opportunity beliefs (Wood et al., 2014) and processes such as internationalization (Fernhaber and Li, 2013), which are useful for theory and practice. We firstly review the literature on embedded ties,

business networks and the entrepreneurial model of internationalization. We then examine the activities within the opportunity exploration, recognition and exploitation process, and the differences new and older ventures may experience, given their differential resource bases. A discussion follows on the impact of environment and industry type on the process of exploration-exploitation and the role of social ties and inter-organizational networks. We then present results from a survey of the degree to which firms engage with others in their international marketing and provide conclusions, managerial implications and future research.

2. LITERATURE AND THEORY DEVELOPMENT

2.1. Social ties and internationalization

Research emphasises the role of tie-based opportunities (Ellis, 2011), contacts and personal networks (Welch, Welch, Wilkinson and Young, 1996), alliances (Johanson and Mattsson, 1988) and social ties of managers (Bangara et al., 2012; Manolova, Manev, and Gyoshev, 2010) in internationalization. Firm-level analysis has shown how entrepreneurs use their personal and social ties to seek opportunities to locate information about foreign market opportunities (Wood et al., 2014). Social ties have benefits and limitations, i.e. home-based networks are constrained by geographic, psychic and linguistic distance (Ellis, 2011) and their closeness can limit opportunities, the paradox of overembeddness (Uzzi, 1997). An optimal network structure relies on links that include a mix of arm's-length and embedded ties (Uzzi, 1997). Despite increasing interest in interpersonal and inter-organizational networks and social capital of SME entrepreneurs (Wouter et al., 2014) we still require more in-depth studies into how social ties shape economic and collective action (Uzzi, 1996; 1997). Instead of discrete "production units" as in traditional economic theory, firms embedded in networks have unique network positions which have significant strategic implications (Johanson and Vahlne, 2009). While tightly clustered or embedded ties are seen as enriching the network, arm's-length ties in transactional relationships can prevent the networks from being isolated from market demands and new possibilities (Uzzi, 1997, p. 59). So a balance is needed to ensure that the network remains open to opportunities.

The entrepreneurial model of internationalization explains how the speed of firm internationalization is influenced by various forces (Oviatt and McDougall, 2005), beginning with an entrepreneurial opportunity, enabled by technology, motivated by competition, mediated by perceptions of entrepreneurs, and moderated by knowledge and networks that collectively determine the speed of internationalization. In the early years after foundation, ventures tend to rely on geographically (domestic) proximate firms (informal relationships) to explore and learn what information and knowledge is needed for survival and growth. Over time, they exploit their knowledge by devoting more attention to alliance partners (formal relationships), becoming more structured and formalized in their decision-making (Fernhaber and Li, 2013). We know that social ties can also the trigger commercialization of a venture's product (Vasilchenko and Morrish, 2011). Network theory argues that the entrepreneur's knowledge of the foreign market and previously developed network connections can lead to inter-organizational relationships with foreign suppliers and customers (Gilsing and Nooteboom, 2006; Keen and Wu, 2011; Parmigiani and Rivera-Santos, 2011). Yet, we do not

know how social ties and business networks interact together for entrepreneurial exploration and/or exploitation of international opportunities, how firms can move from exploration to exploitation, or how they may balance the two.

2.2. Exploration and exploitation

Exploration strategies are associated with new and young firms and involve learning and innovation with a focus on building new value-creating activities (Parmigiani and Rivera-Santos, 2011). Exploitation is associated with more established firms and builds on value-creating activities to address expansion and efficient (Parmigiani and Rivera-Santos, 2011). Greater formality and the need to codify and build on existing knowledge with a focus on organization processes (Gilsing and Nooteboom, 2006) feature strongly. During opportunity exploration, entrepreneurs can use their social ties as information channels, to gather information about international markets and. For SMEs social ties allow them to quickly explore and exploit opportunities thus improving their competitiveness and, thereby survival (Vasilchenko and Morrish, 2011). Entrepreneurs might actively search for opportunities, but the decision on the initial market selection is often influenced by the location of their personal ties (Freeman, Edwards and Schroder, 2006). Networks are sources of internationalization opportunity and this “element of discovery” involves other actors, acting on their own knowledge and information and locating focal firms (Vasilchenko and Morrish, 2011, p. 102). Entrepreneurs can also take active steps to engage external experts, to assist them identify or to evaluate an opportunity. However, studies are needed that examines entrepreneur-centered networks and their role in the internationalization process. This would provide more knowledge of the logic behind patterns of network-driven internationalization, including “access to prior networks, discovery through the actions of new networks, and the role of serendipitous contacts” (Vasilchenko and Morrish 2011, p. 102) and benefits including new venture survival and post-entry growth (Sleuwaegen and Onkelinx, 2014).

2.3. Theory development

International competition is no longer confined to foreign markets, so regardless of whether firms participate in international business, they may face international competition which they must address to survive in their home market (Keen and Wu, 2011). Thus survival and post-entry growth of local firms and new ventures in global, *fast moving change* industries (such as wine) depend on their capacity to utilize resources and capabilities to compete globally (Sleuwaegen and Onkelinx, 2014). It also depends on how quickly such firms can “adapt and reshape themselves” (Keen and Wu, 2011, p. 319). Debates in the literature relate to the importance of the industry context. Knowledge-intensive markets are regarded as the most turbulent in terms of their speed of technological change and market uncertainty but, under conditions of *fast moving change* “it is especially challenging to achieve the right balance of strategic orientation...or strategic directions implemented by a firm to guide its activities toward continuous superior performance” (Ruokonen and Saarenketo, 2009, p. 18-19). Intangible know-how is facilitated through social ties and business networks and SMEs engaged in rapid internationalization are seen to be more likely in knowledge-intensive sectors, as information sensitive advice and tacit knowledge favours personal relationships. Despite evidence of this dynamic behaviour, we know very little about how knowledge-

intensive (other than high-technology) ventures use social ties and business networking in changing industry environments - such as international FMCG wine markets - in their activities and strategies to commercialize products globally (Vasilchenko and Morrish, 2011).

It is increasingly argued that firms must exploit their existing positions and explore new opportunities simultaneously (Keen and Wu, 2011; Raisch et al, 2009). Drawing on the entrepreneurial model of internationalization, we expect that the need for quick, agile behaviour in exploration and a simultaneous focus on exploiting their innovative products is far greater for new and small firms than for old and larger firms, which have greater access to resources. Likewise, due to their greater size, economies of scale provide advantages for larger and older firms, based on economic-based resources rather than people-based capabilities. Synthesizing our analysis of critical concepts of the use of ties in opportunity seeking and the differential use of formal and informal ties by smaller and larger firms during internationalization, we developed the following propositions. The extant literature leads us to expect newer and rapidly internationalising smaller firms to use more informal social ties to pursue exploration activities, and older and more established larger firms to use more formal ties to pursue exploitation activities. However, we argue that, because the global wine industry is a fast-moving highly dynamic context, smaller, newer firms will accelerate their use of formal ties to use a mix of exploration and exploitation, and larger, older firms will maintain such a mix for the same reasons of growth in the global wine market. Hence:

Proposition 1: In a fast-moving industry context newer and smaller firms move quickly from exploration to an ambidextrous mix of exploration and exploitation.

Proposition 2: In a fast-moving industry context older and larger firms continue exploration in an ambidextrous mix of exploration and exploitation.

3. RESEARCH METHOD

We argue that the context of industry dynamics strongly influences the balance of exploration-exploitation among new and more established new entrant country firms in the global wine industry (Cusmano, Morrison, Rabellotti, 2010). To examine entrepreneurial firm internationalization under conditions of *fast moving change* within this industry, our data come from a four-country survey of *New World* entrants located in the Southern Hemisphere (Cusmano et al, 2010), which is known for its innovative, knowledge-intensive processes within global supply chains. We sought to identify the nature and use of ties through an email survey of firms in the wine sector in Argentina, Australia, Chile, and New Zealand. Our initial quantitative analysis found that the key differences among the firms were age and size. We then conducted a second stage of analysis to give a richer interpretation to explain differences in approaches according to the age and size of the firms. The questions in our survey sought responses in 5-point Likert scales covered three areas: the first set of items on the strategic use of social ties, sought to elicit the reasons, opportunities enabled, and benefits of developing and using such ties. The second set explored the types of interactions used and the third asked about the identity, characteristics and features the firms sought and valued with their co-operative relationship partners.

The differences in the results between the larger and smaller firms were: Section 1 (mostly items of significance to smaller firms); Section 2 (more items of significance to larger firms); Section 3 (a mix of the two). To explore the differences regarding the three areas of interest, we split the sample into smaller firms (n=47) defined as firms employing fewer than 10 employees and larger firms (n=59) employing between 11 and 249 staff respectively. We used nonparametric Mann-Whitney U-tests to investigate systematic differences between the two groups of firms regarding the key variables of interest. These tests are a procedure to compare two groups when distributional assumptions for conducting a t-test are not met for individual variables or when sample sizes are limited (c.f. Gielnik et al., 2012; Santangelo, 2009). On the basis of these tests, we drew inferences about the extent to which the mean response of small firms differs from their larger counterparts. This analysis provided us with deep insights about similarities and differences between small and large firms regarding the role of social ties in the internationalization process.

4. MAJOR RESULTS⁷ AND DISCUSSION

4.1. Strategic use of social ties

An issue which was generally more important for small firms was the use of local ties. Over 12 items, 6 showed significance for smaller firms on our sample, and the rest showed no difference between large and small firms. In answer to RQs 1 and 2, the important local sources and activities were functional ones related to making sales, especially local sales, and gaining access to knowledge, innovation and NPD, all important exploratory activities (Parmigiani and Rivera-Santos, 2011) in export marketing for SMEs. This suggests that smaller firms are more reliant on social ties for competitiveness and to improve export readiness. Interestingly, however, there are no differences regarding the strategic use of social ties for increasing international market demand directly.

4.2. Identity and features of partners

On the most important sources of advice reported by firms, only two items showed any differences between large and small firms: the important roles for smaller firms of friends ($p < 0.05$) and family members ($p < 0.1$). This confirms the importance of the personal networks of the founder/CEO in smaller firms. Larger firms, by contrast, are less dependent on such personal social ties and may be more embedded in a complex network structure of inter-firm relationships for exploitation (Parmigiani and Rivera-Santos, 2011). When looking at the characteristics of crucial sources of advice (RQ 4), of 12 items there were few significant differences between large and small firms. Most differences are related to the expertise and knowledge obtained from their sources of business advice. Larger firms placed more value on the knowledge of their partners. With the exception of 'local market knowledge' (which became almost significant at the .1 level) all items relating to collaboration partner's knowledge are more important to larger than to smaller firms. Hence, the knowledge-seeking motive is somewhat stronger for larger firms in that they require more specialised knowledge from their partners. Larger firms may have become more discerning as they have invested in

⁷ For reasons of space constraints we highlight two key findings. Full details of data analysis and tables are available on request.

internal capabilities and require activating knowledgeable social ties in order to successfully augment their exploitation strategies (Parmigiani and Rivera-Santos, 2011). Interestingly, the differences between larger and smaller firms are mostly restricted in the types of knowledge, factors pertaining to the characteristics of the interaction such as mutual trust, respect reciprocity and friendship are equally important for small and large firms.

4.3. Large/Small firm crossover

In assessing the importance of characteristics of their business partners, the larger firms placed higher importance on being able to trust their partners. The most salient characteristic for the smaller firms, however, was their geographical proximity. Table 1 is an illustrative example of our data. We found a number of important similarities and differences between large and small firms regarding their strategic use of social ties, the types of interactions used, and characteristics and features the firms sought and valued with their co-operative relationship partners. Jointly, these findings provide insights into how firms nurture and leverage social ties in the internationalization process. In nurturing social ties, in relation to RQ 3, formal and informal meetings are generally similarly important, except for ties with trade associations where larger firms tend to rely on a higher degree of formality compared with smaller firms. Moreover, smaller firms find creating social ties more costly and prefer working with partners in their physical proximity, suggesting that smaller firms face higher costs in becoming socially embedded. Such costs to embeddedness are also reflected in the tendency of smaller firms to rely on family and friends as a main source of business advice rather than on formal social ties.

Table 1: Strategic use of social ties

	Large		Small		Mann–Whitney <i>U</i> -test	
	Mean	SD	Mean	SD	<i>z</i>	<i>p</i>
Access to skilled labour	3.46	1.14	3.63	1.32	-0.922	0.3567
Selling intermediate goods to other firms	2.77	1.17	2.65	1.21	0.409	0.6825
Buying intermediate goods from other firms	3.25	1.16	3.15	1.35	0.176	0.8604
Providing access to new technology	2.85	1.22	3.13	1.20	-1.114	0.2654
Providing access to better specialised suppliers	3.28	1.26	3.20	1.32	0.2	0.8418
Greater local market demand	2.83	1.33	3.74	1.16	-3.225	0.0013
Greater international market demand	3.25	1.36	3.00	1.48	0.727	0.4671
New customers for your firm	2.89	1.27	3.58	1.30	-2.541	0.0111
Enhanced reputation or credibility of your firm and products	3.55	1.20	4.13	0.92	-2.516	0.0119
Finding new customers in new markets	2.89	1.25	3.78	1.25	-3.285	0.0010
Greater market and marketing information/knowledge	2.89	1.34	3.73	1.20	-2.951	0.0032
Greater innovation and new product development	2.87	1.24	3.33	1.11	-1.773	0.0762
Inter-cluster referrals to your firm	3.00	1.16	3.33	1.23	-1.369	0.1711
Inter-cluster referrals from you to other firms	3.11	1.16	3.35	1.23	-0.949	0.3426

5. CONCLUSIONS AND IMPLICATIONS

Our paper offers some new findings which questions assumptions about the growth strategies of internationalising firms. Our data come from a comparative study of the social micro-foundations (Felin et al, 2015) of the strategies used by new entrant internationalising firms in the global wine industry, which is a mature but dynamic industry, which means that they must accelerate their learning. Persistence of both exploration and exploitation in older and larger firms and rapid moves to exploitation among newer, younger firms suggests ambidexterity because of dynamic market conditions. Our quantitative analysis and descriptive statistics revealed interesting but inconclusive results so Mann-Whitney U-tests were conducted to investigate differences between small and large firms. The rankings show that, while there are differences, they do not conform to the differential patterns of behaviour between smaller and larger firms that would be expected from the literature. Our analysis identified that newer and older firms were using social ties in mixed ways, with older firms continuing their use of social ties longer than anticipated based on previous research findings, and newer firms moving away from their reliance on social ties quicker than might have been

anticipated. Because of the industry context and the fact that the surveyed firms were from new entrant locations into a dynamic growing global industry already dominated by established incumbent firms from traditional locations, the surveyed firms were forced to accelerate their internationalization and thus could not go through traditional pathways of moving from exploration to exploitation strategies. We found that an ambidextrous mix was needed by both older and newer firms, thus supporting our propositions. Our analysis prompts further theorising to explore explanations of our results in more depth, since previous research has found that there is differential use of social ties by younger and smaller and older and larger firms.

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