

IMPORTANCE OF REGION IN MARKETING WINE TO US CONSUMERS

Tom Atkin
Janejira Sutanonpaiboon
Sonoma State University, Rohnert Park, CA 94928
tom.atkin@sonoma.edu, Tel. 707 664 3333
sutanonp@sonoma.edu, Tel. 707 664 3128

ABSTRACT

Increasing pressure from imports has encouraged many US wineries to market products based on region of origin. This study added to the product development literature by investigating the purchasing behaviors of US consumers when faced with a lack of information. The results showed that region was the most popular coping mechanism for both men and women when unsure about making a wine selection. Customers who consume wine daily relied more on region than moderate customers. Moreover, when consumers use extrinsic cues to make a purchase decision due to lack of information, region is a popular source of differentiation.

Keywords: regional branding, wine marketing, wine consumption

INTRODUCTION

Region of origin is an attribute that can help persuade a consumer to buy a particular wine. Consumers often employ information about the region of origin of a product to make inferences about the quality of the product [42]. Just as in other industries, wine products can now be produced in a variety of countries and possess increasingly standardized core features. Consumers often use origin image to “chunk” information and make a decision. This helps them to reduce perceived risk and assess the social acceptability of their choices [31]. These authors concluded that national and other place images are powerful stereotypes that influence behavior in both industrial and consumer markets.

When a consumer is making a purchase decision, however, he does not usually have access to all of this information. Wineries in the U.S. and Australia have had success marketing wine based on the varietal of the grape (i.e., Chardonnay) or brand. Smaller wineries do not have the ability to develop a brand so the option of region of origin promotion can be attractive. The perception of an origin and the presentation of origin information in a retail environment can have a great influence on wine sales [9].

This study focuses especially on region of origin information as a quality cue in these situations. It is important to understand whether attitudes about region of origin in the wine decision process are different for different consumer groups.

LITERATURE REVIEW

Intrinsic and Extrinsic Cues

It is known that consumers use a variety of cues when making quality judgments. They consider price, the label, the brand, the region of origin, and shelf position [17] [26] [24]. Many of the attributes are under the control of the producer so consumer response should be considered before implementing these attributes.

Wine is a product that has a high proportion of attributes that can only be assessed during consumption so the ability of the consumer to gauge quality prior to purchase is very low. Intrinsic cues for wine buyers include grape varietal, alcohol content, and wine style – things that relate to the product itself. Because the quality related attributes (taste, color, aroma) are not available, the consumer is forced to rely upon extrinsic cues such as price, packaging, and brand [17]. These are attributes that can be changed without actually changing the product [25]. Lockshin (2000) asserts that brand name acts as a substitute for attributes such as quality and that brand acts as a shortcut in dealing with risk. It has been asserted that consumers do not have a clear understanding of branding in the wine market. Gluckman (1990) postulated that consumers attach the same status to generic grape varietals and regions as they do to brands.

Country of Origin

Recent studies have found that the origin of wine is often perceived as an indicator of quality and may be used as the basis of decision making when purchasing wine [11]. Origin information typically serves as a halo from which inferences are made about unfamiliar wines. In the case of a U.S. wine purchaser, the reputation of the Napa Valley can be used as an indicator of quality. Wines from other parts of the U.S. have a difficult time competing with Napa's reputation. An international research project recently indicated that the most important attribute for both Australia and New Zealand consumers was the geographic origin of wine (with local wines preferred over all other choices presented) and the most important attribute for the US consumers was the type of wine (with red wine preferred over all other choices presented) [3].

The importance of region of origin in relation to other cues has not been firmly established. In 2001, researchers found that among the extrinsic cues, price was considered the most important across a variety of purchase occasions, especially business related events. The brand of the wine was the second most important cue, followed by the label/package. Region was not seen to be of great importance as it was ranked fourth [15].

On the other hand, Jarvis and Rungie (2002) used a choice-based experiment to reveal consumer utility values. A "well known region" had the highest stated choice utility among all respondents. Those findings were in agreement with research performed by Tustin and Lockshin (2001).

A recent study conducted in China demonstrated that COO affects consumer's product evaluations. According to Ballestrini and Gamble (2006), wine is quintessentially a product related to territory, even if that territory is as widely defined as a country.

We seek to explore which particular consumer groups it affects by measuring the importance of region of origin in a wine buying decision.

Gender

According to a study by the Wine Market Council, 60 percent of Americans who consume wine once or more a week are women, and women buy 80 percent of the wine sold in the U.S. [1]. Atkin et al (2007) have shown that consumer behavior in the wine purchase process can vary by the gender of the consumer – especially when it comes to searching for information.

A key factor in the successful marketing of wine to women in the retail setting will be the identification of what is important in the decision-making process. According to Perreault and McCarthy (2005), during the typical information search the consumer: 1. determines the alternatives (in this case the various types of wine, varietals, and price ranges), and then, 2. ascertains the characteristics of each wine alternative. A shortcut may be needed, however, because a busy woman will not have the time to ascertain the characteristics of thousands of wines.

Women demonstrated a stronger tendency than men to consult a variety of sources in order to gather additional information. Recent research showed that in the United States, women had a significantly stronger preference for acquiring on the spot information [3]. Women were more willing to ask questions of the sommelier and consult the menu in a restaurant in each country. In a retail environment, women were more willing to read the label and read shelf tags. It would be advantageous, therefore, to isolate groups of potential customers who place differing emphasis on cues and to identify marketing opportunities by exploring the potential for cue combinations not currently available [14].

In the absence of sufficient information, women showed a significantly stronger tendency to rely on coping mechanisms. They were more willing than men to make a decision based on secondary criteria such as artwork, medals won, and price (see above). In an international study, this pattern was evident across three countries – Australia, New Zealand, and the United States [2]. Interestingly, men in Australia and the U.S. showed a stronger willingness to just walk away without buying anything in such a situation.

RESEARCH QUESTIONS

The aim of this research is to determine what consumer variables alter the importance of regional branding as a cue in the choice process. Based on the preceding discussion of wine buying behavior, we developed a set of research questions to ascertain gender differences and differences in frequency of wine consumption in the wine purchasing situation. Hence, we present the following research questions:

1. Does the importance of regional branding as a cue vary based upon the consumer's gender? In other words, do women's preferences differ from those of men?
2. Does the importance of regional branding as a cue vary based upon the consumer's frequency of wine consumption? In other words, do the preferences of consumers who drink wine daily differ from those of consumers who drink wine a few times per month?

DATA COLLECTION

The study sample represents only U.S. wine drinkers and should not be taken as a general population sample. However, it is a reasonable sample to understand why some consumers prefer one wine style to another and the choice criteria and helping mechanisms they use to make their wine purchase decisions. The sample included 497 males and 877 females. In cooperation with several wine clubs and a few U.S. wineries interested in consumer preferences, we sought to determine the preferences of relatively frequent purchasers of wine in the United States. We thought that consumers who appeared on various retailer or wine club mailing lists would be more likely to have developed well-formed opinions, being regular wine drinkers, and would provide the best indication of why or why not they purchased certain wines. One of the goals of the study was to examine consumer preferences on several wine attributes, including region of origin. Respondents were obtained in the United States by sending emails to the customer lists provided by wine-related groups such as the Wine Brats and the Winex Wine Club. The Wine Brats are a non-profit group of young-at-heart wine enthusiasts who want to learn more about wine and meet regularly to discuss wine. The Winex Wine Club is a group formed by Wine X Magazine, a young adult lifestyle magazine featuring wine articles. The survey was posted on the Internet from June 15, 2004 to November 14, 2004. There were 1374 respondents from the United States.

RESULTS

Respondents were asked on a 7 point Likert scale (from strongly disagree to strongly agree) - "When I'm unsure about making a wine selection I": 1) randomly choose a bottle, 2) buy what I always buy, 3) don't buy anything, 4) buy based on price, 5) buy based on region, 6) buy based on label artwork, 7) buy based on medals or awards, or 8) other.

There was a clear difference in the coping mechanisms of men and women when sufficient information could not be obtained. The most popular coping mechanism for both was to rely on region of origin. In fact, region was the only coping mechanism that did not differ by gender.

While the region of origin of the wine is important to both genders, women rely on medals and awards more than men to make the purchase decision. Women showed a significantly stronger tendency to make a decision based upon secondary criteria such as medals won, price, buying the usual brand, buying based upon artwork and just randomly choosing a bottle (see Table 1 below). Although it was the least preferred choice of both sexes, men felt less negative about walking away without buying a bottle of wine. Table 1 shows the results of wine preferences based on consumers' gender.

Table 1. Wine preferences based on consumers' gender.

Coping Mechanism	Mean – Men	St. Dev.	Mean – Women	St. Dev.	Significance Level
Region	5.28	1.22	5.19	1.27	.194
Medals	4.05	1.62	4.68	1.51	.000
Price	4.21	1.49	4.58	1.46	.000
Always Buy	4.02	1.61	4.50	1.53	.000
Artwork	2.69	1.56	3.38	1.70	.000
Random	2.40	1.53	3.13	1.74	.000
Don't Buy	1.98	1.45	1.65	1.23	.000

Similarly, there was a clear difference in the coping mechanisms of those who drink wine daily and those who drink a few times a month when sufficient information could not be obtained. Region of origin was still the most popular coping mechanism for both groups; however, there was a significant difference between the two regarding region of origin. That is, consumers who drink wine on a daily basis rely more on region than those who drink a few times a month.

In addition, consumers who are not heavy wine-drinkers might have less knowledge about wine and would rely more on price, artwork, or medals when they could not find sufficient information on the wine. These consumers, however, always ended up buying some wine—most likely on a random basis (see Table 2 below). Not buying any wine was still the least preferred choice of both groups, yet the consumers who drink wine only a few times a month felt less negative about walking away without buying a bottle of wine. Table 2 shows the results of wine preferences based on consumers' frequency of wine consumption.

Table 2. Wine preferences based on consumers' frequency of wine consumption.

Coping Mechanism	Mean – Daily	St. Dev.	Mean – Few times/mo.	St. Dev.	Significance Level
Region	5.32	1.21	5.08	1.19	.026
Medals	4.28	1.61	4.54	1.42	.054
Price	4.21	1.55	4.60	1.38	.003
Always Buy	4.11	1.59	4.48	1.55	.008
Artwork	2.87	1.62	3.54	1.71	.000
Random	2.69	1.69	3.24	1.74	.000
Don't Buy	1.78	1.43	1.98	1.42	.104

DISCUSSION

To overcome the social risk, we suggest that wine marketers need to focus on the value and image barriers associated with packaging. In order to reduce the likelihood of making a bad purchase decision, consumers employ risk reduction strategies [27]. A variety of strategies have been enumerated in previous research [38], including the use of extrinsic cues such as pricing and packaging. Since objective information is often not available, consumers rely on subjective information, which is also known as perceived quality. Ram and Sheth (1989) suggest improving the product's positioning by creating a unique image.

In order to remain competitive, the US wine industry, and California in particular, may benefit from promoting a stronger sense of region of origin. Australia is already using region at a lower level (i.e., Coonawarra area as opposed to Australia). The European Union has recognized the importance of place and developed quality standards and place copyrights. This information is important because wineries need to know how to make wine more accessible to the public.

Thode and Maskulka (1998) asserted that one of the underexploited positioning opportunities in business today is place of origin. Place matters if there is a perceptible, not necessarily quantifiable, link between the products place of origin and the presumed quality of that product [40]. For example, Johnson and Bruwer (2007) found that the Sonoma County brand image enhances the image of appellations within Sonoma County and strengthens consumer confidence.

Benefits of a place-based strategy include: incentive to emphasize product development and stimulate specialization; competitiveness; and sustainable competitive advantage. This could be important because in the competitive environment of the wine industry, very little attribute superiority is sustainable [10]. Wine styles and grape varieties can be duplicated in other countries but the traits due to origin will remain unique. If geographic origin imparts a quality differentiation, the producer possesses an attribute that cannot be easily duplicated [40].

CONCLUSION

Consumer perceptions of price, quality, and value are considered to be pivotal determinants of product choice. The challenge for marketers will be how to reach consumers with information about wines in a manner that is relevant to their busy lifestyles. Labels and shelf tags are important sources of information in the retail setting and should prominently display region of origin.

The results of this study can be useful for industry in general as a means for gathering knowledge about the timing of a product launch of a discontinuous innovation, for evaluating ways to speed the takeoff of new products, and for understanding how consumer traits may affect the acceptance of products and decision-making criteria.

References available upon request from Tom Atkin at tom.atkin@sonoma.edu