

**Exploring brand associations in wine purchases**

## **Abstract**

The brand is increasingly being seen as the most valuable intangible asset for any organisation and building the brand perception ranks as a top management priority in today's market (Robbins, 1996; Ailwadi and Keller 2004). The wine industry contributes significantly to New Zealand's economy and retailers are the final point at which manufacturers could possibly influence consumers' purchasing behaviour and attitude towards the brand (Thomas 2000). This research divides Christchurch wine consumers into European & non-European ethnic segments and investigates the importance of brand associations for the wine consumer with a focus on retail. Results show that the evaluation patterns and perceptions of wine differ between ethnic groups, and have an impact on the consumer's wine budget.

**Keywords:** Wine marketing, brand image, primary and secondary brand associations, culture, ethnicity, consumer decision-making, consumer evaluation.

## **Introduction**

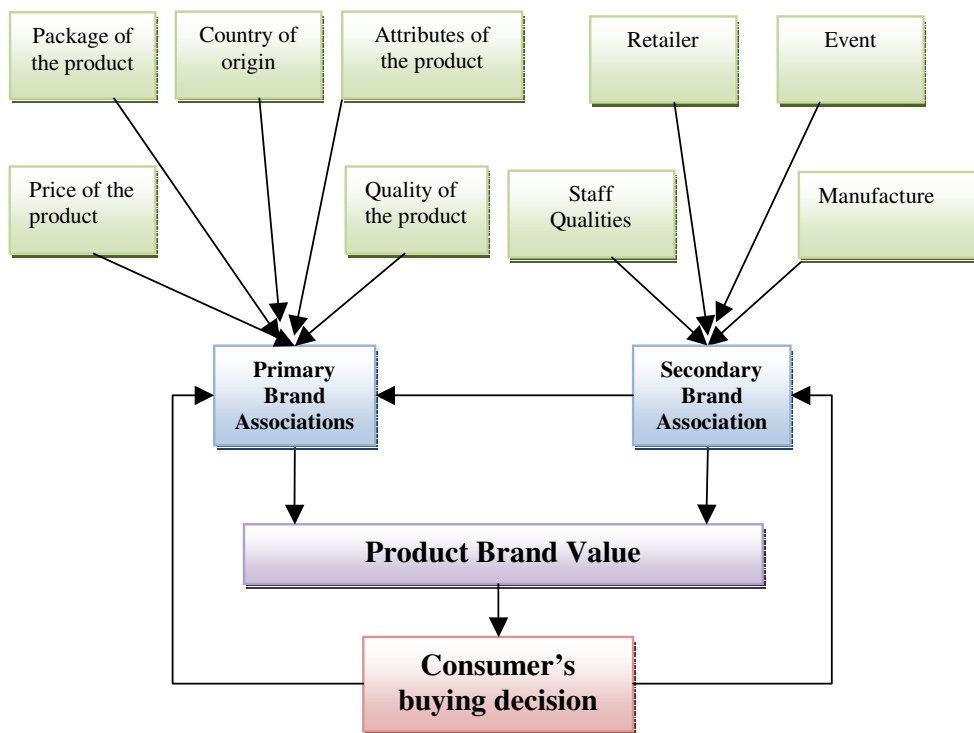
Although New Zealand's wine culture has a long history, the effects of different kinds of wine retailers on consumers have been neglected by academic research so far. Retailers interact with a wide range of consumers (Levy and Weitz 1992; Mason, Mayer *et al.* 1993) and there is potential for creating additional brand value by linking the brand to other entities which carry positive associations in the minds of the consumers. Such entities include spokespersons (staff qualities), events, manufacturers (producer) and retailers (Keller 1998). Sanchez & Gil (1998) pointed out that the type of retailing outlet differentiates between wine market segments, and further research is required because their results suggest a meaningful behavioural dimension in wine consumption (Thomas 2000). This study focuses on the three wine retailer groups of the supermarkets, liquor stores and online wine stores. We explore the impact of each of these groups on the wine consumer. Earlier research (Wyllie, 1993) revealed that people enjoyed buying wine from specialist stores as they enjoyed the discussion on wines with staff and sought professional advice. Figure 1 shows the nine brand associations identified by the researchers based on discussions with consumers and retailers, followed by two focus groups conducted in Christchurch in 2008. This research explores the impact of these nine brand associations on the consumer's buying decision. Retailers create their brand images in different ways by attaching unique associations to the quality of their service, their product assortment, merchandising, pricing and credit policy, etc. (Ailwadi and Keller 2004)."

When evaluating a brand, consumers can be influenced to some degree by indirect factors. The retailer is recognized as one of the secondary brand associations (Keller 1998). Gwinner *et al.* (1998) suggested that an active effort made by retailers to attract the consumers could add value above and beyond consumer's perceived core product / services value. Primary brand associations are those associations that directly affect the customer. In the case of the wine industry these are the product attributes and quality, price, packaging, country of origin. Secondary brand associations are usually subjective evaluation of the consumer and do not arise directly from the product. In this case they are retailer staff qualities, events and manufacturers brand image. With an increasing number of companies transferring their brand building to retailers (Bruwer, J. *et al.* 2002), it is important to understand the impact of

retailers on the brand and explore consumers' decision-making processes when considering other relevant sources of brand associations. However few published studies have been carried out to examine the association with retailers. The primary aim of this study is to examine whether the association with retailers influence how the consumer perceives the brand. It explores the effects, if any, of European or non-European ethnicity in the purchase decision of the consumer.

The following were the two key research objectives:

1. Identify the impact of the nine associations on wine purchasing behaviour, as shown in Figure 1 below. (Identified by the researchers following discussions with consumers, retailers and focus groups)
2. Determine whether the three retailer groups are evaluated differently by the two broadly defined ethnic groups, European & non-European



**Figure 1: Impact of brand associations on consumer's wine purchase**

**Culture and ethnic groups**

Culture is recognized as one of the fundamental factors that determine human behaviour (Keillor and Fields 1996; Luo 1997), while ethnicity is one of the fundamental factors that affect the shaping of consumption patterns(Kenning and Plassmann, 2005:Elimimian,2007). Kluckhohn, (1951) defined culture as “the collective programming of the mind which distinguishes members of one human group from another...” According to Mooij (2004),

different people can have different emotions about values, and their behaviour will be directed by their values. Therefore, values can make a difference to the buying patterns of different ethnic consumers. The impact of ethnicity has been found to influence people's values, attitudes and other norms (Macionis, 1995). As discussed earlier, for this research the Christchurch wine consumers have been divided into two broad ethnic groups, European and non-European. "European" refers to people of Europeans origin, namely Australians, Americans and other Europeans. "Non-Europeans" include Maori, Asians, Pacific Islanders, Middle Eastern/Latin American/Africans and others. In Christchurch, the Europeans are the largest ethnic group consisting of 75% of the total population. Other ethnic groups together total 25 % of the total population, with Maori being 8%, Asians 8%, Pacific People 3% and Middle Eastern/Latin American/African 1% (Census 2006).

### **Literature survey**

Understanding the impact of retailers on behaviour of consumers enables marketers to develop effective marketing and promotional strategies (Zanten, 2005). However, very few empirical studies have been carried out to examine the associations between New Zealand's wine retailers and behaviour of wine consumers (Thomas, 2000). The Canterbury region has over 50% of the total retailers for South Island, and Christchurch is the largest city in the Canterbury region. Earlier research investigating factors that impact the consumer's wine selection process. (Batt and Dean 2000; Hall et al 2002; Howard and Stonier 2002; Jenster and Jenster 1993; Koewn and Casey 1995) show a lack of literature about the impact of retailers on wine consumer's choice of a brand. Taste of any particular brand of wine has been found to be one of the dominating factors for consumer's choice of that brand of wine (Koewn and Casey, 1995; Mitchell and Greatorex, 1988). Other researchers have pointed out that the price of a wine brand is an important cue to its quality if the wine cannot be evaluated before purchase (Cox and Rich, 1967, Dodds & Monroe 1985, Monroe and Krishnan 1985; Olson 1977). In Australia, country-of-origin was found to be the third factor that influences a consumer's wine buying decision (Batt *et al.*, 2000). Packaging has been found to have an undeniable influence and impacts the wine consumer's selection process (Charters *et al.*, 2000; Thomas, 2000). Previous research analyzed wine consumers as a whole without considering the differences between their cultural backgrounds may influence a consumer's value.

### **Research Design**

Multiple-choice questions with rating scales have been a major tool for this research. Four hundred and eighty-three participants were recruited using combined convenience quota and random sampling. A pilot test was used to test questionnaires in order to make improvements and reduce potential problems (Malhotra et al., 2002). A sample survey was then conducted to estimate the population attributes by using a multi-stage sampling method. A usable sample size of 200 was adopted for this study. A similar study carried out in Auckland in 1993 had conducted personal interviews with 160 respondents (Wyllie, *et. al*, 1993). Emphasis in sample selection was placed on the two identified subgroups of the population, which represented the two ethnic communities in the same ratio. Use of methods for this research was based on a similar Australian study comparing consumer behaviour of different cultural groups, by using a combination of convenience, quota and random sampling procedures (Hall et al., 1997).

To ensure that the sample replicated the ethnic composition of Christchurch useable

questionnaires from 150 people of European ethnicity and 50 from people of non-European ethnicity were selected. Face-to-face interviews were further used to cross check data gained from the questionnaires, including their opinion and attitude toward the three types of wine retailers.

**Data Analysis.** Data gathered was used to examine the relationship among retailer brands, consumers' buying decisions and wine brand values. Pearson Correlation test was used to uncover association of each of the nine brand associations with the consumer's wine spending. A t-Test was used to compare the differences in wine evaluation patterns between the two ethnic groups and to compare their expected wine budget in the liquor store, supermarket and online retailer. A Chi-Square test was used to find out the relationships between nominal variables such as the associations between perceptions of wine and the perceived importance of the retailer. Analysis of Variance (ANOVA) was used to analyze whether there are differences between consumers' expected budget in the three types of retailers.

## **Findings**

Our findings are consistent with earlier wine studies (Wyllie, 1993; Wette et al., 1993) with supermarkets being the most common type of retail outlet from which consumers usually purchase wine (78.9%) followed by the liquor store (35.7%) and other stores (3.5%). The online store is the least favoured (1.5%) and hence seems to be in the early stages. Reasons given by respondents for their retailer preferences were ease of location (59.5%), followed by price (42.5%), and normal grocery shopping (39%). Only 21 out of 200 respondents (10.5%) had online wine shopping experience and 28 (17%) respondents thought they would use the internet to buy wine sometime in the future.

The most common wine (52.3% respondents) purchased is the mid-range priced ones (\$15-\$20), followed by value wines. Comparing wine evaluation patterns between the two ethnic groups, results reveal that European consumers are concerned with wine characteristics followed by the price, quality, packaging and so on. They were less concerned with the importance of the retailer (2.09). For non-European ethnic groups in order of priority was quality, characteristics, price, country of origin, packaging, with retailing coming much later.

## **Hypothesis Test**

As mentioned earlier, Pearson Correlation test was used to analyze relationships if any between the nine brand associations (independent variables) affecting consumers' wine spending (dependent variables). The main hypothesis stated that all of the nine brand associations have an impact on the amount Christchurch consumers spent on wine.

### **Table 1 and**

Figure 2 show that the independent variables of packaging, product characteristics, quality, country of origin, producer's brand image, retailer's brand image and retailer staff qualities are positively related to the dependent variable, i.e., the money spent on wine. Price of the brand was negatively related to the dependent variable, the money spent on wine, which was supported at the significance level of 0.01. A Levene Test (Table 2) was carried out to examine the homogeneity of variance of the dependent variable between groups (Levene, 1960). The test statistics (Sig. = 0.055) were greater than the 5% significance level. Therefore, the homogeneity assumption was not rejected. This indicates that the population has equal variances.

A One-Way ANOVA (Table 3) was used to test the hypothesis. The test statistic showed that there are statistically significant differences in the anticipated budget outlay between the liquor store, supermarket and online retailer. We conclude that the type of retailer impacted the expected budget on wine. Christchurch's consumers expect to spend a lower amount on wine purchases made in the supermarket as compared to the other two types of retailers, which is consistent with Wyllie's (1993) findings in Auckland.

### **Future Research Suggestions**

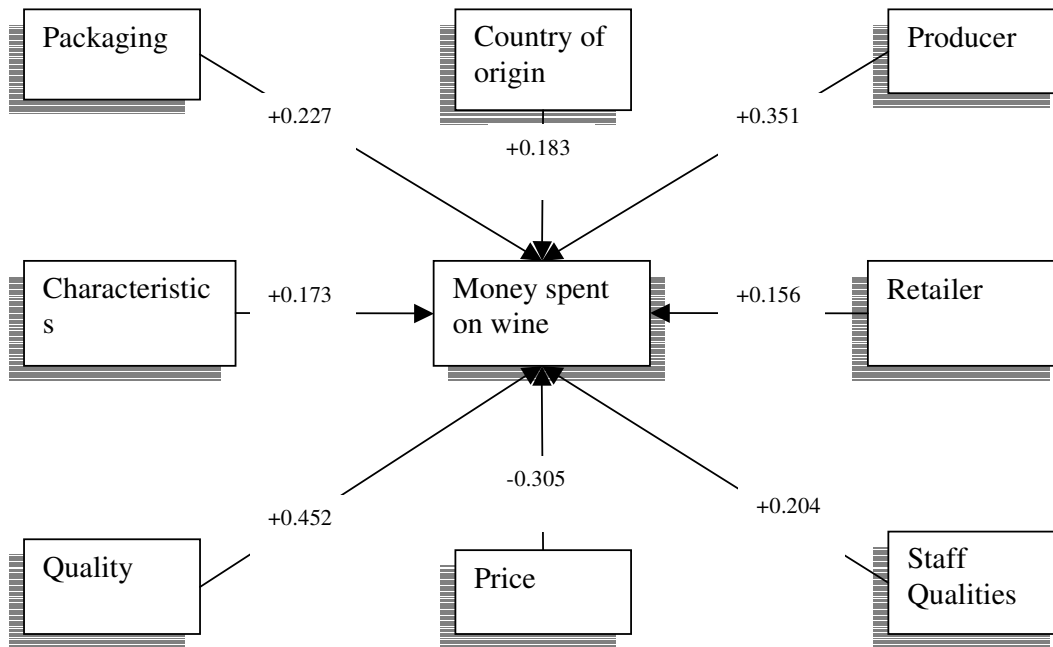
Previous literature indicates that online shopping is being supported by many consumers (Haubl and Trifts 2000). However, this does not seem to be happening in Christchurch as yet. Further research is required to understand reasons for online wine purchases not picking up in Christchurch. Results may have been different had the research been carried out in other parts of New Zealand.

### **Managerial Implications**

This research confirms the factors pointed out by earlier researchers responsible for the choice of wine brands. People are willing to spend more based on the quality of wine, followed by the name of the producer, packaging, price, quality and country of origin, in that order (Orth *et al.*, 2005; Yasin, *et al.*, 2007; Batt and Dean, 2000; Dodd, 1995; Dodd and Gustafson, 1997; Zanten, 2005; Thomas, 2000). Hence, in order to increase the overall brand image, retailers and producers should focus their efforts on price, quality, packaging, attributes and country of origin of the wine. We found that in Christchurch, differences exist between Europeans' and Non-Europeans' in determining the importance of the quality of the wine, county of origin, events and retailer. Thus in deciding future marketing strategies wine retailers, producers and wineries should take into account the ethnic factors of their target markets. Consequently, wine producers may wish to consider their distribution channels to match the positioning of their wine product. Our research revealed that wine consumers are willing to spend more at a liquor store, followed by online retailers. They expect the lowest budget in supermarkets when buying wine. This is a good guide for online retailers when setting their wine pricing strategies.

## ANNEXURE

Figure 2: The results of the overall evaluation of the brand association for Christchurch wine consumers. Each of the brand associations had a certain degree of impact on the amount that Christchurch consumers spend on wine.



**Figure 2: Pearson Correlation: Correlation between the amounts spent on wine and respondents' perceived importance of the brand associations**

Variable	Pearson Correlation	Sig(2-tailed)
Packaging	0.227**	<b>0.001</b>
Characteristics	0.173*	<b>0.015</b>
Quality	0.452**	<b>0.000</b>
Price	-0.305**	<b>0.000</b>
Country	0.183**	<b>0.010</b>
Producer	0.351**	<b>0.000</b>
Retailer	0.156*	<b>0.028</b>
Staff	0.204**	<b>0.004</b>
Events	0.071	<b>0.320 (not shown in the above diagram)</b>

\*\*Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

**Table 1: Pearson Correlation: Correlation between the amounts spent on wine and respondents' perceived importance of the brand associations**

Levene Statistic	Df1	df2	Sig.
2.909	2	597	<b>0.055</b>

**Table 2: Levene Test: Homogeneity of variance**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	171.151	2	85.576	73.513	<b>0.000</b>
Within Groups	680.990	585	1.164		
Total	852.141	587			

**Table 3: One-Way ANOVA: Differences in the expected budget to spend on wine in liquor store, supermarket and online retailer**



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