

INCREASING WINE SALES IN CASUAL RESTAURANTS (REFEREED)

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Abstract

This paper examines how wine is sold to customers in restaurants and specifically examines the interaction between the wine consumer and the marketer of wine in multi-unit, casual dining restaurants. According to Ben Salisbury, Vice President, Global Account Development Stimson Lane Vineyards & Estates (dba Chateau Ste Michelle) upselling is “out”, and service is “in”. Increased check averages should be the natural result of meeting guests’ needs. Servers do not like to “sell” and guests do not like to be “sold”. The real “art” of selling is finding out what people want and then helping them get it. This paper defines the wine consumer, the marketing of wine and introduces a training system for increasing wine sales in multi unit, casual restaurants.

Introduction

The greatest shift in consumer purchase behavior over the past generation has been from table wines to quality wines, particularly in traditional wine drinking countries. Relatively few people consume wine. In the United States 40 to 45 percent of the adult population does not drink any alcoholic beverages. Of the remainder, less than 20 percent are “regular” wine drinkers, and they account for most of the wine consumption. The occasional wine drinker, an additional 40 percent of the remainder, tends to like wine and might buy more of it if persuaded to do so (Moulton & Lapsley, 2001). This paper defines the wine consumer, the marketing of wine and introduces a training system for increasing wine sales in multi unit, casual restaurants.

Wine Consumer

As found in previous studies (Wine Market Council, 2004), core wine drinkers, those who drink wine weekly or more often, account for a preponderance of wine consumed in the U.S. While core wine drinkers represent just 12.5 percent of all U.S. adults, they account for 86 percent of the wine consumed. The remaining 14 percent of wine

consumption is accounted for by the 13.9 percent of adults who are marginal wine drinkers, those who drink wine less often than weekly but at least 2-3 times a month and like wine. The occasional wine drinker tends to like wine and might buy more of it if persuaded to do so (Moulton & Lapsley, 2001).

The overall fragility of the marginal wine drinker segment is highlighted by the long-term trend among them for growing preferences of other forms of beverage alcohol over wine. In the 2003 Merrill Research study, only 50 percent of marginal wine drinkers stated that they actually preferred wine over beer and spirits. Marginal wine drinkers have trimmed their wine consumption levels overall in the past three years. Some of this is due to a segment of marginal wine drinkers achieving core wine drinking status, but increased marketing efforts by beer and spirits brands are also claiming a share of the purchase and consumption habits of marginal wine drinkers.

Looking at all age categories, it remains true that the over-40 age groups have the highest representation of core wine drinkers, and the under-40 age groups are dominated by marginal wine drinkers. Nonetheless, the relatively strong showing of core wine drinkers in the age 21-29 segment is a further demonstration of the early adoption trend.

The overriding conclusion of the Merrill Research & Associates (2003) tracking study is that the U.S. wine industry now stands at a crossroads. For the first time in thirty years, a new generation of young adults gives evidence of a strong preference for wine as part of their lifestyles. Many of them are entering the category as core wine drinkers. With their significant age-group numbers and their adoption of wine in their mid-twenties, they are a leading indicator of great potential as their cohorts likewise reach adulthood. With adult per capita consumption of table wine now at a twenty-year high, the prospect for continued and rapid growth of demand for wine in the coming decade is significant. At the same time, a shrinking population of marginal wine drinkers and their diminished preference for wine are challenges for the industry.

Marketing of Wine

Consumers purchase wine for various occasions at a variety of hospitality outlets including restaurants, bars nightclubs and catered events. One of the key factors in the

successful marketing of wine is the identification of what is important to the consumer (target market).

A review of the literature on wine marketing reveals that there are both explicit and implicit considerations involved in the purchase of wine. A study of the Northern Ireland wine market, for example, found that respondents offered an array of responses when asked why they preferred a particular wine (Keown, 1995). The majority of these responses were related to “taste”, “quality”, “palatably” and “value for money”. Other replies related to intrinsic qualities of the wine such as “dry”, “fruity”, “sweet”, “full-bodied” or “refreshing”. In that study, pricing was also found to be extremely important to all respondents. Similarly, in a study conducted by Jenster and Jenster (1993) the overriding criteria in making the purchase decision among wine consumers, were familiarity, price, reputation, value for money and curiosity.

When purchasing wine, the intrinsic attributes color, type of wine and vintage have been found to influence choice as well as extrinsic attributes including familiarity, price, quality/reliability and suitability. Although the primary extrinsic product attributes influencing the wine purchase decision include the brand, the label and the specific terms utilized in describing wine, Gluckman (1990) advises that the quality of wine is an important characteristic and that the attributes that signal quality to consumers can be either extrinsic or intrinsic. This is because wine quality is based on consumers’ perceptions and these perceptions may be influenced by a variety of factors including price, recommendations of friends or experts, and the wine label (Zeithaml, 1988; Spawton, 1989). As a result, an interpretation of consumer perceptions on the relative importance of wine attributes can provide meaningful data for wine marketers.

In addition to these intrinsic and extrinsic attributes, the consumption situation has been found to have a determining influence in the selection and purchase of wine. Indeed, situation is becoming an important area of focus in marketing research because the situational influence on consumer behavior suggests that situation may be used as a basis for market segmentation (Hall and Lockshin, 2000). Despite this growing importance, however, to date a limited number of studies have been conducted which investigate situation as a determinant of choice behavior. Sandell published an early work in 1968 in which subjects were presented with an inventory of beverages. This

study found that personal differences and differences in situations, considered separately, were poor predictors of product preference. The interaction between these two variables, however, provided a better predictor of beverage preference. Similar results, in terms of the interaction between product choice and usage situation were found by Green and Rao (1972), Belk (1974) and Srivastava *et al.* (1978). In a later study, Srivastava (1980) examined the appropriateness of financial services in a particular situation and found it to be relatively stable across situations, thus providing further support for using consumption situations as a basis for segmenting the market. Dickson (1982) combined a number of these previous studies when he created a person/situation segmentation model. His call for more research led to further studies such as the one conducted by Dubow (1992), which compared occasion-based and user-based segmentation for the jug wine market in the US. Dubow concluded that occasion-based segmentation is richer and more relevant for brand positioning and as an advertising strategy. The importance of social situations was also found to be particularly relevant in an investigation into the effects of the status associated with the consumption of wine and food (Dodd, 1996).

Adding a further layer of complexity, Judica and Perkins (1992) found that because the environment of consumption is most frequently a social gathering, consumers are less likely to take a chance and risk a poor quality product. This has a marked influence on the wine selection process because the product becomes a means to social recognition and approval for the buyer rather than simply a beverage. As a result, in many consumption situations the consumer does not have to decide whether or not they will consume a particular product or brand, but what product or brand to select from a list of products/brands suitable for consumption in the particular social situation. The selection of a particular wine from these lists, however, is perceived to involve an element of risk. In a UK study, for example, the top three perceived risks were: the taste of the wine, whether the wine complemented the meal, and the approval of family and friends (Mitchell and Greatorex, 1988).

In summary, it can be concluded that the major influencers of the purchase decision are: perceived risk; product characteristics such as brand, label and price; product experience and knowledge; and the product-use situation. There are also many other benefits in the consumption process some of which relate to intellectual prestige through

education and the acquisition and display, of knowledge about wines. When these factors are combined with the beliefs associated with the enjoyment of a quality product the product becomes "... a bundle of benefits which in combination satisfy a consumer requirement" (Spawton, 1991: 20). Spawton stipulates, however, that the core benefit may vary according to the reason for purchasing the wine. Marketing aims to uncover the nature of these benefits or needs and one way of doing this is to investigate consumers' perceptions of these benefits. By adding situation to these purchase decision influencers our understanding of consumer behavior is likely to be improved.

Wine Lists and Sommeliers

In restaurants that offer high-quality wine, customers are provided with a wine list from which to consider their selection. A common practice is to sort the wines into white, red, and sparkling wines, and then group by varietal and/or origin within each subset. In many instances, restaurants supply a description of the sensory qualities of the wine along with the brand, vintage, origin, and price.

Restaurant wine stewards or sommeliers generally provide sensory descriptions based on personal tasting, though accuracy may be questionable in restaurants which lack sufficiently trained or experienced employees. Some winemakers include descriptions with their wine shipments (Hochstein, 1994). While research into the impact of sensory descriptions on choice is limited, their broad use and inclusion in critical wine evaluations from *The Wine Spectator* and *The Wine Advocate* suggest a perceived importance. Charters, Lockshin, and Unwin (1999) found that 57 percent of a sample of 56 Australian wine consumers claimed to read the back label of wine bottles, and these consumers reported the most useful information was the "simple descriptions of the tastes or smells."

Wine Sales

Like all elastic goods, how much a consumer is willing to pay for wine is directly correlated with the economy. During the on-going recession, many restaurant operators are struggling and the days of customers buying \$100 bottles of wine is over, at least for the foreseeable future. However, ignoring the potential of your wine program in tough times is a mistake. Laverick (2002) suggests smaller but smarter wine lists that provide value to bolster wine sales.

A pervasive theme in the literature is that user-friendly wine lists are recommended; most guests do not want to spend significant time going through a massive wine menu. A list of as few as 50 extremely well chosen wines is considered more than enough to cover all the bases, even for fine dining restaurants. Current sales trends show that while wine consumption is holding, many customers are trading down a notch. This means that they are looking for value and are less willing to make selections at super-premium price points or suffer onerous mark-ups. The research recommends that marketers think about dollars instead of percentages. If restaurants hold onto their mark-ups, but experience a 50% drop in volume, they are worse off than if they were to drop prices and keep a strong volume. The vast majority of restaurants have gotten away from a straight three-time markup across an entire list. Additionally, restaurants need to recognize the fact that certain staples, such as Opus One or Dom Perignon, act as barometers diners generally know how much the wine costs, and look to these selections as benchmarks on list pricing. Dom Perignon Champagne is listed anywhere between \$100 and \$300 per bottle. Dropping prices on some of these benchmarks may increase sales.

Furthermore, Americans have gotten more sophisticated about food and have learned their fair share about wine. These days, wine tastings take place at the local liquor store, and comprehensive classes can be had at community colleges and universities, democratizing a formerly elite subject (Malone, 2003). In the past, diners were at the mercy of the sommelier, now they read books like “Wine for Dummies” and make authoritative choices on their own. As grape grower Piero Antinori writes in his book’s Foreword, “Wine is for everyone, after all, and we should not treat it as if it were something reserved for a mystical elite.”

Wine Training Multi-Unit, Casual Dining Restaurants

Wine training has been shown to increase wine sales in fine dining restaurants like the Disneyland Resort’s Napa Rose. Michael Jordan, who has led the operations at Napa Rose, has undertaken an ambitious wine training program for his staff. Currently, 34 of the restaurant’s 75 staff members – including executive chef Andrew Sutton, his sous-chefs and bussers and hosts – are certified as sommeliers (Spector, 2004). Jordan believes that this training translates in increased wine sales and a growing local-

customer base. Because of this personal wine training their staff turnover is virtually non-existent.

However, few multi-unit casual dining restaurants can afford managers like Jordan. Employee turnover in casual dining is high and many servers are under the legal drinking age. Duplication of training programs for hundreds of units requires a different system than training at one or two restaurants. According to Ben Salisbury, Vice President, Global Account Development Stimson Lane Vineyards & Estates most wine training fails because there is too much emphasis on “wine knowledge” that no one remembers. Salisbury further states that it falsely assumes “wine people” alone can do the training. Simple wine sales techniques can be taught by anyone, regardless of their knowledge. Salisbury truly believes a server can tell you how well a Ferrari handles even if he has never driven one, how cold it is in Alaska without having been there. Therefore, a server can tell you how rich and buttery a Chardonnay is even if he has never tasted it. Or how smooth a Merlot is even if the server hates red wine. He further states that upselling is “out”, and service is “in”. Increased check averages should be the natural result of meeting guests’ needs. Servers do not like to “sell” and guests do not like to be “sold”. The real “art” of selling is finding out what people want and then helping them get it. The Ascend System is designed to address and overcome the primary reasons why wine goes unsold in casual restaurants;

1. Servers are uncomfortable bringing up the subject of wine at the table
2. Customers may lack confidence in their own wine knowledge, and in the absence of assistance from the server, may not order wine at all.

Instead of squandering valuable training time trying to teach servers wine knowledge and food and wine pairing, the Ascend system focuses on teaching servers how to:

- i. Approach the table and bring up the subject of wine.
- ii. Discover what the guests’ wine preferences are (if any).
- iii. Recommend a wine that meets the guests’ preferences.

The reason why this system works for such companies as TGI Friday’s is that it is simple therefore easy to learn and remember, effective because it places the emphasis on *selling* not wine knowledge, and is transferable which means it is great for multi-unit applications.

Conclusion and Recommendations

The good news for increasing wine sales in the casual dining segment is that the US is presently enjoying the highest per capita wine consumption in twenty years and that the large segment of young adults (20 to 29 year olds) are showing a real interest in wine. The challenges are that core wine drinkers make up only 12.5 percent of the overall adult population and that marginal wine drinkers need to be convinced to drink wine more frequently and to choose wine over beer or spirits. It is the marginal wine drinker that is most likely to be the customer in casual dining restaurant. According to the literature it will be important for the casual dining segment to find a way to lower the perceived risks associated with wine, offer products with brand recognition and to offer wine in a manner appropriate to the casual dining segment. The ASCEND program recommends that the server should know something about wine but equally necessary is to be intuitive as to the decision making process, risk aversion and tastes of the consumer. The recommendations of the ASCEND program appear to address the specific issues of the marginal wine drinking in a casual dining environment. These recommendations are a departure from the more traditional training programs to sell wine, which emphasized a server's wine knowledge, and more readily addressed the needs of the core wine drinker.

Future Research

A comparison study of wine programs like ASCEND and WineQuest Solutions and their overall effectiveness might interest many restaurateurs. Not all Casual dining concepts use canned programs therefore restaurants with significant wine sales should be evaluated. Furthermore, the implementation process of a wine program needs further examination.

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