



6th AWBR International Conference
9 – 10 June 2011
Bordeaux Management School – BEM – France

Millennial Wine Consumer Dining Preferences Segmented By Restaurant Type: An Exploratory Study

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Abstract

Purpose: This study explores the choices wine and non-wine drinkers make regarding restaurant dining. Three of the most common types of restaurant settings; casual dining, moderately priced restaurants, and fine dining restaurants are explored.

Design/methodology: The study employed a survey to collect data from 307 millennial respondents from Northern California. ANOVA identified significant differences between millennial wine and non-wine drinkers.

Findings: Millennial wine and non-wine-drinkers have different attitudes and make different choices concerning food quality, quantity, service and ambience. These attitudes substantially affect where they dine. Furthermore, wine drinkers order different items from the menu than non-wine drinkers do.

Implications: Restaurants that target millennial consumers can base their market segmentation on wine consumption. While fine dining restaurants have traditionally emphasized their wine programs, both moderately priced and, to a lesser extent, casual dining restaurants can increase wine sales by targeting millennial wine drinkers.

Key words: Wine consumption, Restaurant patronage, Market segmentation

1. INTRODUCTION

The recession beginning in 2008 has had a devastating effect on the restaurant industry in the United States. Restaurants have seen fewer guests, lost revenues, decreased profitability and more bankruptcies. Fine dining restaurants have been especially hard hit in the economic downturn as consumers look for ways to save money. Revenues from wine sales in restaurants have plummeted as people trade down to less expensive bottles of wine, choose not to order wine, or stay away from restaurants altogether.

The restaurant industry appears to be slowly recovering from the economic downturn and on-premise wine sales are slowly improving. The Restaurant Industry National Restaurant Association's monthly Restaurant Performance Index rose to its highest level in more than three years, as the group's members reported more customers and rising sales (Clabaugh, 2010). Industry experts are predicting 2011 will be the second consecutive year of total dollar growth, after the fall of 2009 and nearly flat growth in 2010 (Nation's Restaurant News, 2011). The pick-up in sales coupled with cost control measures put in place during the recession is leading to better financial performance for many restaurants (Lockyer, 2010). Managerial focus has shifted from survival strategies to planning for growth.

One promising avenue for growth is the new millennial consumers who eat out often and are willing to spend money on wine while dining. Yet little is known about millennial wine drinkers' dining preferences compared to those who do not drink wine, making market segmentation difficult. The purpose of this exploratory study is to shed light on the attitudes of millennial wine consumers concerning restaurant dining, consider situational factors related to restaurant wine consumption, and highlight what leads to their restaurant patronage and satisfaction.

2. LITERATURE REVIEW

2.1 The millennial wine consumer

The millennial generation is composed of 76 million people who were born between the years of 1977 and 1999. There are currently 50 million millennial consumers in the United States and there will be another 25 million reaching legal drinking age in the next four years. They have become an important market segment for wine sales (Cohen, 2011), and research shows they are purchasing more wine and are more willing to pay premium prices for the wines they purchase (Flinn, 2011).

Almost all millennial wine consumers see wine as an appropriate beverage when eating out in a restaurant (Olsen et al., 2007). Although the specifics of their wine preferences in restaurants have yet to be fully studied, research has shown that this age group looks for product quality, fair pricing, service quality in developing relationships with winery tasting rooms (Nowak et al., 2006). We seek to determine important criteria that can be used to segment wine drinking millennial consumers from those of the same age who do not consume wine.

2.2 Situational factors in wine consumption.

Situations factors have long been recognized as crucial to understanding the motivations for consuming wine. For example, researchers have identified a market segment comprised of individuals whose wine consumption revolves around drinking wine in social settings, usually on weekends and with or without food (Bruwer, Li and Reid, 2001; Johnson, 2003). Pettigrew (2003) found that wine was seen as more appropriate for having with food and beer was the drink of choice in pubs and clubs when no food was consumed.

While research has shown that motivations for drinking wine may differ in a restaurant setting than when consumed at home, it has not considered the different types of restaurants in which wine consumption may occur. While wine has long been featured in fine dining restaurant, nowadays more casual restaurants are building wine programs to feature a greater variety of wine choices. As an exploratory study, we consider wine consumption in three distinct types of restaurant settings, an expensive fine dining restaurant, a moderately priced restaurant, and an inexpensive casual restaurant.

2.3 Restaurant patronage

A substantial stream of research on restaurant patronage can be found in the hospitality literature. Much of this research focuses on factors that lead to customer satisfaction and continued patronage. For example, researchers have determined that food quality, service quality, price, location and physical environment work together to determine customer satisfaction (Hyun, 2010; Ryu and Han, 2010). Attributes that determine food quality are presentation, taste and health benefits (Namkung and Jang, 2007) with women and older consumers showing the most interest in finding healthy options on the menu (Nothwehr, et al., 2009). The variety of foods on the menu and speed of service have also been shown to be important factors in creating customer satisfaction (Clark and Wood, 1998).

Researchers have also noted the behavior of service employees, including their body language, voice and enthusiasm influence perceptions of service quality and satisfaction (Wall and Berry, 2007). Employees that demonstrate a strong customer orientation as determined by technical skills, social skills, motivation and decision making authority can also create customer satisfaction (Kim and Ok, 2010).

Researchers have noted that design, ambiance and décor lead to increased satisfaction. Décor, restaurant layout and ambient conditions such as lighting and music can lead to higher price perceptions of consumers and customer satisfaction (Han and Ryu, 2009). In one study, more modern décor was seen as providing higher service quality (Wall and Berry, 2007). Although not looking at customer satisfaction directly, the use of booths instead of tables has been shown to increase spending, although interestingly, consumers placed at poor locations in the dining room spend more than those placed in better locations (Kimes and Robson, 2004). Wilson (2003) demonstrated that the type of music playing in a restaurant influenced the amount that patrons were willing to spend.

The image of the restaurant can also be an important factor as research has shown that restaurants possess different brand personalities, which influence customer satisfaction (Lee et al, 2009). Consumers may also be drawn to specific restaurants to satisfy their need for companionship and emotional support (Rosenbaum, 2006). In summary, restaurant patronage is not determined by one factor, but involves food, service, ambiance, image and social aspects. Given the array of possible impacts on millennial wine consumers' restaurant preferences, this research is best viewed as exploratory in nature.

3. METHODOLOGY AND DESCRIPTIVE STATISTICS

Marketing students from a university wine program participated in data collection. A written questionnaire was used to obtain data from their peers and a sample of 307 respondents from northern California. Respondents were screened to only include those who typically eat at a full service restaurant at least once every 3 months. The respondent average age was 26 years. The sample was balanced between males and females with 50.2% female. Fifty percent of the respondents are currently attending college and another 40% have attended college in the past but are now employed. Thirty percent of the respondents indicated they work a “40 hour work week,” while 57% worked less than 40 hours a week. As to marital/relationship status, 32% indicated “single, no steady girlfriend/boyfriend;” 45% indicated “single with a steady girlfriend/boyfriend;” 9% indicated “married, no children;” and 13% indicated “married with children.” The convenience sample represents a diverse group of millennial consumers.

Three types of restaurant settings were researched and were defined in the questionnaire for respondents as follows.

- **Inexpensive, casual dining.** Main courses will in general be below \$12.00 per plate. Décor is usually casual.
- **Moderately priced dining.** Main courses will be typically run \$12.01 to \$22.00. Décor will typically be nicer, but not necessarily up to the same as fine dining standards.
- **Expensive fine dining.** Most main courses will be over \$22.00. Décor will usually be very nice and there will be white table clothes on the tables, and professional, attentive wait staff.

Respondents were asked if they drink wine when in different types of restaurant settings (see Figure 1). More individuals indicated wine consumption when eating in a nicer restaurant. In inexpensive casual restaurants, only 14% drink wine; in moderately nice restaurants, 40% drink wine; whereas, in expensive fine dining restaurants, 64% drink wine.

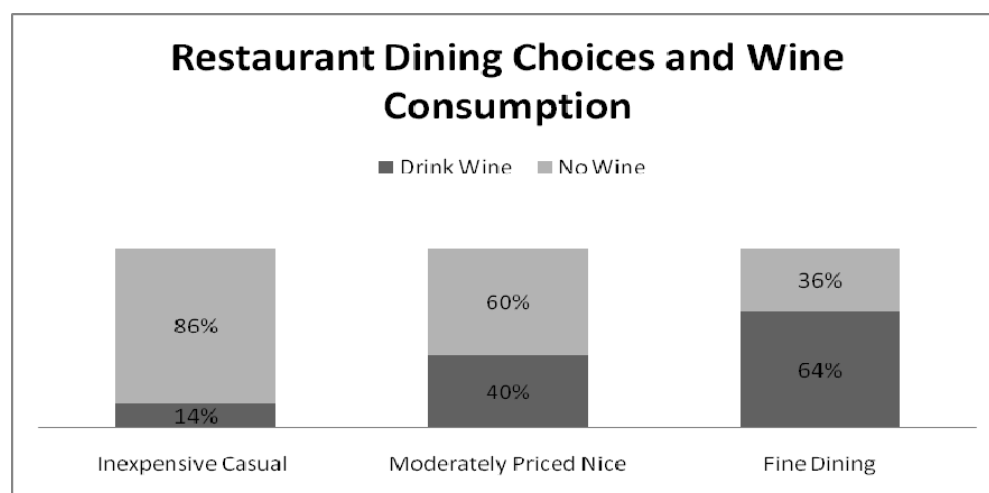


Figure 1. Restaurant Dining Choices and Wine Consumption

Respondents were asked how often they typically eat in the following three types of restaurants using a 5-point scale with 1=at least once a week, 2=about once a month, 3=about once every 3 months, 4=about once every 6 months, 5=about once a year, and 0=never. No significant differences were found between each dining choice and whether or not the respondent typically drank wine. Respondents were then asked to indicate their preference in restaurant type depending upon the situation. Figure 1 illustrates their restaurant preferences according to the intended dining occasion.

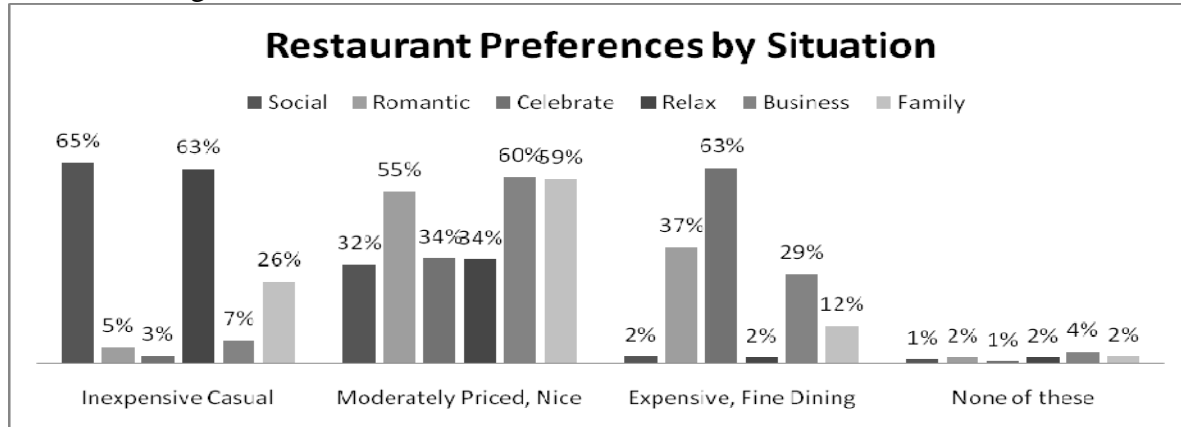


Figure 2. Restaurant Preferences by Situation

4. RESULTS OF MARKET SEGMENTS IN THREE SETTINGS

4.1 Attitudes toward inexpensive casual restaurants

Table 1 presents the differences between those who drink wine (N=42) and those who do not (N=265) when dining at inexpensive casual restaurants using a 4-point scale with 1=strongly disagree and 4=strongly agree. F-statistics are reported to indicate statistical significance. The F-statistic is equivalent to a T-statistic when investigating difference between two groups (Hair, et al., 2006, p. 388).

Table 1. Differences between wine and non-wine drinkers, inexpensive casual restaurants.

	Mean Wine Drinker	Mean Non-Wine Drinker	F-Statistic	Sig*
I believe the quantity of food served at inexpensive casual restaurants provides good value.	2.55	3.00	13.28	.000
I am comfortable with the basic level of service I receive at an inexpensive casual restaurant.	2.55	2.98	12.42	.000
I find it is most fun to socialize with a larger group in an inexpensive casual restaurant.	2.67	3.11	10.13	.002
It doesn't bother me if the noise level is really loud if I am in an inexpensive casual restaurant.	2.24	2.68	8.84	.003
I like the casual atmosphere I find in an inexpensive casual restaurant because it makes me feel comfortable no matter how I dress or act.	2.81	3.14	6.54	.011
I only enjoy eating out in inexpensive casual restaurants because in these tough economic times I would not feel good	2.40	2.63	2.24	.135

about what I would have to spend in a more expensive restaurant				
When I am in an inexpensive casual restaurant, I do feel I am sacrificing quality in order to get better prices	2.60	2.62	.02	.887

4.2 Attitudes toward moderately priced restaurant

Table 2 presents the differences in attitudes between those who drink wine (N=124) and those who do not (N=183) when dining at moderately priced, nice restaurants using a 4-point scale with 1=strongly disagree and 4=strongly agree.

Table 2. Differences between wine and non-wine drinkers, moderately priced restaurants.

	Mean Wine Drinker	Mean Non-Wine Drinker	F-Statistic	Sig*
I don't mind spending a bit more for a meal at a moderately priced nice restaurant because I feel the décor and atmosphere are worth the extra money.	2.75	2.26	26.85	.000
I don't mind trading up to a moderately priced nice restaurant because I feel I get more for the money I spend.	2.90	2.70	5.26	.022
I don't mind spending a bit more for a meal at a moderately priced nice restaurant because the service tends to be much better.	2.90	2.72	4.19	.041
I feel the food I receive at a moderately priced nice restaurant represents good value for my money	2.85	2.90	0.53	.468

4.3 Attitudes toward fine dining restaurants

Table 3 presents the differences in attitudes between those who drink wine (N=198) and those who do not (N=109) when dining at fine dining restaurants using a 4-point scale with 1=strongly disagree and 4=strongly agree.

Table 3. Differences between wine and non-wine drinkers, fine dining restaurants.

	Mean Wine Drinker	Mean Non-Wine Drinker	F-Statistic	Sig*
I feel that eating in an expensive fine dining restaurants is one of life's nicest pleasures and should not be missed.	2.81	2.25	20.46	.000
The prices in an expensive fine dining restaurant may be a lot higher, but it is usually worth the money because the food is prepared so much better.	2.99	2.61	14.71	.000
The prices in an expensive fine dining restaurant may be a lot higher, but it is usually worth the money because the décor and atmosphere is so much nicer.	2.81	2.41	13.55	.000
Being able to eat in an expensive fine dining restaurant makes me feel special for the evening	3.13	2.83	7.09	.008
The prices in an expensive fine dining restaurant may be a lot higher, but it is usually worth the money because the	2.88	2.61	7.11	.008

level of service one receives is so much better.				
I don't mind splurging once in a while to eat in an expensive fine dining restaurant because I feel I deserve it.	3.21	3.02	2.98	.085

4.4 Factors influencing restaurant patronage and menu selection

Table 4 identifies the results of ANOVA investigating differences between wine and non-wine drinkers and the factors that influence restaurant choice at the three restaurant types. The responses were coded 0 for no and 1 for yes so that the means indicate the percentage of each group that found that factor important.

Table 4: Differences between wine and non-wine drinkers on factors influencing patronage

	Inexpensive Casual Restaurants			Moderately Priced Nice Restaurants			Fine Dining Restaurants		
	Means		Sig*	Means		Sig*	Means		Sig*
	Wine Drinker	Non-wine Drinker		Wine Drinker	Non-wine Drinker		Wine Drinker	Non-wine Drinker	
Nice presentation of food	.43	.17	.000	.61	.44	.003	.82	.59	.000
Large portions	.55	.67	.129	.48	.58	.075	.32	.38	.306
Healthy food items	.48	.47	.957	.71	.67	.428	.67	.45	.000
Large menu selection	.74	.59	.066	.73	.65	.170	.46	.44	.684
Unusual foods I can't cook myself	.36	.25	.141	.49	.50	.927	.80	.64	.002
Friendly efficient staff	.71	.59	.134	.87	.77	.021	.81	.63	.001
Professional staff	.67	.32	.000	.66	.57	.124	.91	.54	.000
Full bar with cocktails	.36	.25	.157	.76	.51	.000	.76	.43	.000
Quality/types of wine available	.31	.06	.000	.65	.35	.000	.84	.28	.000
Variety of wines by the glass	.36	.06	.000	.65	.23	.000	.77	.20	.000
Quiet with soft background music	.29	.08	.000	.46	.18	.000	.68	.45	.000
Loud, boisterous environment	.50	.45	.510	.35	.25	.051	.19	.08	.011
Trendy modern décor	.33	.16	.006	.54	.45	.136	.42	.22	.000
Elegant upscale décor	.26	.04	.000	.32	.15	.001	.71	.50	.000

Respondents were asked to indicate whether they usually order the following menu items while dining out in each type of restaurant. The responses were coded 0 for no and 1 for yes so that the means indicate the percentage of each group that usually orders the items. Table 5

presents the results of the analysis investigating whether wine drinkers order differently from the menu than non-wine drinkers.

Table 5. Differences between wine and non-wine drinkers on menu selections

	Inexpensive Casual Restaurants			Moderately Priced Nice Restaurants			Fine Dining Restaurants		
	Means		Sig*	Means		Sig*	Means		Sig*
	Wine Drinker	Non-wine Drinker		Wine Drinker	Non-wine Drinker		Wine Drinker	Non-wine Drinker	
Appetizers	.50	.32	.027	.75	.59	.004	.78	.45	.000
Soup	.40	.17	.000	.45	.38	.229	.44	.32	.035
Salad	.52	.38	.089	.80	.69	.033	.78	.61	.001
Main entrée (meat)	.74	.65	.240	.85	.84	.752	.85	.70	.001
Main entrée (vegetarian)	.55	.20	.000	.39	.23	.003	.33	.22	.046
Dessert	.33	.24	.205	.49	.37	.028	.71	.44	.000

5. MANAGERIAL IMPLICATIONS AND FURTHER RESEARCH

While millennial wine drinkers do not eat out more often than their non-wine drinking peers, there are many differences in their attitudes toward restaurants and dining that could be used for purposes of market segmentation. At an inexpensive, casual restaurant, non-wine drinkers appear to appreciate the larger quantities of food more than wine drinkers. The non-wine drinkers also seem more satisfied with the casual atmosphere and basic levels of service and appear to accept a louder environment for socializing. Even in a casual restaurant, wine drinkers are looking for better presentation of the food, a more professional staff, and a quieter, more modern and elegant décor. As expected, they are also looking for better quality and larger selection of wines. Wine drinkers are more likely to order appetizers, soups and vegetarian entrées while dining at a casual restaurant. One area that both wine drinkers and non-wine drinkers agree is that when eating at an inexpensive casual restaurant, one must expect to sacrifice quality to get better prices.

When it comes to moderately priced restaurants, both wine drinkers and non-drinkers believe the money spent on food represents good value, wine drinkers are more likely to believe they receive more for the extra money they spend. Wine drinkers don't appear to mind trading up in prices as much because they believe they are compensated by the quality of the service and décor. The wine drinkers look for food that is nicely presented when making their restaurant choices, and again, as expected, look for restaurants with better quality and more varied wines. They also look for a full bar with cocktails at this type of restaurant. The wine drinkers are more likely to prefer restaurants with soft music and elegant décor, while at moderately priced restaurants, both wine drinkers and non-wine drinkers equally enjoy a more modern feel. On the menu, the wine drinking segment is more likely to order appetizers and salads than the non-drinking segment.

Finally, in a fine dining setting, both wine drinkers and non-drinkers may feel that they deserve to splurge occasionally, but the wine drinkers appear to believe that they are receiving more for the extra expenditure in the way of better food, professional service and décor. The fine dining experience is more likely to make wine drinkers feel special for one evening, thereby justifying the extra costs. In choosing a fine dining restaurant, wine-drinkers are more likely to

look for nicer presentation of food, healthier choices, and unusual food items that they cannot prepare at home. The wine drinkers are also looking for a friendly and professional staff along with an elegant, modern décor. Somewhat paradoxically, they appear to appreciate soft background music as well as more boisterous setting. Not only are the wine service and selection important more important to them, but wine drinkers also are more likely to look for a full bar with cocktails. This finding suggests that non-wine drinkers may be looking for non-alcoholic beverages instead of spirits. In terms of the menu items that wine drinkers order, it appears that wine drinkers are more willing to order all courses than non-drinkers, who may be sharing food items or skipping courses in order to reduce the amount spent.

This is an exploratory study based on a convenient sample of millennial diners in one geographical area and its findings are not generalizable to other populations. It does, however, support the notion that wine drinkers are different than non-drinkers, not only in wine consumption, but also in other important aspects of restaurant patronage. This appears to be a fruitful area of academic study and holds clear managerial implications for market segmentation strategies.

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