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Understanding wine purchase and consumption behavior:
a market segmentation proposal

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Abstract

◦Purpose: The main aim of this paper is to propose a market segmentation approach based on all phases of wine purchase and consumption process. To this aim, we investigated the main components of wine purchasing behavior and the socio-demographic profile of those who are both wine buyers and consumers.
◦Design/methodology/approach: Starting from consumer behavior literature, we identified six phases in the purchasing process and we operationalized each of them. A structured questionnaire was developed according to such framework and an empirical study was carried out. We realized 630 interviews to wine buyers and consumers. Then, we performed a cluster analysis in order to identify the most relevant market segments.
◦Findings: Four main segments emerged from the cluster analysis. A description of demographic and behavioral features characterizing the identified segments is provided.
◦Practical implications: The proposed framework may provide a clear guidance to reach a market segmentation able to address effectively the marketing strategies. By characterizing different groups of consumers on the base of multiple variables related to each phase of the purchasing process, the proposed segmentation has implications both for strategic decisions, such as positioning, and operative ones (i.e. product, price, place, promotion).

Key words: Wine, Market segmentation, Consumer Behavior, Cluster Analysis.

1. INTRODUCTION

In the last decades wine market has been characterized by radical changes on both sides of supply and demand, thus making competition among wine producers more and more complex and challenging. European countries traditionally dominating word wine industry, such as Italy, France and Spain, have increasingly faced an intense competitive pressure along with a decrease of wine consumption, while the "New World" countries, including United States, Australia, South Africa, Chile and Argentina, have experienced a significant growth both in production and consumption (Anderson, 2004). Important changes also affected consumer behavior, that has evolved from traditional to experimental and is always more influenced by complex factors affecting psychological and social needs (Moulton and Lapsley, 2001). Due to the globalization forces, the dissimilarity of wine consumption among geographical areas has significantly narrowed in recent years (Smith and Mitry, 2007). At the same time, quality has become a central element in wine purchase decision, especially in traditional wine-drinking countries, where customers have shifted toward wines with regional or vineyard designations. Within the present scenario, a key challenge for wine producers is to achieve a comprehensive understanding of wine consumer's behavior and buying habits. Research into this field has made significant strides in recent years, as demonstrated by several contributions aimed to determine consumer's attitudes towards wine.

Since heterogeneity seems to be a key element of present wine markets, most studies proposed to understand wine consumer behavior are based on segmentation methodologies (Johnson et al., 1991; Bruwer et al., 2002; Thach and Olsen, 2006; Kolyesnikova et al., 2008). Indeed, as clearly stated in marketing studies, in order to better understand wine consumers' needs and buying habits along with wine characteristics that match more closely their preferences it is necessary to divide markets in different segments, to reach with specific marketing instruments (Rouzet and Seguin, 2004).

Given the diversity of objectives driving research on wine consumer behavior, several methods have been used to segment wine markets, generally through the classic marketing segmentation variables: geographic, demographic, psychographic and behavioral (Kotler and Keller, 2006). In his groundwork on Australian market segmentation, McKinna (1987) identified consumer clusters by using psychographic variables based on lifestyle. His work was then expanded and empirically tested by Spawton (1991), who investigated wine purchase behavior by focusing on consumer's expectations and risk-reduction strategies, thus identifying four major segments: "connoisseurs", "aspirational drinkers", "beverage wine consumers", "new wine drinkers". A segmentation approach based on psychographic variables was also used by Bruwer et al. (2001), that recognized lifestyle as an effective element to understand wine consumption patterns and profiles. More specifically, by using a new wine-related instrument able to measure lifestyle they identified the following wine consumers' segments in the Australian domestic market: "purposeful inconspicuous premium wine drinkers", "ritual oriented conspicuous wine enthusiasts", "enjoyment seeking social wine drinkers", "fashion/image oriented wine drinkers" and "basic wine drinkers". Segmentation based on lifestyle has also been applied in the US, but with the specific aim to highlight motivations and occasions of consumption (Thach and Olsen, 2005). Geographic variables are constantly adopted by international institutions, such as the Organization internationale de la vigne et du vin (OIV) and the Wine Institute, that usually classify wine consumption data with reference to countries or regions where consumers live. Some remarkable contributions have been produced by adopting a behavioral segmentation approach, which is normally based on variables such as occasions, benefits, brand loyalty, usage rate and so on. For example, Johnson et al. (1991) applied a behaviorally-based

segmentation scheme coupled with a conjoint analysis, in order to determine critical choice drivers for each specific segment identified through consumer's behavior aspects. In their literature review on wine market segmentation, Thach and Olsen (2006) point out that some of the most significant behavioral segmentation studies have been conducted by the Wine Market Council in the United States over the past decade. In particular, US market was segmented by rate of consumption and five major segments were identified: "super-core", "core", "marginal", "non-adopters", "non-drinkers". In most cases, behavioral bases have been combined with demographic ones, whose role in classifying wine consumer behavior is also well documented in literature (Spawton, 1991). Indeed, research also embodies several contributions aimed to compare attitudes towards wine according to age or sex. An exploratory study on young wine consumers behavior is provided by Mattiacci et al. (2006), that investigated the cognitive elements influencing this particular slice of market. Both behavioral and demographic variables were also used in a segmentation study conducted in New Zealand by Thomas and Pickering (2003), that identified consumers' profile substantially basing on purchased volumes.

Even considering such relevant body of literature, research based on behavioral segmentation seems to be still lacking of an holistic analysis of the whole wine purchasing process. As marketing literature recognizes the multi-stage nature of purchasing and consumption process, we realized that in most cases only part of such process has been considered to get to a market segmentation. This study tries to contribute to partially fill this gap by adopting a cluster analysis technique able to divide market into distinct segments based on both behavioral characteristics, from pre-purchase to post-purchase behavior, and socio-demographic ones. An empirical application is provided to illustrate methodological and practical insights of the developed framework.

2. OBJECTIVES AND METHODOLOGY

The main aim of this paper is to propose a market segmentation approach based on all phases of wine purchasing process. To this aim, we investigated the main components of wine purchasing behaviour and the socio-demographic profile of those who are both wine buyers and consumers. In order to gain useful information able to guide the formulation and implementation of marketing strategies, marketing scholars and practioners agree on the opportunity to focus on the whole decision-making process of customers rather than solely on the buying decision. It is well known, in fact, that the buying process begins well before the decision itself and it has consequences of great interest that persist over time (Kotler and Keller, 2006). Similarly, we do believe that, in order to achieve a better understanding of the characteristics of different market segments, there is a need to analyse the single phases of the buying process so as to highlight what really categorizes different types of customers. As noted before, researches in the field of wine market segmentation seem to lack an holistic understanding of the single aspects determining consumer buying decision. We try to contribute to partially fill this gap in the literature by: a) selecting the variables related to the whole buying process; b) proposing an empirical application of the developed approach.

Starting from consumer behavior literature, we identified six phases in the buying process and we operationalized each of them by selecting the variables to include in the survey:

1) *The perception of need*: it is referred to the various situational factors and mental states that trigger the decision making process. We considered the main reasons behind the decision of buying wine, referring to the following components: the utilitarian (eg. "It's good for my health"), the social (eg. "For reasons of status and social prestige"), the cultural and experiential component (eg. "For personal gratification").

2) *The search for information*: it includes all the actions taken by the potential customer to identify the most suitable product to solve the perceived problem. The survey considered two macro-categories of information sources: internal or empirical sources (i.e. the consumption experiences already had in the past), and external sources, in turn divided into personal sources (i.e. family and friends), commercial sources (i.e. advertising, promotions, etc..) and public sources (i.e. films, books, etc.).

3) *The evaluation of alternatives*: it covers all products that make up the "consideration set" of the buyer. With reference to this aspect, the survey investigated the type of wine that is more often purchased (i.e. red, white, etc.) and the origin of the purchased wine (i.e., regional wine, national wine, foreign wine, etc.).

4) *The purchase decision*: the reference is to all choices and actions that lead to the actual purchase of the product. We considered: the place where the wine is purchased (i.e. winery, supermarket, restaurant, etc.), the factors influencing such decision (i.e. price, quality, origin, etc.), and the average expenditure for the purchase.

5) *The use of the product*: it includes all of the factors that determine the overall enjoyment of wine. In particular we considered: the consumption opportunities, also in relation to the frequency of consumption, and the way the wine is experienced (i.e. which attributes best describe the wine in the opinion of the consumers).

6) *The post-purchase behaviour*: as it is well known, satisfaction with the product leads to the repurchase intention. We considered the declared loyalty to the type of wine and the brand loyalty to the wine usually bought.

We applied the developed approach to wine market segmentation in an empirical study, carried out in the Campania region (in the South of Italy). The study was focused on those responsible for the purchase of wine, which were in turn users of the product. We realized 630 interviews during the summer 2010. All individuals were approached by interviewers and informed about the purpose of the study and then asked if they wanted to participate in the survey. We considered two initial "filter-questions": only those who were both buyers and consumers of wine have been surveyed. We used a structured questionnaire, containing multiple-choice questions on the various stages of the process described before. In the last section were identified major socio-demographic characteristics of respondents. Sampled individuals were representative of the different profiles of wine buyer and consumer (Table 1).

*Table 1 - Major characteristics of respondents*

Sex	%		Frequency of purchase	%
Male	57,3		Daily	8
Female	42,7		Once a week	35
			Once a month	25
			Rarely	32
Age	%			
18-24	14,4			
25-34	31,2		*"Irregular Buyers"*	*57*
35-44	18,7		*"Regular Buyers"*	*43*
45-54	19,2			
55-64	10,9		Frequency of consumption	%
65 and more	5,6		Daily	35
			Once a week	33
Education	%		Once a month	11
Primary school	3,3		Rarely	21
Secondary school	12,5			
High school	52,9		*"Light Users"*	*32*
Degree	28,4		*"Heavy Users"*	*68*
Post-Graduate	2,9			

In order to identify the most relevant segments of wine consumers, we performed a cluster analysis with SPAD v56. Criteria used in hierarchical classification included both socio-demographic characteristics and behavioral variables.

3. CLUSTER ANALYSIS AND EMERGING SEGMENTS

The results we obtained from cluster analysis showed four market segments: "*Home Hedonists*", that represent 31,34% of sampled individuals; "*Image-oriented Drinkers*", that represent 20,36% of sampled individuals; "*Eclectic Consumers*", that represent 30,12% of sampled individuals; "*Conservative Consumers*", that represent 18,18% of sampled individuals. In order to assure a better understanding of different features characterizing the identified segments, we put them on a two-dimension map (Figure 1). The first dimension we considered (vertical axe) is related to the benefits associated to wine purchase and consumption: on the top we find consumers mainly motivated by functional and utilitarian reasons; on the bottom we find consumers mainly motivated by esthetic and symbolic reasons. The second dimension we considered (horizontal axe) is related to the typology of consumption of wine, considering both the occasions and the places where it is usually drunk: on the right we find consumers usually drinking wine outside, in public places and/or in social events; on the left we find consumers usually drinking wine at home, at lunch/dinner or with friends.

Figure 1 - Segments of wine-consumers
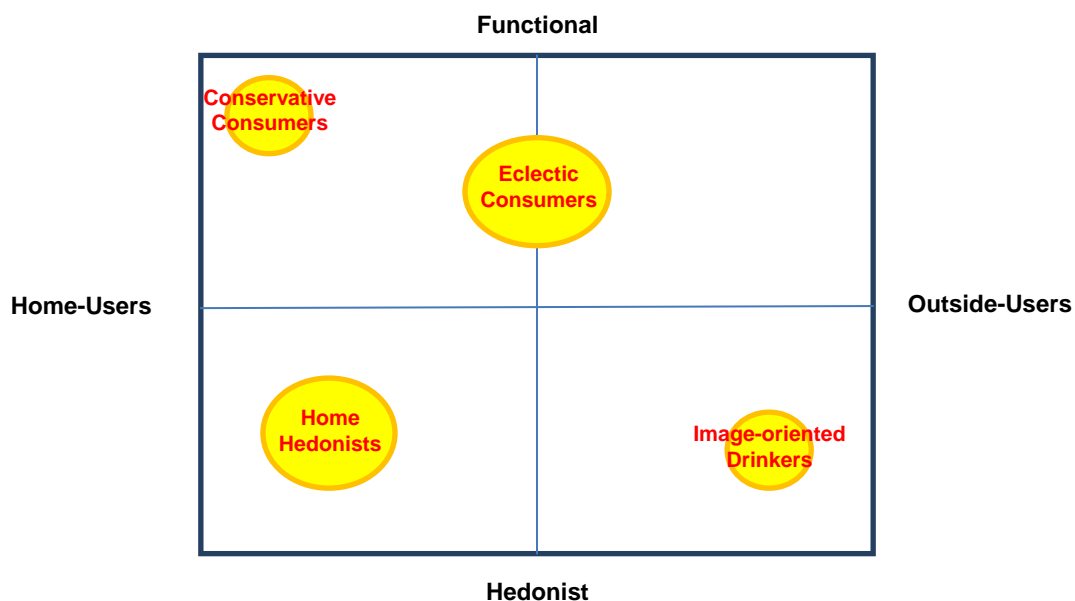
The main characteristics of the identified segments are highlighted below:
- *Home Hedonists*: consumers in this segment are mainly women, middle-aged (34-55) and received a tertiary education. They only drink wine on the weekends when they invite friends and relatives to share lunch or dinner, which is consistent with a "social-oriented" view of wine consumption. They have a number of "safe brands" from which they choose their wine and show a relevant interest in the origin of the wine they drink.
- *Image-Oriented Drinkers*: consumers in this segment are young men/women (less than 34) who drink wine at restaurants and in public places. They get enjoyment and

satisfaction from choosing and drinking the "right" wine and like the image that drinking wine portrays towards the others. For this kind of consumer wine is a "status symbol"; therefore he/she tends to have the view that the more expensive the wine, the better it is. Image-oriented drinkers also pay much attention to the place of origin and to the different combinations between food and wine. They are often in the first stages of wine consumption: as a consequence when choosing wine, they seek information and are often guided by the sommelier and other opinion leaders.

- *Eclectic Consumers*: consumers in this segment are comparatively well-educated relative to the general population and aged on average in the 45-54. When purchasing wine, they don't take into account the occasion during which the wine will be drunk and they seek little information. Eclectic consumers drink wine because they enjoy it and they consider wine consumption as a natural and genuine habit. They a're keen on price, quality and place of origin. They have 2-3 safe brands from which they choose their wine and they make the best choice on the basis of previous experience.

- *Conservative Consumers*: the average age of this segment is higher than the others (more than 45), while the average level of education is lower. People belonging to this segment are heavy wine consumers: they drink wine every day at lunch/dinner time because they like it and they think that wine is the drink that tastes best with food. Their consumption behavior is very traditionalistic: they don't seek information or advice when purchasing wine and are somewhat reluctant to purchase wines that they have not tried before. They tend to choose always the same domestic brand and very often they prefer to buy directly from small local wineries.

4. CONCLUSIONS AND IMPLICATIONS

As the wine market scenario is becoming more and more challenging, with a growing number of new global players and a changing consumer behavior, the definition and implementation of an effective marketing strategy requires the real understanding of consumer characteristics, habits, needs and expectations. Therefore, the need to use market segmentation in order to reach a better consideration of different types of demand has been recognised as a vital ingredient for the implementation of a marketing strategy in this industry. Academic literature however seems to be still lacking to provide insights for a market segmentation based on the consideration of the whole buying process, beside the socio-demographic features. Most of the existing studies, when based on a behavioral approach, make use of variables related to single phases of the process, rather than promote an holistic understanding of consumer behavior (from pre-purchase to post-purchase behavior).

Arising from the above considerations, our study seeks to provide a contribution to fill this gap in the literature and it has significant implications both for practitioners and academics. From the management perspective, the proposed framework may provide a clear guidance to reach a wine market segmentation able to address effectively the marketing strategies. By characterizing different groups of consumers on the base of multiple variables concerning each phase of the decision-making process, the proposed segmentation has evident implications for strategic marketing decisions (i.e. positioning) and operative marketing decisions (i.e. product, price, place, promotion). From the research prospective, our study addresses a gap in the academic literature by using the whole purchase and consumption process for market segmentation and integrating it with socio-demographic variables. Such framework is suitable to be utilized in further research on wine market segmentation; for example, new studies could investigate potential differences between geographic areas, since our study is focused on a specific area.

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