Wine product bundling: for a new segment of wine consumers

Christopher Matthews  
The University of Adelaide Business School, Australia  
christopher.matthews@student.adelaide.edu.au

Dr. Steve Goodman  
The University of Adelaide Business School, Australia  
steve.goodman@adelaide.edu.au

Dr Cullen Habel  
The University of Adelaide Business School, Australia  
cullen.habel@adelaide.edu.au

Dr Simon Somogyi  
The University of Southern Queensland Business School, Australia  
Simon.Somogyi@usq.edu.au
Abstract

Purpose – Researchers have investigated product bundles using convenient product categories, but there is little evidence that wine product bundles have been studied. Research is fundamental to producing wine product bundles that will benefit the wine industry rather than hurt it. This research forms an exploratory study as to whether a large scale segment of wine market is likely to be prone to deals that include product bundles.

Design/methodology/approach – Personally administered quantitative questionnaire that pre-tested 25 respondents, with a full research sample of 262 valid responses. The survey was administered at 14 locales around the South Australian metropolitan and outer metropolitan areas. Respondents were filtered to include wine drinkers above the age of 18 years.

Findings – Segmentation analysis from the research describes three market segments which offer market intelligence to the wine industry. One wine consumer segment is particularly deal prone, and is also interested in promotions and discounts and purchasing bundles. This segment is predominately younger between the ages of 18-39. Other findings included a lack of wine product bundle awareness and results that indicated, alcohol consumers who did not consider wine to be the most important element in the bundle purchase, also consider the bundle including to be more convenient, better value for money, and were more likely to represent a purchase.

Practical implications – The Australian wine industry is experiencing difficult economic conditions, low profitability, and consolidation of the retail industry is causing a loss of negotiating power. This research has the potential to provide the wine industry with market intelligence that may uncover a new buying wine consumer segment and provide small to medium wine companies (SME’s) the data to create wine product bundles that form a unique set of wine products.

Keywords

Product bundling, wines, marketing strategy, anchoring, segmentation, consumer behaviour
1. INTRODUCTION

The posit for this research is developed by the theoretical construct that suggests younger wine consumers are more likely to purchase multiple-item purchases than older wine consumers, because they have been more exposed to bundling across a variety of product categories. Within this context, this paper explores the possibility that an untapped, large scale wine consumer segment is emerging in the South Australian wine market. The research aims to investigate, (i) whether young consumers are likely to be prone to deals that include product bundles and (ii) differing consumer perceptions towards wine product bundles. This market intelligence may be used by the wine industry, with a particular emphasis on the use by wineries, to create a unique product set that offers the consumer new reasons for purchasing wine products. Evidence suggests that in major wine consuming countries a power imbalance in favour of retailers has been growing (Goodman et al., February 2010), and it is intended that the market intelligence provided to winemakers from this research will help provide some balance within the grower – winemaker – distributor – retailer relationship. In part, the knowledge gained from this research should allow the wine industry to produce wine product bundles with a focus on how the bundle message is framed (Puto, 1987; Andrews et al., 2010). Message framing is a determinant of consumer purchasing decisions and relates to how a product offer is presented. Within this context, superficial changes may affect a consumer’s evaluation of a purchase decision positively or negatively.

Although product bundling is a pervasive market strategy (Stremersch and Tellis, 2002; Yadav, 1994; Yadav and Monroe, 1993), within the South Australian wine market there is little evidence it has been adopted. Where wine product bundling is used, a large retail store is most likely to be driving the marketing effort, with little indication that the sales effort is coordinated with Australian wine industry. The two most common forms of bundling described in research literature are (i) pure bundles and (ii) mixed bundles (Stremersch and Tellis, 2002; Adams and Yellen, 1976; Koukova et al., 2008). Pure bundles differ from mixed bundles in that the products are not offered for sale separately. This research mostly focuses on mixed bundles, as the bundled products (wine, Champagne, beer, spirits) included in the stimuli shown to the respondents are also sold separately.

2. LITERATURE REVIEW

The literature review deals separately with the areas of product bundling and general deal proneness. Both these subjects form the basis for this research, but current literature does not provide a link between the two areas. Investigating this link and consumer types is the contribution of this paper to research and practice.

2.1 Product Bundling

Product categories selected for prior research into bundling have allowed for a particular research problem to be conveniently studied; Table 1 shows the limited product categories used to research product bundling. The product categories include attributes such as everyday use, well known brands within that product category, a symmetry between the products being bundled (a close fit), being easy to functionally integrate, and offer a balance between the products (a fast food meal offering two types of food in the same bundle). Wine product bundling offers a new dimension in the field of product bundling research as it differs in at least three important attributes compared to the typical product categories used for this type of
research. These attributes include (i) a highly fragmented market, whereby no single company dominates the market and consumers are offered hundreds of wines in the setting of a tradition liquor outlet that potentially, for the vast majority of wines, the consumer will have little knowledge (Alonso and Liu, 2009) (ii) the notion that a wine purchase contains a relatively high risk factor (Johnson and Bruwer, 2004; Lacey et al., 2009) and (iii) a purchase for an occasion and occasion enhancement (Bruwer and Li, 2007; Spawton, 1991; Hollebeek and Brodie, 2009). This view is developed by Hollebeek and Brodie (2009) in which wine is classified as a fast-moving consumer good (FMCG), but differences are highlighted through factors such as the perceived risk, particularly when wine is purchased for a social setting, and the number of product attributes available for product choice.

**Table 1: Products used in prior bundling research**

<table>
<thead>
<tr>
<th>Author</th>
<th>Product Trait under Investigation</th>
<th>Products Used in the Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walters (1991)</td>
<td>Balanced product bundles</td>
<td>Cake mix - cake frosting</td>
</tr>
<tr>
<td></td>
<td>Complimentary</td>
<td>movie – M&amp;M; Team cap – Blue cap; Jeans – T-shirt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Juice – 12 eggs; Mayonnaise – Tuna; Cereal – Milk</td>
</tr>
<tr>
<td>McCarthy and Norris (1999)</td>
<td>Well known brands</td>
<td>Peanut butter and salsa</td>
</tr>
<tr>
<td>Harris and Blair (2006)</td>
<td>Functional integration</td>
<td>Electronic equipment (stereo system)</td>
</tr>
<tr>
<td>Andrews et al.(2010)</td>
<td>Symmetrical products</td>
<td>telecommunications services</td>
</tr>
<tr>
<td>Arora (2008)</td>
<td>Symmetrical products</td>
<td>teeth whitening products</td>
</tr>
</tbody>
</table>

Different areas of product bundling have been addressed over time, including: consumers’ evaluation of bundles, (Johnson et al., 1999; Yadav, 1994; Yadav and Monroe, 1993; Heeler et al., 2007; Nguyen et al., 2009); the presentation and formulation of the product bundles (Mulhern and Leone, 1991; Hanson and Martin, 1990); economic theories that relate to product bundling (Adams and Yellen, 1976; Burstein, 1960), referencing (Yadav, 1994); the process used to evaluate product bundles – heuristics (scanning; anchor selection; anchoring and adjustment) (Yadav, 1994; Agarwal and Chatterjee, 2003); the inferred bundle saving effect (Heeler et al., 2007); creation of bundles and caution that should be applied to their creation (Agarwal and Chatterjee, 2003; Yadav, 1994); presentation (Yadav and Monroe, 1993).

### 2.2 General Deal Proneness

Lichtenstein et al. (1995) developed an eight item scale, with the intention of measuring a consumers enjoyment of sales promotion and their tendency to buy products associated with the deals. The scale was developed to measure products included in any type of deal – ‘generalized deal proneness’ (Lichtenstein et al., 1995). The initial scale included forty-three items, which when refined, were reduced to eight items. The reliability of the scale was measured with Alphas either equalling or exceeding .90 on three occasions. Lichtenstein et al. (1995) describe in part the history of the sales promotion scales. As advertising media became more expensive and more cluttered, businesses tended towards sales promotion as a way of promoting their products. Lichtenstein et al. (1995) aimed to assess whether deal proneness was specific to types of deals or the scale could be used across different types of promotions. Although, the result of the research concluded that the proneness to deal was domain specific, the general deal proneness scale has nevertheless been utilized in the literature. Therefore, it is of interest to observe the extent of deal proneness among wine consumers.
3. METHOD

Pre-testing was conducted on 25 participants. A five point Likert scale was used to construct questions, this allowed respondents to read the question if they failed to understand the interviewer (Aaker et al., 2010). The field survey was conducted over twenty-seven days within the South Australian metropolitan and outer metropolitan area. Interviews were conducted at fourteen different locations, on all days of the week and at different times of the day. General descriptive statistics showed a gender split of male (57.2%) and female (42.8%) and a normal distribution of other demographics including income and education. The age groups were split between 18-39 (44.2%) and 40+ (55.85).

The research questionnaire comprised thirty-three questions contained within three sections, (i) introductory questions; (ii) specific product bundling questions; and (iii) demographic questions. The introductory questions contained one marketing scale “general deal proneness” (Lichtenstein et al., 1995), this formed the basis for clustering analysis. This scale was subjected to an internal reliability analysis using Cronbach’s alpha, which returned a value of 0.83. Pallant (2011, p. 97) states “that an alpha >0.7 should be considered ideal”, therefore the result (0.83) indicates a highly reliable scale. Further procedural steps were conducted on the general deal scale including, factorial analysis by identifying a number of apposite factors; and cluster analysis. Other introductory questions included respondent’s alcoholic consumption patterns and the average price they would pay for the product categories contained in the stimuli.

For the specific product bundling questions, respondents were shown three pictures (stimuli) representing three product bundles, (i) Wine-Champagne; (ii) Wine-Beer; (iii) Wine-Spirit. Champagne, beer and spirits were chosen as bundle items because of their perceived non-complementary attributes to wine, but purchase patterns were still measurable within the research. Six items represented the factors that may influence consumers desire to purchase wine product bundles, these included perception of convenience; perception that the bundle offered a discount; perception of value for money; perception towards the reason for product bundling; perception of the wine quality within the product bundle; intention to purchase. All were measured on a five point Likert scale. These constructs were chosen as prior research into product bundling suggested they were major factors in relation to consumer behaviour; perceived value and intention to buy (Andrews et al., 2010); expectations and buying objectives (Puto, 1987); and price discounting (Arora, 2008; Yadav and Monroe, 1993; Puto, 1987; Heeler et al., 2007).

It was recognized early in the survey creation process that wine consumers are not insulated from brand, quality and label bias (Charters et al., 1999). Other recognised bias included interviewer bias issues including prestige seeking, social desirability response bias and order of presentation bias (Aaker et al., 2010). Therefore, a choice was made to present the respondent with three product bundles consisting of two products in each bundle, one of the products being wine. Effort was thus taken to minimise possible bias from the stimuli (price, brand, quality) and the respondent was asked to interpret all constructs on an individual level. It was considered that the absence of price, quality and brand reference points may present the respondent with some computational difficulty, therefore a simpler two product bundle was the best choice for the stimuli (Agarwal and Chatterjee, 2003). The stimuli were randomised, and the order of presentation was recorded on the title page of the survey. A brief explanation was offered to each respondent, using fast food and mobile communications as a means of explaining product bundles.
A total of 266 respondents were questioned, and 262 of the questionnaires were deemed valid. Statistical analysis of the responses was conducted using SPSS v17, with T-tests, ANOVA and clustering the main procedures used to analyse the data.

4. RESULTS

This study showed that wine product bundling within the context of the South Australian remains a relatively unknown strategy, (wine-Champagne 17.6%; wine-beer 39.7%; wine-spirit 16.8%). These figures were not unexpected as a casual observation of wine related advertising showed product bundling to be a limited strategy in the selling of wine. A series of ANOVA tests indicated that the respondents who did not choose wine as the most important product (anchoring) displayed significantly higher agreement in relation to three of the six constructs surveyed, (i) convenience; (ii) value for money; (iii) intention to buy. An important aspect of these findings was that this same statistically significant result was obtained across the three product bundles (see Table 2).

<table>
<thead>
<tr>
<th>Construct/Bundle type</th>
<th>Wine - Champagne</th>
<th>Wine – Beer</th>
<th>Wine - Spirit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td>.008</td>
<td>.004</td>
<td>.000</td>
</tr>
<tr>
<td>Value for money</td>
<td>.030</td>
<td>.012</td>
<td>.001</td>
</tr>
<tr>
<td>Intention to buy</td>
<td>.013</td>
<td>.000</td>
<td>.001</td>
</tr>
</tbody>
</table>

4.1 Clustering

The ability to create profiles (segmentation) related to wine consumers may enable the wine industry to formulate and target campaigns that are more likely to be effective than mass marketing. As stated earlier, fragmentation is an attribute of the wine market and as such often makes mass marketing futile (Bruwer et al., 2002). Market segmentation is a process of dividing consumers into meaningful groups (clusters) using a mixture of factors derived from the survey. The rigour of the general deal proneness scale was discussed in the methods section. By using this scale three clusters were identified, that form the basis for the research conclusion.

While the deal avoiders and deal waverers clusters are important pieces of marketing data in that they offer targeted marketing intelligence by way of avoidance, it is the deal seekers who are likely to offer the greatest potential for new sales. Although the 18-39 age groups comprise only 44% of respondents in the survey, they include 53% of the deal seekers cluster. Without further research it is conjecture whether this higher level of deal proneness in younger wine consumer is, in part, due to factors other than greater exposure to product bundles. However, it is reasonable to assume that over time, incomes and education levels of this cluster will increase; thereby a combining effect is likely to occur between these higher levels and the greater proneness to deals exhibited by the cluster. This may mean a shift in current wine clustering definitions to include greater levels of deals such as wine product bundles. Clustering analysis reveals a summary of the attributes exhibited by each cluster (see Table 3).

<table>
<thead>
<tr>
<th>Deal Seekers (n=102 – 39%)</th>
<th>Deal Avoiders (n=55 – 21%)</th>
<th>Deal Waverers (n=105 – 40%)</th>
</tr>
</thead>
</table>
5. CONCLUSION

The research indicates that wine product bundles are not candidates for mature aged wine drinkers in the South Australian wine market. However, younger wine consumers offer greater potential for the use of this marketing technique. The data within this research may provide SME’s wineries a new marketing practice that allows them to create unique product sets that are attractive to young consumers, particularly along the lines of convenience and value for money. Further research into this area would likely aim to verify these findings and further expand the research to include regional wine product bundles that will offer links to increased customer-brand attachment and provide significant benefits in the area of word-of-mouth communications (Bruwer and Reilly, 2006).
References


