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CREATING THE IDEAL PURCHASING ENVIRONMENT FOR CONSUMERS: SPECIALIST WINE RETAIL OUTLETS IN THE UK.

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Abstract

◦Purpose
The aim of this study is to offer insight into the different profiles of specialty wine retail consumers and determine what aspects of the retail outlet environment are the most important influencers on consumer behaviour, and their effect on when and how they buy wine.

◦Design/methodology/approach
The first stage of research involved interviews with specialist wine retail professionals to gain insight into consumer behaviour from the professional's perspective. The second stage consisted of in-store consumer observation of 100 subjects, complete with a short interview component. Conclusions drawn from the two stages were then compared, revealing similarities and discrepancies among the specialist retailers' perception of consumer purchasing behaviours and observed consumer purchasing behaviours in specialist wine retail outlets.

◦Findings
The conclusions of the study identify the main areas in how the specialist retailers' perception of consumer purchasing behaviour differed from actual consumer behaviour observed in store, most notable of which was the role of sales assistants in final purchasing decisions.

◦Practical implications
This study reveals certain implications for specialist wine retail outlets. These include: (1) growing necessity of targeted and personalised marketing strategies in-store and via digital communications (website, social media, etc.); (2) product arrangement by country or grape variety may be less relevant with evolving consumer base; (3) importance of additional in-store offerings for the consumer; and (4) retail staff education.

Key words: wine retail, independent retailers, purchasing behaviours, consumers

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1. INTRODUCTION

Over the last 15 years, the supermarkets have consolidated and overpowered most other wine retail outlets, squeezing out mid-market players such as Oddbins and First Quench who have been forced into administration. Today, large supermarket chains dominate the off-trade for wine in the UK, leaving only a small gap for specialist wine retailers to compete. As businesses in the independent retail sector typically do not have the resources to offer heavy discounting and price promotions to the bargain-loving UK consumer, it is essential that they offer incentives beyond price to increase their customer base and encourage customer loyalty.

1.1. Project Area and Purpose

The aim of this project is to offer insight into the different profiles of consumers who engage with specialty wine retail outlets, whether they are first timers or seasoned shoppers. We will determine what aspects of the retail environment are the most important influencers on consumer behaviour and what specific effects they have on when and how people buy. There are a variety of different variables that shape the consumer's ultimate purchasing decision and many of these variables are connected with the overall retail outlet environment where the purchase is made. These variables include presence of major brands, pricing, location of the retail outlet, organisation of stock (categorising wines by country, style, etc.), in-store marketing and advertising, and sales assistants.

1.2. Research Questions

◦For specialist retailers, what are ideal conditions in a specialist retail environment for consumers to buy wine?
◦For consumers, what are the ideal conditions in a specialist retail environment to buy wine?
◦To what extent do the ideal conditions for consumers reflect what retail professionals accept as true?

1.3. Significance

According to Stares (2013), volume sales in the UK are expected to stay stagnant due to rising prices driven by the duty escalator. As a result, consumers will buy less frequently, yet be more likely to trade up to premium products. Taking this into consideration, specialist retailers should look at maximising their influence while customers are in-store as their visits to these retail environments may be less frequent in the future.

Previous research surrounding consumer behaviour outlines the cues and wine product attributes that influence purchasing decisions, however, many studies have drawn conflicting conclusions. Lockshin and Hall (2010: 13) point out that there is a 'lack of consensus' due to the fact that the correlation between how consumers communicate they behave and how they actually behave in a retail environment is fairly weak. This makes achieving any tangible and accurate conclusions about consumer behaviour difficult. Gluckman (1990) asserts that, in reality, where consumers lack the knowledge to determine quality they instead rely on indicators such as the manner in which products are categorised in store, packaging, price, endorsement by reputable authorities in the trade, and marketing strategies. This study will look at how well wine retailers understand consumer purchasing behaviour in specialist retail outlets.

2. METHODOLOGY

For the purpose of this study, which specifically concerns the specialist wine retail sector, three relevant consumer segments were defined. They are:

◦*Non-winos*: Individuals who rarely, if ever, shop for wine. They enter the retail environment for a quick service, such as buying for a gift or special occasion. Wine is seen only as a commodity.

◦*Budding Enthusiasts:* Occasional wine drinkers who are no longer satisfied with the branded wines that supermarkets offer. They want to trade up, but are uneasy about doing so and still price conscious. They want to gain wine knowledge but also fear appearing uneducated to sales people in store or as a host when serving wine to guests.

◦*Walk-outs*: Those who enter a retail environment with a set brand or price that they will not deviate from. If their specific need cannot be satisfied they will not make a purchase.

2.1. Primary Research

In the first stage of the study, specialist wine retail professionals were interviewed individually, each presented with the same set of questions to which they answered verbally and were recorded during thirty minute sessions. Six interviews were conducted with staff at two specialist retail outlets. In the second stage of the study, consumer observations were conducted on 100 shoppers, selected at random. With each subject, behaviours were first observed without any direct contact and then engaged in a brief interview to determine the following: 1) motivation for purchase and 2) consumer cues. As Lockshin and Hall (2010: 13) point out, consumers are not often accurate in their assessment of their own purchasing behaviour; therefore, surveys were dismissed as a method of data collection due to their potential inaccuracy. Consumer observation was conducted at regular intervals over a six-week period. Data was collected, summarised and then compared to conclusions drawn from interviews.

2.2. Delimitations, Limitations, and Assumptions

Lack of video surveillance inhibited the ability to obtain data from a larger subject pool. The study also assumes that the data recorded from the two retail outlets involved in the study can be applied to a broader spectrum of specialist wine retail consumers in the UK.

3. CONCLUSIONS AND RECOMMENDATIONS

The conclusions of this study illustrate how effective specialist wine retail outlets are in understanding consumer behaviours. From the findings, we can identify certain managerial implications for specialist wine retail outlet operations that, if addressed, will more closely reflect the ideal purchasing environment for consumers.

3.1.1. Consumer Motivations for Buying Wine

Based on the interviews with specialist retailers, the consumer's principal motivations for entering specialist retail outlets to buy wine are: (1) as a gift, (2) personal consumption, and (3) for a special occasion. Overall, the specialist retailers saw the gift purchase as a far more common motivation among consumers than personal consumption or special occasion.

The data collected from consumer observations showed that personal consumption was the top motivation for purchasing wine in specialist outlets (48%), though gift purchase was nearly equivalent with only 2% less of the sample population (46%). These two incentives accounted for nearly the whole of the sample population while the third motivation, special occasion, was insignificant (6%). Therefore, conclusions drawn from the interviews are only partially validated – personal consumption was underrated by the specialist retailers as a principal motivation. This suggests that more consumers are rejecting the idea that specialist retail outlets are only appropriate for particular situations when the willingness to spend is increased; they may also be used for frequent purchase of wine for personal consumption. It is also noteworthy that whilst the percentage of male and female shoppers buying wine as a gift or for personal consumption are comparable, 100% of purchases for special occasions were male. Further research is necessary to understand the reason for this trend.

3.1.2. Consumer Cues

The interview stage revealed that specialist retailers assume that most consumers base their purchases on: (1) country of origin, (2) grape variety, and (3) price, with the latter much less significant than the former two. These conclusions were than compared with data collected from consumer observations which ranked indicators as follows (in order of importance): (1) style, (2) country or region of origin, and (3) brand and price. Therefore, the conclusions drawn by specialist retail professionals were invalidated.

The specialist retailers suggested that consumers select wines according to country or region, despite having little knowledge of that country or region, and that brand was an insignificant attribute insignificant attribute in the consumer's purchasing decision. Brief interviews with consumers invalidated both of these points. Style was the primary indicator for consumers (30% of sample population), whilst 20% of the sample was guided principally by the brands. The power of branding appears to retain a strong influence over wine purchases, though specialist retailers may not be fully aware of the extent of its importance. Price is the one consumer cue ranked by the specialist retailer that was validated by consumer observation, revealing that 20% of consumers used price as an indicator. Though not among the top consumer cues, price holds its influence over certain parts of the customer base and will likely continue to do so, especially in the current economic climate.

3.1.3. Retail Outlets

During the interview stage, there was general agreement that specialist retail environments have a major disadvantage in that they do not generally appeal to the female demographic of their consumer base. Specialist outlets often create confrontational environments that have been considered more suitable to male consumers over female. This would account for why a much larger percentage of women make wine purchases at grocery retail outlets, where the consumer may retain anonymity. The conclusions made by the specialist retailers drawn from the interviews are validated from the data collected in the second stage of the study, confirming that male consumers are a majority, contributing to 32% more of the customer base than women.

To offset this phenomenon and create an ideal purchasing environment is dependent on many factors. From the information gathered during the interview stage of the study, two essential elements reduce a confrontational environment: (1) customer service and (2) additional offerings. Customer service involves the role of the retail assistants but not in the same way as will be discussed in the next section. Here the expectation is a greeting and the offer of assistance, two aspects which differentiate specialist retail outlets from large grocery outlets. The next element, additional offerings, is anything unrelated to promotion or the retail sale of wine, though it may indirectly encourage purchasing. These offerings may include but are not limited to wine tasting, food, sale of other alcoholic/non-alcoholic beverages, and reading materials.

Another element that was considered was the presence of other shoppers in the retail outlet. In the interviews, conclusions were made that busy versus quiet periods had a significant effect on retail sales. Consumer observations validated this point, illustrating that 30% more of the sample made a purchase in a quiet shop (90% of population) versus a busy shop (60% of population). Alternatively, 30% more of the sample walked out of the shop without any purchase in a busy shop versus a quiet shop. During busy periods when there are limited resources of sales assistants, the consumer is more likely to leave the shop with no purchase if they cannot find what they want.

3.1.4. Sales Assistants

During the interviews with the specialist retailer subjects, individual views about the role of retail assistants diverged; however, there was agreement that interaction with sales assistants was the element of the retail environment with the strongest influence over the consumer's purchasing decision. Conclusions suggested that recommendations and authoritative comment by sales assistants are the most effective methods of ensuring a purchase. However, conclusions drawn from consumer observations invalidates the hypothesis that sales assistants have significant influence on the consumer's purchasing decision - it shows that the proportion of consumers who made a purchase is equivalent to those who did not, regardless of the level of engagement with the sales assistant.

One area in which sales assistants did have a significant influence is on the customer's decision to trade up. 67% of those who interacted with the sales assistant traded up from the amount they originally intended to spend. This result validates the conclusion of specialist retailers made during the interviews and suggests that staff education and training is essential to maximising the impact sales assistants can have on the consumer's purchasing decision. Consumers need information to justify spending more money, and knowledgeable staff is required to fulfil this need.

3.2. Managerial Implications

From the data analysis, we can identify a few explicit implications that are relevant for those working within the specialist retail sector of the wine trade. They are: (1) growing necessity of targeted and personalised marketing strategies in-store at time of purchase and via digital communications (website, social media, etc.); (2) product arrangement by country or grape variety may be less relevant with evolving consumer base; (3) importance of additional in-store offerings for the consumer; and (4) retail staff education.

3.2.1. Personalised Marketing

Based on the findings of this study, the consumer base of the specialist retail outlets is more diverse than it is understood by the specialist retailer. Within this consumer base, there are certain gaps that need to be addressed with targeted marketing strategies. We have seen that the consumer is buying wine not only as gifts, but for personal consumption, which is guided more by other consumer cues than price. Thus, price promotions may have less of an influence on purchasing decisions, whereas personalised marketing campaigns targeted at different segments within the consumer base would be highly influential. Female shoppers form a particularly fragile segment of the consumer base for specialist retail outlets and would thus benefit from new marketing strategies. Filling this gap in gender segmentation is vital to increasing sales across the specialist retail sector.

3.2.2. Product Arrangement

The data collected in the study illustrates that style is the most influential factor for the consumer's purchasing decision in specialist retail outlets. This suggests that categorising product in store by more traditional indicators such as country and grape variety is not the most effective method for creating an ideal purchasing environment. New and innovative sales models use style as the principal indicator by which to categorise wines, but the vast majority of specialist retail outlets in the UK fail to recognise the need for this innovation.

3.2.3. Additional Offerings

New strategies and offerings that will engage the consumer at the time of purchase are essential for specialist retail outlets to remain competitive. Some examples of offerings include: wine by the glass, reading material, alcoholic/non-alcoholic alternatives to wine and self-assistance tools: enomatic machines, recipe lists, local maps to floral stores and restaurants accepting BYOB (bring your own bottle). These are especially pertinent to the *budding enthusiasts* who want to expand their knowledge of wine, regions and food pairing possibilities.

3.2.4. Staff Education

From the consumer segmentation analysis, the *budding enthusiasts* group forms the core of the specialist retailer's consumer base. As defined in the study, consumers in this segment want to expand his or her basic wine knowledge and look to trade up from inexpensive and bulk supermarket wines. To achieve this, consumers often move from large grocery outlets to specialised retail outlets, seeking out sales assistants who can facilitate this learning process with their own knowledge. The study also shows that though staff interaction may not be essential to encourage the purchase, it does result in trading up. Maximising this result comes from staff education as knowledgeable sales assistants are able to provide the tangible reasons that consumers require to trade up.

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