Exploring German Winery Adoption of Web 2.0 Components: What impact does the size of a winery have on the use of social media and consumer engagement?

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ABSTRACT

Purpose: *To analyze the adoption of Web 2.0 by German wineries, as well as to determine the impact of winery size on the use of social media and consumer engagement.*

Methodology: *A content analysis of 208 German winery websites and a statistical analysis of how German wineries respond to customer email requests.*

Findings: *German wineries have a low adoption of Web 2.0 (27%) and the size of the winery does have an impact on the adoption of Web 2.0, since the greater the size of the winery the higher the adoption of Web 2.0 components. Smaller wineries replied faster than larger wineries to customer email requests for wine information.*

Practical implications: *German wineries should acknowledge the influence Web 2.0 components have on wine purchase, gain a better understanding of website, e-commerce, and social media tools, and determine which tools will best complement their wine marketing strategies. The German Wine Institute could play a crucial role by offering training seminars to provide the much-needed education and training for German wineries.*

Key words: social media, Web 2.0, Germany, winery size, consumer engagement

1. INTRODUCTION

Web 2.0 and social media, which can be defined as internet-based applications that are user-generated and allow collaborative sharing of ideas and feedback, such as blogs, online videos and photos, and platforms such as Facebook and Twitter, have proven to be game changers in how companies interact with their customers. Though at first it was debatable as to whether these new platforms were beneficial to businesses in terms of increasing brand awareness and sales, today there are a multitude of examples in various industries showing that if implemented correctly, social media has a positive impact on a company's net results.

One industry in which Web 2.0 and social media has had a large impact is wine. This is because wine is an "experience good" (Storchmann2011), in that most consumers do not know what to expect from a wine before they consume it, and therefore seek advice from experts and friends before purchase. Web 2.0 and social media have become increasingly important as a means to seek and deliver wine feedback.

The adoption of Web 2.0 and social media components varies by winery region. This study focuses on the Germany wine market, and examines how German wineries are embracing Web 2.0 and social media, and what impact the size of a winery has on the use of social media and consumer engagement.

2. LITERATURE REVIEW

Statistics from Google search engines shows that "wine" is one of the keywords that appear at a higher level than many other consumer products (Rosenberg, 2012). It is estimated that 90% of wine drinkers use Facebook 6.2 hours per week (Breslin, 2013), and Google Analytics (2012) shows that wineries are the third most popular subject on Pinterest. The number of wine blogs has grown dramatically in the past decade, with diverse viewpoints from an estimated 1300 wine bloggers around the world, with the 20 top wine bloggers having a combined audience larger than the successful wine magazine 'Wine Spectator' online (Quint, 2012).

Several documented examples illustrate that both small and large wineries have achieved positive return on investment (ROI) from implementing social media. Pacific Rim Winery in Washington State increased traffic by 7000% to their website, and achieved a 15% increase in revenue with a 73% increase in transactions (Moore, 2012, Emerson, 2012). Constellation, one of the largest wine corporations in the world, has implemented several social media promotions using mobile coupons. A recent example is their use of the app "ShopKick" that consumers accessed while in a store. This resulted in 214,000 consumers reviewing the ad, with 12.5% making purchases, and $222,000 in projected revenue. The cost of the app ad was approximately $70,000, realizing a positive ROI (Breslin, 2013).

Web 2.0 and social media has also been adopted by German wineries. In a 2011 study of 324 German wineries, Szolnoki and Taits found that 96.6% had a website and 49.7% had an online shop. Furthermore, 50% stated they were using social media for private or business purposes or for both, with Facebook being the most common application.

The importance for German wineries to have an online presence and to offer online shopping is underlined by the recent statistics of Eurostat (European Commission's statistical office on

Information and Communication Technology), which demonstrate that Internet use in Germany is with 85% above the European Union average. The study also looked at online shopping patterns and clearly reveals that shopping on the internet has become very popular in Germany: 77% of users bought or ordered goods or services for private use online during the last 12 months (Eurostat, 2012).

Bengtsson *et al.* (2007) studied factors that distinguish adopters of advanced internet-based marketing operations from non-adopters in firms of varying sizes. The findings support the proposition that firm size is positively associated with the adoption of advanced internet-based marketing operations. This led the researchers to the conclusion that larger firms are more likely to start the process of development of internet-based routines earlier compared to small firms.

3. METHODOLOGY

The methodology used for this study was a combination of qualitative and quantitative techniques, and was based on a similar study conducted in the US (Thach, 2009).

The qualitative portion included content analysis of 208 German winery websites. This was accomplished by analyzing the websites to determine: 1) a frequency count of Web 2.0 components listed on the website (e-commerce engine, blog, video, Facebook page, Twitter, Pinterest), 2) whether the websites included a mobile friendly option, and 3) the size of the winery (bottles produced). If the size of the winery was not indicated on the website the winery was called to obtain the information.

The quantitative aspect was an analysis of response rates to an email sent to the wineries to determine how quickly/to what extent they would answer a fictional customer request. The email included the following message in German:

> *"I've had some friends tell me how wonderful your wine is. Can you tell me where I can purchase your wine in Mainz? Thank you so much for your response."*

The number of days the winery took to respond, as well as the response itself was documented in Excel and then subjected to thematic analysis.

The sample was based on a list of 4,589 German wineries producing bottled wine, which was obtained from the thirteen regions of Germany that have promotional wine offices. A decision rule of selecting every 22nd winery was applied to the list. This was verified with a crosscheck from the yearly statistics of the German Wine Institute, and showed that the sample was representative for the German market (German Wine Institute, 2012).

4. FINDINGS

4.1 Results of the qualitative analysis: Content analysis of the winery website

The content analysis showed that 85% of the sample had a website. The cross tabulation with the size of winery demonstrated that the percentage of wineries that have a website grows according to the size of the winery: the bigger the winery the higher the percentage among the wineries that have a website. Furthermore, 39% of the sample had an e-commerce engine, and it was apparent that smaller wineries had a lower adoption of e-commerce engines than larger wineries.

In terms of Web 2.0 components, the analysis showed that only 27% of the German wineries had adopted these (Table 1). Comparing this to the size of the wineries it showed that the greater the size of a German winery, the higher the adoption of web 2.0 components.

Table 1: Wineries that have Web 2.0 components linked to size of winery (n = 176)

Bottles produced per year	Blog	Video	Facebook	Twitter	Pinterest	Total of Web 2.0 components per bottle categories	Numbers of wineries in the category	% of wineries that have Web 2.0 components within size bracket
0	0	0	0	0	0	0	2	0
< 50.000	1	9	9	1	0	20	77	26
50.001 - 100.000	0	2	6	1	1	10	45	22
100.001 - 150.000	1	1	1	0	0	3	11	27
150.001 - 200.000	0	0	2	0	0	2	3	67
> 200.000	0	5	5	0	0	10	18	56
Don't want to share	0	1	1	1	0	3	20	15
Total	2	18	24	3	1	48	176	27

Only 5% of the websites had been adapted for a mobile device, and of these the highest percentage produced more than 200.000 bottles a year.

4.2 Results of the quantitative analysis: Customer interaction

4.2.1 Response time to customer email

Analysis of response time to the fictional customer email request illustrates that 66.82% of the wineries answered the email, and the average response time was 2.36 days (Table 2).

Table 2: Winery response rate to customer email (n = 208)

	Freq.	%
Customer response rates - overall		
No response to email	69	33,17
Responded in 0 to 10 days	139	66,82
Average days to respond	2,36	NA
Customer response rates - detail		
Respond in less than 24 hours	10	4,8
Respond within 1 day	36	17,3
Respond within 2 days	55	26,44
Respond within 3 days	18	8,65
Respond within 4 days	7	3,36
Respond within 5 days	3	1,44
Respond within 6 days	1	0,48
Respond within 7 days	3	1,44
Respond within 8 days	2	0,96
Respond within 9 days	1	0,48
Respond within 10 days	3	1,44

4.2.2 Response categories to customer emails

The content analysis of the email responses received from the wineries illustrated that four major categories of replies were received:

1. *Place an Order Via Traditional Methods* - 77 wineries (37%) invited the customer to place an order by email/call/fax, after which the winery would send it by mail or deliver it by car. This was the most popular type of response.

2. *Purchase Wine Online* – 35 wineries (17%) encouraged customers to purchase the wine via the winery website (online shop). It is interesting to note that the category that includes the reference for buying the wine via the online shop makes up in total only 17%, whereas the content analysis showed that as many as 39% of the wineries in the sample have an online shop. This means that over 20% of the wineries that do have an online shop overlooked referring to it.
3. *Visit the Winery* – 14 wineries (7%) advised that the wine could only be purchased at the winery and invited the person to visit.
4. *Information on Where Wine Can Be Purchased* - 13 wineries (6%) indicated where the wine could be purchased. Some provided the retail shop information; others sent website links of the stores, or restaurants and bars were listed.
5. *Other* – the remainder of the sample provided one-off suggestions or no suggestions.

4.2.3 Relation response time to customer email to size of winery
The analysis shows that the fastest response rate came from small wineries (< 50.000 and between 50.001 and 100.000 bottles production per year) within less than 24 hours. The same applies for the response rate within a day; the majority was from the smaller wineries (< 50.000 and between 50.001 and 100.000 bottles production per year). Only one winery in the category 100.001 to 150.000 bottles production per year answered within one day (see annex 1 due to the size of the table).

5. DISCUSSION AND CONCLUSION

5.1 Implications of Research
This paper addressed the research question of what impact the size of German wineries has on the use of social media and consumer engagement. The analysis shows that German wineries have a low adoption (27%) of Web 2.0 components and that the size of the winery does have an impact on the adoption of Web 2.0 components, since the greater the size of the winery the higher the adoption of Web 2.0 components.

It is expected that the reason for this is the fact that Web 2.0 components require regular updates with new information (Kaplan and Haenlein, 2010). Larger wineries do have more resources available to implement, monitor and update Web 2.0 components (Bengtsson *et al.*, 2007). In addition larger wineries might also have more financial resources to be technologically equipped with the necessary infrastructure (PCs, mobile devices etc.), have a higher budget to spend on required software, and have the time and expertise to train people on the usage of Web 2.0, whereas this may not be as feasible in smaller family-run wineries.

On the other hand, smaller wineries had the highest response rate to the fictional customer email request, responding within the first 24 hours to one day, verses a slower response rate from larger wineries. This suggests that small wineries may be more nimble because of their size, and able to respond more quickly to customers.

When compared with the results of a similar study conducted in the US (Thach, 2009), the US wineries were faster in their response rates, but more German wineries answered the customer request. In 2009 US wineries had already a higher adoption rate of e-commerce (61%), compared to German wineries (39%) today. Also the adoption of Web 2.0 components is low for both US and German wineries, but it is important to keep in mind the four year gap between the studies, and it is expected that the US market has by now evolved, thus the analysis would show a different picture of the US market today.

An interesting difference is the fact that German wineries seem to be very eager to ship/deliver the wine directly and to take the order via phone/fax/email rather than mention their online shop, despite the fact that they have one.

Despite the high internet penetration in Germany, the very rapid evolution of social media, smart phones and other technologies, this study shows that adoption of Web 2.0 components by German wineries is very slow and sporadic.

5.2 Managerial Recommendations for German Wineries

There are several managerial recommendations for German wineries. The first is that those without websites and e-commerce engines gain a better understanding of these tools and find solutions for implementation, since they are the tools that today's customers are using. A second recommendation is that German wineries become better acquainted with the concepts of Web 2.0 and social media in order to fully understand its strength and opportunities. A third recommendation is that German wineries should analyze how they can add Web 2.0 and social media as a complementary element to their traditional wine marketing strategy (Armelini and Villanueva, 2011). While it doesn't replace traditional marketing tools, it does provide a new means for brand awareness and customer interaction.

In addition, the German Wine Institute could play a crucial role by offering training seminars to its members (beginners and advanced levels, both in person and via webinar) to provide the much needed education and training for German wineries. This is because, in many cases, social media provides a cost-effective possibility for wineries to build trust and reputation, as well as inform customers and potential customers about their products and promotional events.

5.3 Limitations & Future Research

One limitation to this study was that the fictional customer request was sent on a Saturday and therefore, some wineries may not have opened the email until Monday. Therefore, in future studies similar to this, the timing of the email should be carefully orchestrated. There are also addition opportunities to extend this research by duplicating it in other global wine regions, as well as implementing longitudinal studies to assess the progress in adoption of Web 2.0 and social media components by wineries. An added benefit would be to conduct more studies that calculate the return on investment (ROI) for wineries implementing Web 2.0 and social media.

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7. ANNEX

Annex 1: Correlation between response time to customer email and size of winery

Customer response rate - resposne in	*Bottles produced per year*													
	0	<50.000	% of < 50.000	50.001 - 100.000	% of 50.001 - 100.000	100.001 - 150.000	% of 100.001 - 150.000	150.001 - 200.000	% of 150.001 - 200.000	>200.000	% > 200.000	Doesn't exist anymore	Don't want to share	% of don't want to share
< 24 hours	0	6	6	3	7	0	0	0	0	0	0	0	1	4
1 day	0	19	20	13	28	1	8	0	0	0	0	0	3	11
2 days	1	14	15	16	35	5	42	2	67	11	61	0	6	22
3 days	1	8	9	4	9	0	0	0	0	1	6	0	4	15
4 days	0	3	3	2	4	1	8	0	0	0	0	0	1	4
5 days	0	3	3	0	0	0	0	0	0	0	0	0	0	0
6 days	0	1	1	0	0	0	0	0	0	0	0	0	0	0
7 days	0	2	2	0	0	0	0	0	0	0	0	0	1	4
8 days	0	1	1	1	2	0	0	0	0	0	0	0	0	0
9 days	0	0	0	0	0	0	0	0	0	0	0	0	1	4
10 days	0	1	1	0	0	1	8	0	0	1	6	0	0	0
No reply	3	35	38	7	15	4	33	1	33	5	28	4	10	37
Total	5	93	100	46	100	12	100	3	100	18	100	4	27	100