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Click, Ship, Sip:
Who is the Online Wine Buyer?

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Abstract

◦Purpose: The purpose of this research is to provide a detailed profile of the typical wine buyer in the United States. Online sales represent approximately 5% of the total wine market in developed countries, but is experiencing rapid growth with a 38% increase in 2010 and up to 15% of all wine sales in Britain taking place online (Lochshin and Corsi, 2012; Pfanner, 2013; VinterActive LLC, 2011).

◦Design/methodology/approach: A survey was designed to gain information about wine consumption, wine purchasing, and online behavior. The survey was distributed through a database of wine consumers and 918 responses were obtained. Following the completion of the data collection and analysis, a second, independent, survey was designed and distributed to a new group of potential respondents, obtaining 191 millennial wine consumer responses.

◦Findings: The US online wine buyer is an older, married man, with an income higher than other wine consumers. Online buyers are more likely to be wine connoisseurs and enjoy talking about wine. Despite access and comfort with technology, Millennials are not likely to purchase wine online. Millennials site preferences for buying wine that they have an experiential connection with, immediacy of consumption, and the cost of shipping as reasons not to purchase online.

◦Practical implications: As a result of this research, online retailers and wineries have a better understanding of how to position themselves to appeal to the individuals that are purchasing wine online. In addition, this research identifies many opportunities to expand online wine sales through untapped consumer markets.

Key words: online, consumer behavior, wine, purchasing

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1. INTRODUCTION

E-commerce represents 4% of total retail trade sales in the United States with $145 million in total value (US Census Bureau, 2012). The number of people who have purchased something online has expanded to 117 million (Laudon and Traver, 2009). The demographic profile of new US online shoppers has broadened to become more like ordinary American shoppers while at the same time significant generational differences in purchase patterns have emerged (Laudon and Traver, 2009). The Internet enables expansion into otherwise unreachable markets. E-commerce has emerged as one of the most important methods of doing business and holds considerable potential to increase sales for years to come (Limayem et al., 2000).

The Internet has the potential to allow small wineries to reach a much wider audience. Wine e-commerce experienced an annual growth rate of 38% in 2010 (VinterActive LLC, 2011). Although state laws impede some potential sales, consumer pressure is likely to increase the states that allow Internet wine sales and further grow this sales channel (First Research, 2013). While online wine purchasing currently represents 5% of the total wine market in developed countries, 2% of global wine sales, select areas are significantly higher (Lockshin and Corsi, 2012). Online wine sales in Britain have reached 15% of wine sales (Pfanner, 2013).

Capturing the millennial consumer is of increased interest for the wine industry. Born between 1977 and 1999, Millennials are the most recent generation to come of drinking age (Olsen et al., 2007). The Millennial generation currently makes up 14% of the legal drinking population, but will grow to ~40% over the next 10 years (First Research, 2013). The millennial generation currently makes up 28% of core wine drinkers; core meaning they drink wine at least once a week, on average (Wine Market Council, 2011).

The Millennial generation grew up with the Internet at their fingertips and is very technology savvy (Olsen et al., 2007). They have also been very involved in digital social networks, and connect through them often (Lecat and Pelet, 2011). Because of this comfort with the Internet and technology, it would seem Millennials would be the prime demographic to take advantage of the increasing opportunities to purchase wine online. However, recent research suggests that the Internet is the least common location for Millennials to buy wine (Thach, 2011).

As the wine industry continues to grow, it is likely that online direct to consumer wine sales will grow as well. However, if it isn't Millennial wine buyers making online wine purchases, who is it? This research will profile the online wine buyer and provide valuable information for wine retailers and wineries with online sales for targeting and reaching the wine buyers. In addition, hurdles for millennial online wine buyers will be identified. The information gathered from this study will help businesses interested in selling wine online understand more about the nature of online wine buyers and what will (or will not) drive them to purchase wine online.

2. REVIEW OF LITERATURE

Online venues offer convenience, selection variety, lower prices, original services, personal attention, and information access (Zhou et al., 2007). However, online shoppers tend to be more concerned about possible losses (e.g., security of information and vendor reliability) than with those associated with perceived gains (e.g., different convenience-type attributes) (Bhatnagar and Ghose, 2004). In contrast to other shopping experiences, men tend to have more positive sentiments toward online shopping than women (Alreck and Settle, 2002).

Stening and Lockshin (2001) compared the online purchasing patterns of 700 wine customers and found that online wine purchases were of higher priced wines with a larger shopping basket. They speculated online purchases tended to be expensive and hard to find wines, versus in-store convenience purchases. Contrary to Stening and Lockshin's (2001) findings, consumers in Bruwer and Wood's (2005) research found wine consumers utilizing online resources to find bargains, but were also interested in the extra information provided online. Wine is both an information and price-sensitive product when it comes to online retailing (Bruwer and Wood, 2005). Sheridan et al. (2009) found that first time US online wine buyers had problems trying to buy online because of the legal and technical differences across states.

Although wine e-commerce is becoming a recognized sales channel, little research has been dedicated to developing a better understanding of the demographics and psychographics associated with these online wine purchases. Access to the internet as well as the number of online retailers have increased since Bruwer and Wood's (2005) research as well as Stening and Lochshin's (2001) research, likewise, it is reasonable to believe that the online wine buyer has also changed. Developing a more complete picture of today's consumers that partake in wine e-commerce has the potential for significant sales and marketing implications.

3. MATERIALS AND METHODS

3.1 Online Wine Buyer

A 21 questions survey was developed consisting of questions related to demographics, wine consumption, wine purchase behavior, and a series of psychographic questions. Respondents were asked to indicate where they make their wine purchases by checking all that apply from a list of 13 different commonly used wine suppliers (e.g. grocery store, tasting room, wine clubs). Included in the list, were two online wine purchases (online from winery and online other website). Respondents that selected either of those two options were considered part of the target group.

Because questions pertained to consumer behavior and preference, five symmetric itemized rating scales were used to reduce leniency error (Smith and Albaum, 2004). Respondents were asked to rate eighteen wine purchasing features on a five-point desirability scale. These features include wine characteristics such as quality, price, and image. The survey asked participants to rate their identification with seven wine-related psychographic statements.

The survey was available to subjects for six weeks in early 2013 through SurveyMonkey. A link to the survey and a brief explanation of the study was sent to wine purchasers from a Constant Contact email list of 3,000 wine purchasers. All respondents were pre-screened in the first two questions of the survey to ensure that they were of legal drinking age and have purchased wine in the past year. The survey was terminated if those criteria were not met. At the end of the survey, subjects had the opportunity to provide their email and be entered in a lottery to win two bottles of wine (Sellitto, 2006).

3.2 Millennial Online Wine Buying

The objective of this second survey switched from developing a profile of online wine buyers from a large sample to a deeper, more qualitative study of Millennials' hesitations to online wine buying, thus necessitating the second, independent survey. The survey sought to identify Millennial wine buying habits, reasons why they are not buying wine online, and ways to more effectively reach Millennial consumers online. Respondents were asked questions related to their wine purchases, demographics, experience purchasing wine online, and sentiments about making online wine purchases (modified from Limayem et al. (2000)). Respondents were also surveyed regarding their use of technological devices.

4. RESULTS

4.1 Profile of the Online Wine Buyer

4.1.1 Sample Demographics

Of the 918 surveys collected, the majority of responders were female (62.5%). MRI data supports the female dominance of wine purchases at 59.1%. The top four age categories were 18-24, 50-54, 25-29, and 55-59 at 19.6%, 16.6%, 13.6% and 13.2%, respectively. A considerably high number of respondents (37.3%) had household incomes ≥ $150,000 and the second largest income group was $75,000 to $149,000 at 27.4%. Though the study's income distribution differs from the MRI's income distribution, both show a clear pattern; the majority of wine purchasers fall under the two highest household income groups. For education, the top three represented options were college graduate, postgraduate work, and some college, at 50.7%, 33.8%, and 13.8%, respectively. The majority of respondents stated they were "married/ living with a partner" (65.0%).

A majority of respondents buy wine from the grocery store (84.3%). Almost half of the respondents buy wine from a wholesale store and tasting room, at 49.9% and 45.7% respectively. Following grocery store, wholesale store, and tasting room, sources of wine purchases were restaurant, specialty wine shop, and online from winery, other, convenient store, and other website, in that order respectively. Less than 3% of respondents purchase wine from gift shops, hotels, and wine apps.

4.1.2 US Online Wine Buyer

Of the 918 respondents, 20.5% respondents indicated that they purchased wine from online from a winery and 5% indicated that they purchased wine from an online site other than a winery. The 211 respondents that purchase online were isolated into an online wine buyer target group and compared to the remaining 707 respondents.

The split between online wine buyers and those who are not revealed demographic differences. Online wine buyers tend to be older, with 77% of the online buyers over the age of 40, compared to just 50% of non-online buyers. Just 14.7% of the online buyers were in the 21-29 age category (Millennials), compared to 38.8% of the respondents who do not purchase online. The gender gap narrows with online buyers. In the original sample, 62.5% of the sample was female, compared to just 52.2% of the online wine buyers being female. Likely a function of the age difference, online wine buyers were more likely to be married (p=.000), have children living at home (p=.001), and have higher household incomes (p=.000).

Using a five-point scale, respondents were asked to indicate their level of agreement with seven psychographic statements related to wine. Compared to those that don't purchase wine online, online purchasers were more likely to consider themselves a wine enthusiast (p=.005), enjoy talking about wine (p=.003), consider themselves knowledgeable about wine (p=.012), and consider themselves a wine connoisseur (p=.012).

Behaviorally, online wine buyers tend to differ from wine consumers that don't purchase wine online. Online wine buyers reported buying 7.7 bottles per month, compared to 5.7 for those that don't purchase online (p=.001). In addition, online wine buyers spend more on wine, having reported $134 US in monthly wine spending compared to $81.6 US for respondents that don't purchase wine online (p=.000). Nearly 30% of online purchasers normally spend more than $18.50 US on a bottle of wine, compared to just 17% of respondents that don't purchase wine online (p=.003).

Online wine buyers also seek out different characteristics in their wine purchases. Compared to respondents not purchasing wine online, online buyers are more likely to be interested in wines that are considered a premium quality product (p=.032), from a recognized growing region (p=.025), from a family owned winery (p=.005), and from a boutique winery (p=.011). Online wine buyers report more interest in both new and old world wines (p=.022 and p=.027, respectively), compared to those that don't buy wine online. In addition, online buyers are less interested in a wine when it is offered at a sale price (p=.000) and less interested in the wine's label design (p=.001).

In the search for information about wine, online buyers tend to exhibit characteristics that are different than the typical wine buyer. Online buyers are more likely to use a phone app for wine information, 16.1% compared to 9.9% for non-online shoppers (p=.018). Likewise, they are more likely to use a tablet application for wine information (p=.011). Other sources of information that more likely to be used by online buyers include winery websites (p=.000), Google (p=.061), print media (p=.000), and friends / family (p=.000). There were no significant differences between the two groups in terms of the use of Yahoo, Facebook, Twitter, and blogs for wine information. A demographic, behavioral, and psychographic profile of the online wine buyer is presented in Table 1.

Table 1. Profile of the US Online Wine Buyers

	Online Buyers
Demographics	Older (77% are 40+) men
Household	Married with Children
Income	Higher household incomes
Wine knowledge	Wine enthusiasts or connoisseurs, enjoy talking about wine
Purchase habits	Each month purchase 2 bottles more and spend $50 more than traditional buyers
Wine types	Premium quality, recognized growing regions, family owned and boutique wineries
Information search	Wine apps, online sites, print media

4.2 Millennial Online Wine Buyer

As a means to building a better understanding of why Millennial wine consumers were among the age groups least likely to purchase wine online, the second survey was designed and distributed online. A total of 161 Millennial wine drinkers completed the second survey. The majority (51%) of survey respondents were 21 to 24 years old, female (68%), employed full-time (56%), and single (63%) with no children under 18 living at home (87%). Respondents were highly educated with 38% completing some college and 42% with college degrees. Respondents tended to have lower incomes than the original sample with 40% reporting annual household incomes under $24,999 and the majority (63%) being under $49,999. The majority of respondents own or regularly use a smartphone (96%) and a computer (94%).

The majority of Millennial respondents (85%) purchase 1-5 bottles of wine each month in the

$10.00-$14.99 US price range. The majority of respondents purchase wine from grocery stores (85%), tasting rooms (53%) and liquor stores (53%), while 66% of respondents purchase wine most frequently from grocery stores.

Respondents were asked questions to explore their online wine purchasing history, plans for the future, and general feelings regarding online wine shopping. The majority of Millennial respondents (79%) had never purchased wine online and are unlikely (63%) to purchase wine online in the near future. Despite the lack of purchases online, 53% of Millennial respondents are using winery websites to find information about wine, compared to just 40% using wine magazines. Table 2 showcases some of the key differences between millennial wine buyers and the general wine buyers from the first survey.

Table 2. Profile of General Wine Buyers Compared to Millennial Wine Buyers

	General Wine Buyers	**Millennial Buyers**
Monthly wine purchases	6	4
Monthly wine spending	$95.66	$30
Wine purchase prices	$10 - $18.49	$10 - $14.99
Purchase venues	Grocery store, tasting rooms, and specialty wine shops	Grocery stores, tasting rooms, liquor stores
Purchase online	70% have never purchased online	79% never have purchased online
Wine information sources	Friends and family, Google, print media	Winey websites, print media, Facebook

Note: General wine buyers are wine buyers from the first survey, while millennial buyers are those from the second survey designed specifically for millennial respondents.

Millennial consumers purchase wine to consume within the next month and therefore believe that it is not worth waiting for a wine shipment. Half of the respondents feel that the cost of shipping makes buying wine online too expensive and compared to just 37% who agree that, “shopping for wine online is more convenient than regular shopping,” (p=.0059). Millennials prefer to purchase wine that they have an experiential connection with (67%) and do not think they can get better service from Internet stores (36%). Despite findings from earlier research, the majority of respondents believe their financial information is secure when purchasing wine online and don’t believe privacy violations are a major problem.

The sample was further split between Millennials that had purchased online (13.5%) versus those that had not purchased online. Even within this Millennial sample, respondents who have purchased wine online are significantly more likely (than respondents who have never purchased wine online) to be 25 years old or older, employed full-time, married/ living with a partner, a college graduate or postgraduate, with an annual household income over $75,000. Respondents who have previously purchased wine online are significantly more likely to purchase 3-5 or 10+ bottles of wine a month. They are also significantly more likely to buy wine that is $15.00 a bottle or more. Respondents who have never purchased wine online are more likely to buy 1-2 bottles of wine a month in the $5.00-$14.99 price range.

Respondents who had previously purchased wine online are more likely to agree that online purchasing saves them money (p=.011), is more convenient than regular shopping (p=.004), and that their financial information is secure (p=.011). They are also more likely to disagree that the quality of wine available for purchase online is untrustworthy (p=.001) and, surprisingly, they are more likely to believe that the cost of shipping makes buying wine online too expensive (p=.002). Respondents who have never purchased wine online are more likely to agree with the statement, "I typically buy wine to consume within the next month; therefore it is not worth waiting for a wine shipment" (p=.000).

5. SUMMARY AND CONCLUSIONS

Online wine buyers are more likely to be a highly involved wine consumer that appears to know more about wine and dedicates additional resources to wine purchases. In a sample of 918 wine consumers, 211 respondents indicated that they purchase wine online. Those online wine purchasers purchase more wine at higher average prices, they are more likely to talk about wine with friends, are more likely to consider themselves knowledgeable about wine, and they are more likely to seek out information about wine. They also tended to be older, male, and have higher household incomes.

The 21-29 age group was the group least likely to purchase wine online and, thus, that segment of the population was followed up with using a second, independent survey. Consistent with our expectations, the majority of Millennials surveyed in the second survey have never purchased wine online (79%). Of the respondents who have purchased wine online before, almost half (48%) aren't likely to do so again in the near future. Older Millennials that have higher incomes and full-time jobs are more likely to partake in online wine purchases. Buying wine online is not thought of as a way to save money, but as an outlet to purchase nicer wines for special occasions or gifts. The top three deterrents from Millennials purchasing wine online are that Millennials prefer to buy wine that they have an experiential connection with, typically buy wine to consume within the next month (and don't think it is worth waiting for a wine shipment), and think the cost of shipping makes buying wine online too expensive. The majority of Millennials purchase their wine from grocery stores.

For wineries or wine shops that would like to increase online sales to Millennials, it is recommended that they find ways to decrease the cost of shipping wine to purchasers. It is also recommended that they market the wines available online as quality wines perfect for a special occasion or gift. It is also important to help Millennial consumers make a connection with the wines they are purchasing online, further research is necessary to determine how to make that connection.

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