

Success marketing factors for boutique wineries: Perception of wine store managers

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Abstract:

Purpose: The purpose of this paper is to examine the most important strategies for small wineries in wine stores, from the managers' point of view. There are about 120 small wineries in Israel. Their wines are sold by a limited number of wine stores.

Methodology: Wine stores owners/managers were interviewed face to face, using a designed questionnaire, about the importance of marketing structures to improve selling wine produced by small wineries. Statistical analyses using IBM SPSS were applied to draw conclusions.

Findings: Three factors, implementing principal component analysis, derived from the data can be interpreted as representing the following: (1) "emphasizing medal"; (2) "wine tasting" and (3) "wine label". Tasting wine and medal achieved by the wine perceived as important factors for both wine consumers and wine stores managers.

Practical implications: In store wine festivals with cooperation of a boutique winery is suggested. It is recommended that the winemaker of the winery will present the wines during the event, followed by wine tasting, then offering special prices or the wine that were tasted.

Keywords: Wine stores, boutique wineries, small wineries, premium wine

INTRODUCTION

Israel is an emerging country of wine producing. Wine consumption in Israel was mainly for celebrations for decades. The Israeli wine has been transformed in the last 20 years by producers to quality and premium wines, mainly due to the modern technologies and agriculture adopted since 1980. Wine consumers in Israel are looking for wines for pleasure, with their food or just enjoy drinking. The majority of the wines in Israel are sold in supermarkets and wine stores, price range between US\$5-10. However, wine consumers in Israel are exposed to foreign wines and are willing to try good wines which are displayed in wine stores (which sell all kind of spirits but the majority of products is wine). Premium wines are made in all wineries, the big wineries as well as small wineries, so called “boutique wineries” (producing up to 100,000 bottles a year), and they are marketed in special wine stores or in the wineries cellar doors. The number of wineries in Israel is estimated as 300, but the five big wineries in the country account for 80% of the market, while the boutique wineries market share is only 2.5% of the total wine volume produced in Israel, and they produced only premium wines with price tag of US\$15 and more. Most of the wines made in boutique wineries are “high cost” wines and are sold mainly in the winery cellar door or in specialized wine stores. A crucial marketing issue for boutique wineries is selling their wines in a wine stores and getting a reasonable profit both for the winery and the wine store. However, price is used as a trade off against other attributes and the customer willingness to pay for the wine is correlated with the perceived quality of the wine. Special marketing plans are required to promote premium wines, mainly because of the high sell price and the cost of keeping such wines in stock.

Wine stores need to provide consumers with wine affordable prices, even for customers who are less sensitive about price when purchasing wine for special occasions. Studies on the impact of wine cues on consumers’ wine purchasing behavior are well documented in the literature (e.g., Goodman et al., 2006; Mueller and Szolnoki, 2010; Sherman and Tuten, 2011). Koewn and Casey (1995) stated that pricing was extremely important for all respondents in their study of wine purchasing influences. According to Oczkowski (2010) the wine price depend on several quality factors and objective characteristics such as reputation and sensory. Exhibition awards also play as quality signals in wine marketing and contribute to the price of the wine (Orth and Krska, 2001). Lockshin et al. {, 2000 #14476} highlight the fact that brand name acts a surrogate for a number of attributes including quality. However, tasting the wine is still the most concerning risk for consumers, and plays a dominant role for wine (Mitchell and Greatedex, 1988; Thompson and Vourvachis, 1995). In most cases, tasting the wine is not possible to taste selection of wines in wine store, hence, consumers try to select wine based on extrinsic cues such as label, brand, medal to the wine, winemaker and other extrinsic cues. Lockshin and Corsi (2012) reviewed about hundred articles on wine consumers’ behavior that published in academic journals between 2004 and 2012. This points to the growing academic interest in its consumption behavior of wine. Yet, the authors stated that they do not know consumers’ behavior towards premium/luxury wines as the amount of empirical research in luxury products is quite low.

In this paper we present a possible marketing plan to promote premium wines made by boutique wineries, with the cooperation of wine stores. This study has been done by interviewing wine stores owners or managers, using a structured questionnaire. The questionnaire include a list of 23 attributes related to wine marketing, such as the importance of wine tasting, medal granted to the wine, label and information on the label. Further to the questions related to the wine, the questionnaire included information about the size of the wine store, range of products, profit expectation, preference of purchasing channels and more.

METHOD

Wine stores owners/managers, who are responsible for the wine purchasing, were interviewed face to face, using a designed questionnaire, about the importance of marketing structures to improve selling wine produced by small wineries. A list of 23 attributes related to wine marketing were included in the questionnaire. Participants were asked to rate each attribute's importance in terms of their own perceptions (on a Likert-type 1-5 scale). The interviewer explained the subjects the purpose of the research and the definition of a "boutique winery" as follows: *"Please rate the importance of the following attributes when you consider adding wines made by a "boutique winery" to the store wine collection. A winery is considered as a "boutique winery" if the winery production is less than 100,000 bottles a year."* Statistical analyses using IBM SPSS were applied to draw conclusions. The questionnaire included demographic questions such as gender and age and questions about the wine store, the type of beverages in the store, number of wineries represented in the store and whether boutique wineries sell their wines in the wine store. The data was collected in Israel between January 2015 and June 2015, in wine stores located in different regions of Israel (Tel Aviv area 9 stores, Jerusalem area 13 stores and central region of Israel 8 stores). Table 1 presents the types of the wine stores.

Table 1: Wine store Types

	No. of wine stores	Percentage
Size		
<25m ²	4	11.8
25-50m ²	8	23.5
50-100m ²	12	35.3
100-350m ²	10	29.4
Total	34	100.0
Number of products in the wine store		
<=1000	12	35.3
1001-2000	16	47.1
>2000	6	17.6
Total	34	100.0
Number of boutique wineries in the wine store		
<=10	5	14.7
11-20	11	32.4
21-30	13	38.2
>30	5	14.7
Total	34	100.0

RESULTS

The average levels of importance of the features are presented in Table 2 in the order of importance. The most important attribute was "local wines in store" (4.62 out of 5.00) followed by "in store wine tasting" (4.56 out of 5.00). The least important features are the importance of "visitor center in the winery" and "winemaker signature" on the back label, which are significantly less important of all other features.

Other important factors for wine stores owners/managers are "tasting the wine before purchase", "agent knowledge", "information about aging", "medal" granted to the wine and the wine "label". Other factors such as "winemaker signature" and "visitor center in the winery" seem to be of least importance (see Table 2). These findings are in agreement with other studies on wine purchasing by consumers. Orth and Krska (2001) for example, noted the importance and influence of wines receiving exhibition awards on consumer preferences. The front label includes information on the wine, brand and variety, while the most common back label refer to the winemaker, and the type of food matching with the wine as well as other information about the wine such as the taste, smell, aging and winemaker (Charters et al., 1999).

It is not straightforward to draw conclusions about the importance of the features that influence sells of wine in wine stores using simple statistical analysis such as comparing means. Is the wine label significantly more important than the wine medal or less important that emphasizing the medal? To explore "bundles" of characteristics and to detect the underlying dimensions of the participants' perceptions of marketing and selling wine made by boutique wineries, their perception ratings were subjected to a principal component-based factor analysis. Seven factors, accounting for 74.7% of the total variance, were extracted from the data. Factors with eigenvalues greater than 1 were extracted and rotated using the Varimax method to form an orthogonal structure. For practical reasons and because several factors include only one feature, the number of principal components were then limited to only three factors.

Table 3 summarizes the results of the principal component analysis. The rotated factor structures and the item loadings are presented in Table 4 (only factor loadings above .5 are presented). The three factors derived from the data can be interpreted as representing core features, and they are as follows: (1) "emphasizing medal"; (2) "wine tasting" and (3) "wine label".

Factor 1, the "emphasizing medal" contributes 25.5% to the total variance and includes five features that describe the factor and emphasizes the importance of medal/award visibility in the store. The second factor contributes 15.5% to the total variance and labeled as "wine tasting" which includes in store wine tasting and tasting during festivals. The "wine label" represents the front the information on the front and back label and contributes 13.5% of the total variance.

Table 2: Mean scores of perceived importance of wine store features reported by owners/managers ($n=34$)

	Mean	Std. Deviation
Local wines in the store	4.62	0.65
In store wine tasting	4.56	1.05
Wine tasting during holidays	4.53	0.93
In store wine festival	4.53	0.93
Agent knowledge and professional	4.53	0.93
Info about aging in barrels	4.50	0.86
Wine tasting before purchase	4.29	1.22
Emphasize medal	4.24	1.13
Wine Label	4.21	1.01
Will medal/award help the consumer decision	4.18	1.19
Promoting local wines & foreign wines	4.18	1.14
Kosher of the wines	4.15	1.10
Info on back label	4.03	1.14
Better negotiation and trade directly with the winery	3.97	1.45
Special package	3.85	1.16
Info on front label	3.82	1.11
In store medal advertising	3.79	1.30
Country wine festival	3.79	1.27
Visiting wine exhibitions	3.79	1.41
Medal/Award	3.71	1.40
Achieving annual goals	3.62	1.39
Visitor center in the winery	2.71	1.47
Winemaker signature	2.29	1.47

Table 3: Percentage of variance explained

Factor	% of Variance explained	Cumulative %	Factor “label”
1	25.5	25.5	Emphasizing medal
2	15.5	41.0	Wine tasting
3	13.5	54.5	Wine label

Table 4: Factor loadings of wine tourism features (only factor loadings above .5 are presented)

	Component		
	1	2	3
Will medal/award help the consumer decision	.918		
Emphasize medal	.904		
In store medal advertising	.819		
Medal/Award	.708		
Visitor center in the winery	.577		
Wine tasting during holidays		.774	
In store wine festival		.689	
In store wine tasting		.621	
Wine tasting before purchase		.615	
Winemaker signature			.744
Info on front label			.561
Wine Label			.518

CONCLUSIONS

This study highlights the features that are perceived as important to wine stores owners/managers to promote wines made by boutique wineries in their wine store. Owners and managers of wine stores in different regions of the country were interviewed and were asked to rate 23 attributes related to wine marketing. They were asked to rate the attribute on a 1-5 Likert-type scale, where 1 is low importance and 5 is high importance. Implementation of principal component factor analysis to the data yields three factors that explain 54.5% of the variance and can be interpreted as representing core of marketing activities. The three factors derived from the data can be interpreted as representing the following: (1) “emphasizing medal”; (2) “wine tasting” and (3) “wine label”. Medal seems to be an important factor for wine consumers while selecting a bottle of wine. The study by Lockshin and Cohen (2011) made in 11 countries showed that the majority of wine consumers chose wine based on cognitive cues which include the brand name and a medal achieved by the wine. The second segment found in the study called “assurance cues” which includes tasting the wine and recommendation. The finding of this study in Israel are in agreement with the factors that found as important for Israeli wine consumers (Cohen, 2009).

The findings of this study are important to the marketing managers of boutique wineries in constructing a marketing strategies to expose and promote their high cost/premium wines in wine stores. In store wine festivals with cooperation of a boutique winery is suggested. It is recommended that the winemaker of the winery will present the wines during the event, followed by wine tasting, then offering special prices or the wine that were tasted.

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