

Defining the luxury wine category via an assessment of price-tier perceptions

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Abstract:

Purpose - This paper assesses consumers' perceptions of price tiers matched to budget, everyday, premium, ultra-premium and luxury sub-category definitions, in order to establish a price-tier definition for luxury wines so as to avoid the use of subjective terminology in ongoing research.

Design/methodology/approach - Respondents were given sets of nine price tiers and asked to rate the likelihood of each price-tier matching the specific sub-category. Five sets based on the five sub-categories were presented to respondents, who each provided 45 price –tier scores for analysis.

Findings - The findings reveal the point at which each price tier's likelihood is greater than the previous tier. The findings also reveal that ultra-premium and luxury sub-category definitions might be considered different sub-categories.

Practical implications - The study defines categories based on price-tiers and argues that consumers' perceptions may not be in line with industry classifications, particularly with regards to ultra-premium and luxury definitions.

Keywords: Wine, luxury, perceived value, luxury price perceptions

1. INTRODUCTION

Consumers' perceptions, attitudes and behaviour towards luxury wines is becoming an heightened line of enquiry in the wine research area. This is following the broader marketing area, where increased wealth provides increased opportunities for the luxury sub-category in markets, the importance of perceived luxury in developing wine markets such as China as well as the continual segmentation development of the general wine market. As evidence of this, the International Journal of Wine Business Research has a recent call for papers as well as the wine industry in Australia, highlighting the growing trend of luxury wines {Wine Australia, 2013 #312}.

The value of research in this area is further supported by the "Project GenomeSM Home & Habits" survey for Constellation Wines U.S. survey which found six major segments of premium wine consumers with two subsets specifically covering the luxury wine market {Constellation Brands Inc, 2015 #274}. Luxury Enthusiasts and Luxury Image Seekers together account for 5% of consumers but 20% of profits {Constellation Brands Inc, 2015 #274}. With the luxury sector appearing to offer profitable returns to U.S. wine businesses, there is good reason to explore this area within the Australian market, as well as investigating generalisations across local and export markets.

Because it is a relatively new line of enquiry, only a few studies have conceptually and empirically looked at the combination of wine and luxury. The most notable are those of Beverland who undertook several qualitative studies looking at what top wine firms do to set themselves apart from the norm {Beverland, 2004 #128; Beverland, 2005 #127; Beverland, 2006 #126}. Beverland's research mainly utilised the characteristics of luxury brands defined by {Phau, 2000 #137@@author-year} which suggested the following attributes; exclusivity, well known brand, high quality and strong customer loyalty. Using data from focus groups, interviews and secondary sources, six components or attributes of a luxury brand were proposed, value driven emergence, culture, history, marketing, endorsements and product integrity {Beverland, 2004 #128}. Subsequent journal articles emphasise the strength of quality, stylistic consistency, heritage, and authenticity {Beverland, 2005 #127; Beverland, 2006 #126}. Other aspects of wine and luxury explored in the literature include "visibility in social media" {Reyneke, 2011 #197} and "the influence of kudos and sentimentality" amongst Australian Champagne drinkers {Morton, 2013 #182}.

As wine quality cannot be judged until the bottle is opened, which is often not possible before purchase, consumers tend to rely on extrinsic cues {Schamel, 2003 #125}. Cues for wine products can therefore be classified as being intrinsic or extrinsic. Extrinsic wine cues are product-related attributes which are not part of the physical product. This could be price, brand name and packaging. Alternatively, intrinsic cues are attributes that are product-related which cannot be manipulated without also altering physical properties of the product such as the ingredients used, taste, texture and aroma {Richardson, 1994 #323}. Most wine studies have tended to focus on the extrinsic cues and the ones which relate specifically to competitive advantage such as country and region of origin and wine variety. Although

recent work is being carried out on the effect of other extrinsic cues such as wine packaging {Mueller, 2008 #83}. Given that luxury attributes are associated with exclusivity and quality, it would seem that price (relatively high price) would form part of consumer decision rules. In summary, the literature provides at least thirty attributes (benefits) relating either to the wine or the place of purchase which consumers use to make purchase decisions {Barrena, 2009 #238; Bernab  , 2012 #143; Brunner, 2011 #148; Casini, 2009 #200; Chrysochou, 2012 #105; Cohen, 2009 #161; King, 2012 #180; Viot, 2012 #233}. Of the attributes mentioned, eleven appear consistently: brand reputation, grape variety, price, label design /packaging, region of origin, medals or awards, vintage, recommendation by friends, previously tasted, wine expert recommendation, and try something new.

Whilst price should be an outcome of many of the other factors, it does also act as a cue for quality; a distinction made by {Ling, 2003 #119@@author-year}. The degree to which this is true depends on consumer uncertainty and their level of wine knowledge {Boatto, 2011 #124}. Also, Jarvis, Rungie, Lockshin & Goodman showed that wine behavioural consistency is highest for the price attribute, relative to brand, region and wine varietal {Jarvis, 2006 #165}.

The use of price to define quality categories is clearly the most simple, yet useful method of classification. To broadly define which wines would be considered as luxury, for the purposes of his study, {Beverland, 2004 #128@@author-year} used the ‘Icon’/US\$50+ classification from the {Geene, 1999 #314@@author-year} report for Rabobank International. The same report was used by the Australian wine industry to define five “quality” categories; Basic, Premium AU\$5 - \$9.99, Super-premium AU\$10 - \$14.99, Ultra-premium AU\$15 - \$49.99, and Icon AU\$50+ {Winemakers' Federation of Australia, 2000 #313}. This is, however, at odds with the more recent report on luxury wine growth {Wine Australia, 2013 #312} which classifies luxury wines as those priced \$30 and above, although there is no research evidence to support this definition.

The most recent academic work involving luxury wine brands examines the attributes that consumers most readily associate with luxury wine {Sjostrom, 2014 #286}. The work provides a two dimensional map of attributes associated with four different price tiers with a strong focus on the “luxury” category. However, the price bands of \$0-\$24.99, \$25-\$49.99, \$50-\$99.99, and \$100+ might be considered too broad, particularly at the lower end, in order to develop meaningful categories across the full spectrum of the market. {Tynan, 2010 #153@@author-year} point out that luxury goods and ordinary goods sit at opposite ends of a continuum and that consumers make judgments of where one ends and the other starts. This study set out to establish a general consensus amongst wine consumers as to the prices at which one category ends and the next starts.

2. METHOD

This study was designed as a preliminary study for more detailed research in to the perceived value that consumers derive from the purchase and consumption of ultra-premium and luxury wines. As such, a convenience sample was considered appropriate. Known wine consumers were contacted via email and asked to participate in an online survey. Snowball technique was utilised to increase the sample size. The final sample size was 107.

Consumers were asked to rate nine different price groups as to how likely wines at each level would fit the classifications ‘budget’, ‘popular/everyday’, ‘premium’, ‘ultra-premium’ and ‘luxury/icon’. This was done using 10 point Likert scales. An example of a set related to a “budget wine” is shown in Figure 1.

*** 1. In your opinion, how likely is it that you would consider a wine to be a **Budget** wine at each of the following price points:**

	Not at all likely	2	3	4	5	6	7	8	9	Extremely likely
under \$10.00	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$10.00 - \$14.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$15.00 - \$19.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$20.00 - \$24.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$25.00 - \$34.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$35.00 - \$49.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$50.00 - \$69.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$70.00 - \$99.99	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
\$100 +	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Figure 1: Example Survey Question

3. RESULTS

The 107 respondents provided 963 responses for each of the five quality categories. The mean score for each price tier was then plotted on a graph (Figure 2). Whilst not quite as perfect as the expected model, most of the categories are quite clearly defined. Although any score of 6 or higher suggests that a particular price point is considered “likely” for that quality category, the likelihood must also be higher than for each of the other categories at the specified price. This is reflected as the point at which the curves cross.

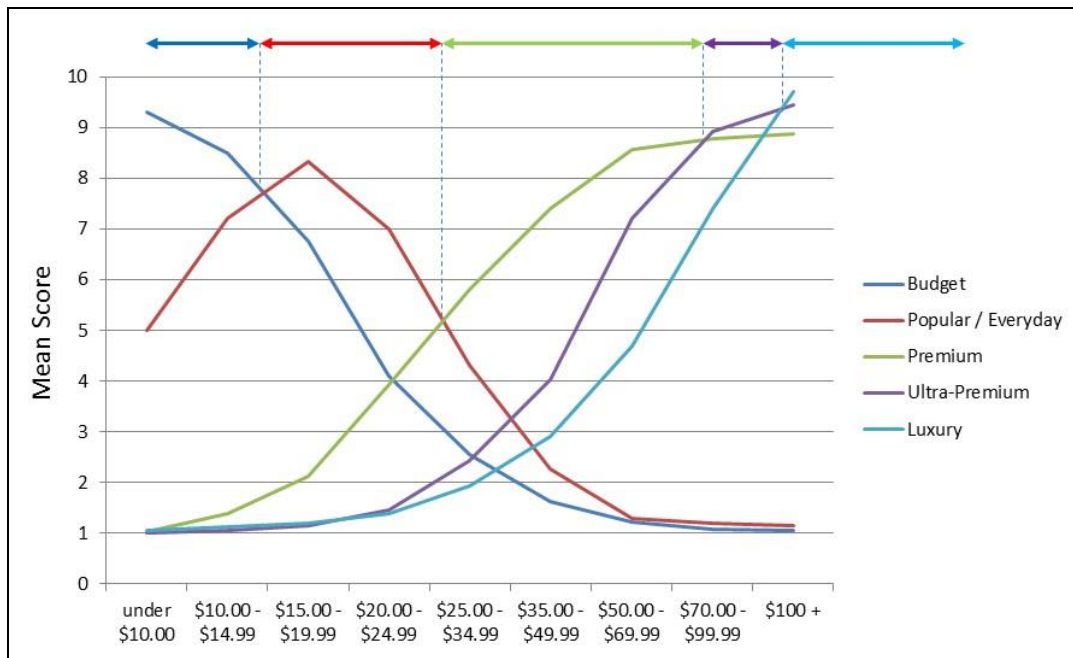


Figure 2: Chart of Quality Categories and Price

At any given point on the chart, the line closest to the top represents the quality category that respondents consider to be the “most likely” match to the corresponding price. The results, obtained by assessing the points at which the curves cross, show that consumers consider anything under \$14.99 to be a “budget” wine. Wines priced from \$15 to \$24.99 are considered “popular/everyday”, and the “premium” category covers prices from \$25 to \$69.99. “Ultra-premium” wines appear to align with prices of \$70 to \$99.99, and “luxury/icon” wines being \$100 upwards. The latter two categories may have been further apart if the price scale were extended upwards. With Australia’s most expensive wines retailing at \$700+ and those from elsewhere in the world at \$15,000+ {Wine-Searcher, 2015 #315}, this requires further thought. The five price tiers from this study are compared with those from previous industry reports {Geene, 1999 #314; Winemakers' Federation of Australia, 2000 #313; Winemakers' Federation of Australia, 2013 #322} in Table 1.

Table 1: Price Tier Comparisons

Geene et al. 1999		WFA 2000		WFA 2013		this study	
Icon	\$US 50+	Icon	AU 50+	A	AU >30	Luxury/Icon	AU 100+
Ultra-premium	\$US 14-50	Ultra-premium	AU 15-49.99	B	AU 15-30	Ultra-Premium	AU 70-99.99
Super-premium	\$US 7-14	Super-premium	AU 10-14.99	C	AU 10-15	Premium	AU 25-69.99
Premium	\$US 5-7	Premium	AU 5-9.99	D	AU 7-10	Popular/Everyday	AU 15-24.99
Bulk	\$US <5	Basic	AU <5	E/F	AU <7	Budget	AU <15

4. CONCLUSIONS AND FUTURE RESEARCH

This research provides some clarification on how consumer views of price categories differ from industry standards. The main purpose of the research was to provide a benchmark price above which wines are generally considered to be luxury and whether this deviates from other sub-categories such as premium and ultra-premium. These results show a slight distinction between ultra premium and luxury, but as these wines account for less than 1% of Australian production {Winemakers' Federation of Australia, 2013 #322} this may have limited practical application. However, it is clear that the current “icon” classification of wines priced at \$30 or \$50 may need to be re-evaluated. A starting point of \$70 or \$100 may be more appropriate.

The next stage of the research will utilise a larger sample and examine drivers of luxury wine consumption and the characteristic attributes that consumers expect of this category. The findings of this study will provide a consumer generated basis for the definition of luxury wine, remove the need for subjective terminology and ensure that respondents are all referring to the same thing.

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