

COMPETITIVE PAPER

ABSTRACTS

ONLINE STOCKING PRACTICES. CORPORATE CHAINS VERSUS INDEPENDENT RETAILERS: WHO SUPPORTS SMALLER BRANDS AND REGIONS BETTER?

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Introduction and Literature Review

The Australian online retail industry is currently worth \$20 billion, with predicted annual growth of 9% (IBISWorld 2017). Wine accounts for 52% of all digital liquor sales (IBISWorld 2018). Woolworths and Wesfarmers are key industry players in the sale of alcohol in Australia, with a collective online market share of 73% (IBISWorld 2018). Each company operates liquor stores in both online and bricks-and-mortar contexts. Corporately-owned wine retailers are extending their product portfolio by stocking more domestically-produced wines and large brands both in-store and online. Independent and boutique wine retailers are finding success by driving consumer interest towards specialty wines (Euromonitor 2017; IBISWorld 2018).

There is limited literature to explain what types of wine are stocked by online retailers. Wine producers are unsure which online stores will retail their products to broaden their chances of gaining shelf space. This research aims to uncover this gap by exploring the types of wine brands and regions offered by various sized online wine retailers. Two research questions are posed:

RQ1: How do the breadth (number of brands) and depth (number of SKUs) of wine brands differ between types of online retailers?

RQ2: How do the breadth (number of regions) and depth (number of SKUs) of wine regions differ between types of online retailers?

Price, variety, brand and region of origin are highly influential cues during wine purchase decisions, although there is no hierarchy in their importance to consumers (Hall et al. 2001; McCutcheon et al. 2009; Lockshin & Rasmussen 1999; Lockshin et al. 2006; Perrouy et al. 2006; Lockshin & Corsi 2012). Brand and region are two important cues used by consumers in Australia and most other countries, and are the only two cues analysed in this research to reduce the size of the study. Wine brands are similar to other consumer goods, except they also guide buyers to a clear and recognisable product choice in an otherwise complex environment (Lockshin et al. 2000). Region of origin refers to the geographical location where the wine's grapes were grown (Australian Wine and Brandy Corporation Act 1980) and impacts the wine's style.

Research Method

There is limited information available to accurately identify and measure well-known and lesser-known Australian wine brands and regions. The sample of brands ($n=122$) was established using Euromonitor, which lists the best-selling ($n=61$) wine brands in Australia; and the Australian and New Zealand Wine Directory (ANZWD), which outlines the hundreds of small and medium wineries in Australia. The ANZWD sample was reduced to ($n=72$) through stratified sampling from size categories within the list to insure a random selection of different sized wineries. The sample of regions ($n=66$) was sourced from the official list of Australian Geographical Indicators (GI's). Two sets of analysis were conducted on the sample of regions as there was no clear sign as to which regions were more well-known than others. Analysis 1 assumes the largest 50% of regions by number of producers ($n=33$) are more well-known, while Analysis 2 explores the changes that occur if only the top 20% of regions by number of producers ($n=13$) are considered to be well-known. The sample of online wine retailers ($n=21$) was sourced according to their size and commercial structure. Three key digital retailer types were selected: corporate ($n=7$), independent ($n=7$) and boutique ($n=7$). The data was analysed through frequency tables outlining the purchase availability of the same well-known and lesser-known brands and regions in each retailer. A wine was considered available if it was listed on the retailer's website and was able to be purchased.

Results

The results indicate that smaller online wine retailers – especially boutique retailers – have a greater availability of lesser-known wine brands than well-known wine brands. The results for regions are different, with most well-known wine regions being represented in each type of retailer. Corporate online retailers with bricks-and-clicks stores present a larger breadth and depth of well-known wine brands and regions than independent and boutique retailers. However, the offerings of well-known brands are still significantly smaller than the offering of lesser-known brands across all types of online retailers. Surprisingly, no significant differences exist between the two sets of regions of origin analysis.

Implications and Future Research

Three managerial and academic implications arise from this research. Firstly, wine producers aiming to increase their brand size (sales) should work to gain distribution in corporate online wine stores, as these retailers stock the most well-known brands. Smaller wine brands seeking distribution channels should explore availability in independent and boutique retailers, who are likely to be more receptive than corporate stores. Secondly, wineries located in well-known regions should communicate their origins in promotions and packaging, as online retailers offer more wine from well-known areas. Thirdly, this research helps to build a currently underdeveloped area of academic research as it is the first empirical study to be undertaken regarding wine availability and online retailing. Future research could extend the study to include more online wine retailers, brands, and regions to verify the results; and could also be extended to other Australian states and countries to determine if the findings can be generalised to other types and sizes of digital retailers not otherwise available in Australia.