

# WINE AND BEER DEMAND IN OUT-OF-HOME CONTEXTS IN ITALY: HOW IMPORTANT IS IT TO BE 'CRAFT'?

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The purpose of this study is to shed light on the new dynamics of competition between wine and beer in a traditional wine-producing and consuming country, such as Italy. This is motivated by the fact that since the eighties, the consumption of wine in Italy has rapidly decreased, while, beer consumption has steadily grown.

To our knowledge, the existing literature still lacks of clarification on how demand for beer products, especially for craft beer, may impact wine consumption and on how the wine industry may cope with the competition from the beer industry in wine producing countries.

To fill this knowledge gap, we explore Italian consumers' valuations for beer and wine products (commercial and craft), taking into account the role of context on consumers' choices.

To meet our research objectives, we conducted a face-to-face survey on a sample of wine and beer consumers in a city in northern Italy, randomly recruiting respondents from four different hospitality contexts (a traditional restaurant, an ethnic restaurant, a pizzeria and a bar). In order to elicit consumers' valuations for beer and wine products, the questionnaire contained a Choice Experiment. The choice experiment consisted of eight choice tasks consisting of four product alternatives: craft beer, commercial beer, craft wine and commercial wine. Each product alternative was characterized by four different price levels. Moreover, each choice tasks was characterized by the presence of an "opt-out" alternative ("I would drink something else"). For each purchasing scenarios respondents were asked to select their preferred alternative. The survey questionnaire was also designed to investigate objective knowledge about craft beer and craft wine, brand awareness and consumer perceptions of craft wine, craft beer, commercial wine and commercial beer. It was administered in the four selected contexts in the period January–April 2018. The sample consisted of 275 respondents.

The results show that most of the respondents were able to identify the correct characteristics of craft beer and (to a greater extent) of craft wine. However, we observe a high level of uncertainty among respondents. For example, one-quarter of the sample reported neither agreeing nor disagreeing with the

correct definitions of craft beer, and more than half of the sample ascribed an incorrect definition to craft beer. We observe similar knowledge gaps for craft wine.

The analysis of brand awareness revealed that, when respondents were asked to recall a brand of craft beer or wine, 53.9% of them could not recall any craft beer brands, while only 2.9% could not recall any commercial beer brands. Surprisingly, the brand awareness of wine was lower than that of beer: 65.5% of respondents could not recall any craft wine brands, and 11.2% could not recall any commercial wine brands.

Craft beer was perceived as an innovative, different, and trendy product. Craft wine was perceived as relating to sociocultural situations (e.g., for a gift, as a traditional product, or to support local production). Wine was also perceived as healthier than the other analyzed beverages. Craft wine and beer were perceived as sharing features related to the production process (e.g., high quality of raw material). Respondents mainly associated functional characteristics (e.g., low in calories) with commercial beer and wine.

The hypothetical field choice experiment reveals that the consumption contexts under consideration significantly influence valuations for craft beer and craft wine. Craft wine was the preferred beverage in the traditional restaurant and at the bar. In the sushi restaurant, craft and commercial beer was preferred over craft wine. Consumers have a higher willingness-to-pay (WTP) for craft wine and beer than they do for commercial wine and beer, in less-traditional contexts of purchase, namely the sushi restaurant for craft wine and the pizzeria for craft beer. Craft wine was found to have the highest WTP in all surveyed contexts. However, the WTP for craft beer was higher (at a statistically significant level) than that of commercial beer and even of commercial wine in the contexts in which wine and beer are matched with food (i.e., in the sushi restaurant and pizzeria). In the context of the bar, WTP was equal for craft beer, and craft and commercial wine. Only in the traditional restaurant did commercial wine receive higher WTP than craft beer at a statistically significant level.

This study demonstrates that new consumption contexts generate opportunities for craft beer and craft wine market. This is of great importance for small wine producers and Ho.Re.Ca. managers. The promotion of the culture of craft beer, as well that of craft wine, particularly in younger generations, is of relevance for encouraging consumer choices for authentic craft products. The findings relating to the high WTP for craft products deserve greater attention in future market analysis. As exploratory research, this study has some limitations. The size of the sample and the number and typologies of hospitality contexts are the principle limitations of the study.