Wine selection in Austria's Leading Discount Supermarkets Changes in Offerings, Origin and Price Between 2006 and 2018

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Abstract

◦*Purpose – The purpose of this study is to explore grocery discount stores as a distribution channel for wine in Austria. A comparison of wine assortments in discount stores in regards to assortment size, wine colour, style, alcohol content, grape variety, country and region of origin, price and bottling is made to identify trends within discount supermarkets wine selection.*

◦*Design – Through a quantitative content analysis the current wine assortment in pre-selected discount stores was made. The findings were compared to data from a previous study in 2006, to examine the main changes and trends of the wine assortment of Austria's leading discount stores.*

◦*Findings – Major findings include the range and size in wine selection, with an increase by more than 100% in the overall wine assortment in the analysed discount stores. Changes in colour preferences; red wine significantly decreased and the white wine share increased. This research shows a shift from foreign to domestic wines, where consumers are more aware of regional products. Nevertheless, important players of foreign wines include Italy, France and Spain. The major trends show a focus on origin, acceptance of specialties and pricing.*

◦*Practical implications – Results are meaningful for Austrian and foreign wineries, in order to successfully distribute their wines in Austria's leading discount stores.*

Key words: Austrian wine, wine assortment, discount supermarkets

1. INTRODUCTION

The rise of discounters is a key driver of structural change within the grocery retailing (The independent, 2014). The growing popularity is not just based on fads and fashion, discount retailers have become a sustainable player of the grocery market. The idea behind discounters consists of low prices and the abandonment of big assortments, brand articles and services (Planet Retail, 2014, p.39). However more discounters trust in the enlargement of their assortment, the addition to services and brand articles, as well as upgrading store design (Rose, 2017a, pp13.14).

According to the Austrian Wine Marketing board (2018), the domestic grocery retail market represents one significant and strong distribution channel for Austrian wine business, from which cellar door sales suffer. The share of direct wine sales decreased by more than 7% from 2009-2016, and the shares of wine sales by grocery retail supermarkets increased by 12.2% (Austrian Wine Statistics Report, 2018). Due to these trends one can assume that discount stores are becoming an important distribution channel for Austrian wine.

2. THEORETICAL BACKGROUND

In 2018, an average of 242 million litres of wine was consumed in Austria. The majority (135.0 million litres or 55.7%) was consumed on-trade or at events. A further 94.8 million litres (39%) was consumed by Austrian households and mainly purchased in multiple supermarkets. Tourists purchased approximately 12.1 million litres (5%) of wine. (Austrian Wine Statistics Report, 2018)

Although Austria is only a small European wine consumer in terms of volume, per capita wine consumption is relatively high at 27.1 litres. This is well above the average European per capita wine consumption of 23.9. litres in 2015 (CBI Ministry of Foreign Affairs, Austrian Wine Marketing). Consumption at home includes all wine purchases bought at wineries, in multiple grocers, or in other outlets such as specialist retailers. In 2018, home consumption in Austria accounted for 53.2 million litres of Austrian wine (+3,91% compared to 2017), and sales revenue amounted to EUR 271.3 million (+5,6% compared to 2017) (Austrian Wine Statistics Report, 2018).

The grocery retailing has gone through significant changes during the last 30 years. A variety of grocery store alternatives has emerged, including supermarkets, hypermarkets, discount stores, convenience stores, specialty retailers, gas stations, and online supermarkets. This development has made a significant impact on the sectors and the concept has experienced considerable expansion (Denstadli et al, 2003).

Recent figures show that discount grocery retailing is present in all Western European Countries, with approximately 30,000 outlets trading under 72 brand names and with an overall market share of 15% of total food sales (Colla, 2003). Western retailers have become involved in a market share battle, from which the discount format emerges as one of the few formats that manages to consistently grow. In 2002, all regular German grocery retailers experienced a considerable sales drop, while leading discount chains such as Aldi and Lidl grew by 15% (IGD Research, 2002). This success has led to an expansion of the discount format across European markets, where Aldi and Lidl operate thousands of outlets in more than ten countries (Deleersnyder, et al. 2007). According to Nielsen, the most important Austrian food retail companies measured by the number of outlets in 2016 included Rewe, Spar, Markant Austrian, Hofer, MPreis and Lidl (Nielsen, 2017a). Rankings in 2016 based on the largest Austrian Food Retail Companies by turnover, market share, and from the "Austrian Top 100 Retailers" by turnover; **Hofer, Lidl,** and **Penny Markt** represent the three most popular and leading discount stores in the Austrian food and retail market (Statista Austria, 2017). Hofer is the most important Austrian discounter with an estimated turnover of four billion Euros in 2016, followed by Lidl with 1.36 billion Euros and Penny Mark with 0.9 billion (Statista Austria, 2017a).

Researchers have described consumer wine research as follows "wine is an information intensive experience product and by virtue of this, the buying situation is often regarded as a complex one in which a high degree of associated risk is perceived" (Bruwer et al., 2010, p.5). Depending on the wine involvement level of a customer, Bruwer and Hirche (2014), studied the customers behaviour in the retail environment, knowing the customer base and their level of wine involvement is important for wine retailers, since factors influencing the wine buying decisions differ between low involved and high involved customers. Low involved consumers spend less money on wine on a monthly basis and purchase wine less frequently than high involved wine consumers. The most important factors to low involved consumers include wine style, country of origin, and price. Following these factors the brand and grape variety are considered. (Bruwer and Hirche, 2014, pp295-310)

Based on a wine buying behaviour study in supermarkets, Ritchie et al. (2010) concluded that wine is bought like any other grocery item and the purchase motive is largely driven by price considerations and discounts offered (Ritchie et al., 2010).

In 2014, (Hoffmann and Szolnoki, 2014b) dealt with the typical supermarket wine consumer in their research on German wine consumers. Their research includes those customers, who mainly purchase wines in supermarkets, discounters or wholesales. The most crucial factor influencing the buying decision of a German supermarket consumer are price and taste. (Hoffmann and Szolnoki, 2014b)

Also, country of origin considerations places a lot of value on the image of the country the product is associated with (Erickson et al, 1984). Packaging and labelling of wine are an important consideration for consumers (Lockshin et al., 2012). Other studies reveal the importance of label image and colour in influencing consumers wine preference (Barber et al, 2007).

The first official study analysing the wine assortment of Austrian discounters was conducted by Kirchberger and Stöckl in 2006/2007. The wine offerings of Hofer, Lidl and Penny Markt were analysed due to an increasing competition in wine retail, especially regarding the lower priced wine segment. The authors concluded that discount stores are extremely fast in adapting their consumers demands and studying their assortments provided deeper insights in discount wine consumers preferences. Findings from the 2006 studies revealed that the three discounters include a total offering of 113 wines, excluding rosé, sparkling, Tetra Pak and fortified wines. Penny Markt provided the largest offer (38.9%). Illustrations also showed that over half of the offerings (52.7%) consisted of foreign wines, Italy being far ahead. Further listings included Spain, Australia, USA, France, Chile and South- Africa (descending order). Kirchberger and Stöckl (2007a) compared pricing; more than three fourths of the wines offered were priced below EUR 3,- and almost all of the wines offered cost less than EUR 5,- Only 1.8% analysed lay above EUR 7,- (Kirchberger, T. and Stöckl, A., 2017)

3. RESEARCH OBJECTIVES

The aim of this study is to analyse the wine selection of Austria's leading discount stores compared to the product range of a previous study from Kirchberger and Stöckl (2006). The stores Hofer, Lidl and Penny Markt were chosen as these retailers are leaders in discount food retailing in their domestic markets holding substantial market share. They are also present in other European countries. They can especially be found in those countries where there is high purchasing power, and supermarkets are key formats (Colla, 2003).

What is the product range assortment of wine offered in Austria's leading discount stores Hofer, Lidl and Penny Markt in terms of package size, colour, wine style, alcohol content, country and region of origin, price policy?

Rose (2017b) pointed out that the grocery retail environment, especially those of discount stores, constantly change. Discount stores have to adapt to market changes in order to be successful. "therefore the discount retail experiences a paradigm changes and thus enables a stronger adaption to actual developments and altering consumer needs (Rose, 2017b, p.52). Hence, the second question:

What changes can be found in the assortment of wines in Austrias leading discounters Hofer, Lidl and Penny Markt between 2006 and 2018?

4. RESEARCH PROCESS / METHODOLOGY

Content analysis is an increasingly used method in today's social research (Bowen, 2009) and is regarded as a flexible method for the analysis of data resulting from a text (Cavanagh, 1997). It is an empirically grounded method, it transcends traditional notions of symbols, contents, and intents, and it has been forced to develop a methodology of its own (Krippendorff, 2004). It is not only based on written material, but data such as works of art, images, maps, sounds, signs symbols, and even numerical records. The media must "speak to someone about phenomena outside of what can be sensed or observed" (Krippendorff, 2004, p.19). The analysed contents can be used to track messages over time, to asses changes or detect trends" and are useful for building a database (Amundsons et al., 2002, p.227). The basic principle of content analysis is the analytic procedure which entails finding, selecting, appraising and synthesizing data (Labuschafne, 2003).

A detailed investigation on Austrian wine production, wine consumption, wine imports and the Austrian food retail market was made, including a comparison to data from 2006 (Kirchberger and Stöckl, 2007) in order to examine if there are any changes within the wine assortments of Austrian's leading discounters.

4.1. Selection and Sampling

Information provided by Hofer, Lidl and Penny Markt and their assortments were evaluated. Lidl and Penny Markt reported that slight differences may occur from stores located in rural compared to urban areas, like Vienna. Hofer indicated that the wine assortment in all Austrian Hofer stores is equally equipped. Therefor Hofer, Lidl and Penny Markt located in the city of Krems as well one of each located in Lienz and Vienna were chosen. The content was chosen by full size sampling, meaning that entire wine assortment of the chosen discount store was collected for data analysis with exclusion of sparkling and fortified wines.

In order to observe and quantify categories of content, relevant variable f representation was defined, following a store visit for documentation of the entire wine assortment. The use of Excel pivot tables provided overviews of frequencies and correlation. In total 262 wines were recorded and analysed.

5. RESULTS FINDINGS

Hofer offered 87 (33,2%), Lidl 88 (33,6%), and Penny Markt 87 (33,2%) different wines. Compared to the analysis in 2006 (Kirchberger, Stöckl, A. 2007a,) an increase in terms of assortment size was detected. All three discounters expanded the size of wine assortment by an average 53,3% from 2006 to 2018. Largest increase could be observed at Lidl (+55 wines), Hofer (+42 wines) and Penny Markt (+34 wines). The results in 2006 did not include rosé and Tetra Pack wines, which are included in these results. From the 262 different wines offered by the three chosen stores, 215 wines (82,1%) were offered in 0,75 l bottles, 12,6% (33 wines) in 1, 1.5, or 2 l bottles and 14 wines (5,3%) in bottles smaller than 0,75l. No comparisons exist to 2006 as the previous study did not include size and type.

From the total, 50% (131 bottles) accounted for red and 46,2% (121 bottles) accounted for white wine. Also, one orange wine (offered by Hofer) which was included in the category white wine. The remaining ten bottles (3,8%) was rosé wine. Compared to 2006 an increasing trend towards white wine could be observed. From then the share of white wine increased by more than 8%, which equals almost the overall assortment size of red wine in 2018. Regarding the wine style, 218 bottles (83,2%) of all wines offered were dry, followed by 12% (32 bottles) of semi-dry wine and ten bottles (3,8%) sweet wine. The wine assortment offered by Hofer included the highest share of dry wines (78 bottles), followed by Lidl and Penny Markt (70 bottles each). The biggest assortment of semi-dry wines was found at Lidl (15 bottles) followed by Hofer (9 bottles) and Penny Markt (8 bottles).

The total assortment of wines dominated with an alcohol content of 12,5% and 13,0% vol. (108 bottles). The second strongest were those with an alcohol content of 11,5% and 12,0% vol. (85 bottles). The overall assortment of wines can be divided into four categories of grape varieties. Single varietal wines (55,9%, 146 bottles), representing the largest category, followed by Wine blends (24,4%, 64 bottles), wines with no indication of variety or blend (17,2%, 45 bottles) and wines from Gemischter Satz (2,7%, seven bottles). All together diversity of 33 single wines were offered. The leading ones included Grüner Vetliner and Zweigelt with a share of 9,2% each. Compared to the findings of Kirchberger and Stöckl (2007a), the overall wine offer increased from a choice of 23 to 33 different single varieties.

Each of the three discount stores offered more than 50% Austrian wines within their product range. Besides Austrian wines, wines from twelve other countries and wine with no single country indication were offered. Italian wines were the far most offered foreign wines, followed by Spanish and French wines. Remaining countries of origin included South Africa, Chile, USA, Australia, Hungary, Croatia, Slovakia, New Zealand and Germany. (listed in decreasing order) Compared to figures of 2006 (Kirchberger & Stöckl, 2007a) one can conclude that in the past twelve years, the Austrian discount retail underwent a significant change in terms of wines of origin. All three discounters offered 53% of wines from abroad. Today, the offer of all three discounters is dominated by Austrian wines. Most indicated regions of Austria were Burgenland (82 bottles) and Lower Austria (65 bottles), from Italy; Tuscany and Veneto (eight bottles each), Spain; Castilla-La Mancha (three bottles) and Valencia (two bottles) and France with Bordeaux (four bottles). Altogether 24 different regions of origin are found at Hofer, Lidl and Penny Markt.

The discounters wine prices were analysed on the base of Hoffmann's (2008) price segmentation and included generics (below EUR 3,-), Basis (EUR 3,- to EUR 5,-) Premium (EUR 5,- to EUR 10,-). Most of the wines fell into the category Generics (40,4% and 106 bottles) and cost less than EUR 3,- Generic wines were almost equally distributed at Hofer (35 bottles), Lidl (35 bottles) and Penny Markt (36 bottles). The Basis price segment included an overall 85 wines (32,4%) and represented the second most important price segmentation of the overall assortment of discount wines. The third most strong price segmentation represented Premium wines (25,2% and 66 bottles) ranging from EUR 5,- to EUR 10,- accounting to one fourth of the entire wine selection. The smallest wine segmentation fell into the price segment Super premium, with a price range from EUR 10,- to EUR 25,- and only five wines could be detected in this segment. Compared to the results from Kirchberger and Stöckl (2007a), the wine prices at all three discount stores have increased. In 2006, all three discounters supplied 77% of their wines at prices EUR 3,- whereas in 2018, this share of 77% decreased to 40,5%.

6. THEORETICAL AND MANAGERIAL IMPLICATIONS

With the help of these results, it seems worthwhile exploring additional trends in discount food retailing to also observe how the wine market will further position itself in discount stores, as well as at what price range. According to Anchor et al, (2009) it is argued that the range, quality of product, ease and efficiency of shopping (knowing the store layout) and price are the key factors for regular supermarket shoppers. Trust grows with a regular shopping experience (Anchor et al., 2009). Therefor it would be interesting to look into service level of shop assistant helpfulness, physical facilities such as waiting time, layout, quality level, recommendations which are based upon acceptance of store reputation. Analysing further trends in Austria's leading discount supermarket stores would be beneficial, especially when using discount retailing as a point of sale.

7 CONCLUSIONS

The wine assortment of Austria's leading discounters showed significant increases by more than 100% between 2006 and 2018. This study shows a strong increase of the average price between 2006 and 2018. Half of the wines in 2006 were below EUR 3,- and in 2018 vice versa. The average price for a bottle of wine in 2018 at Hofer is EUR 4,46 (compared to EUR 2,83 in 2006), at Lidl the average price is EUR 4,34 (compared to EUR 2,45 in 2006) and Penny Markt EUR 3,97 (compared to EUR 2,82 in 2006). In 2006 the average price for a bottle of wine at these supermarket discounters was EUR 2,70 compared to 2018 at EUR 4,26. This represents an increase of 58%. These results are because of general price increases, and due to more expensive wines added to the product assortment in 2018 and hence the average price is significantly higher. Noticeable is the strong presence of domestic wines in comparison to foreign wines. Changes also occurred in regards to colour preferences, where an almost equal distribution of white and red wine is noticeable, which follows the trend of domestic wine consumption. The alcohol contents of the overall wine assortment increased. In 2006 the foreign wine offer was dominant, and in 2018 more than 60% of the overall wine offer in Austria's discount supermarket consisted of Austrian wine. Nevertheless important players of foreign wines include Italy, France and Spain. Currently the most important grape variety wines are Grüner Vetliner and Zweigelt, followed by Welschreisling and Blaufränkisch. The overall assortment range is more diverse and niche products and specialties were added to the discounters' wine selections.

The findings indicate that along with the overall paradigm changes of Austrian discount stores, the wine assortment has changed to a larger assortment, more diversity and larger price span.

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