

# Determinants of fortified wine consumption in Russia: Evidence from a national sample of the Russian Population

Mirzobobo Yormirzoev\*

National Research University Higher School of Economics, 27 Lebedev Street, Perm 614000, Russia

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## Abstract

In this article we examine factors affecting fortified wine consumption in Russia by utilizing micro-level data from the Russian Longitudinal Monitoring Survey (RLMS). A model with limited dependent variables has been applied to the study. Our analysis shows that Russian males demonstrate a persistent propensity to fortified wine consumption due to its higher alcohol content. Our finding reflects the presence of diminishing marginal effect by age, while the estimated coefficient for marital status is negatively significant. Respondents from southern regions do not opt for fortified wine. One explanation of this might be that Krasnodar Province located in the South federal district is known as one of Russia's major wine producers.

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*Keywords:* Fortified wine consumption; National Survey; Alcohol; Logistic regression; Russia

## Contents

1. Introduction . . . . .	42
2. Past studies . . . . .	43
3. Data . . . . .	43
4. Methodology . . . . .	44
5. Results and discussion . . . . .	47
6. Limitations and future research . . . . .	47
References . . . . .	49

## 1. Introduction

The favorable conditions on the world energy market in the first decade of the twenty-first century enabled Russia to gain significant revenues from the sale of oil and natural gas. As a result, Russia enjoyed steady economic growth of 6.8% yearly

in the period of 1999 through 2008 (World Bank, 2010). The Russian consumer price index dropped from 86% in 1999 to 11.4% in 2013 (Rosstat, 2015). Relatively stable patterns of the country's growth path created a sizable middle class that constituted more than one-third of the Russian population (Ceccia et al., 2013). The emergence of a Russian middle class with rising disposable income had a positive impact on imports of food and consumer goods to the country, which rose from 7.4 billion dollars in 2000 to 39.7 billion dollars in 2014

\*Tel.: +7 342 200 95 39.

E-mail address: [mmmirzoev@hse.ru](mailto:mmmirzoev@hse.ru)

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(Rosstat, 2015). One of these goods is wine products whose import increased by 16% between 2012 and 2013 (Tang et al., 2015). In this context, the wine sector in Russia has the potential to grow in the future.

In Russia wine is considered to be the third choice of alcoholic beverage, following vodka and beer (Ceccia et al., 2013). According to the Wine Institute in 2012, 5.1% of the world wine consumption is attributed to this country.

Therefore, investigating consumption patterns of wine products and their determinants may provide some knowledge and insights about a relatively new and fast growing market in a country that is located in both Europe and Asia. The purpose of this study is to explore and examine factors affecting fortified wine consumption from a national sample of the Russian population. In 2013 more than 7% of the Russian wine market consisted of fortified wine; this figure exceeds an analogous indicator from several major markets such as United States – 1.8%, Great Britain – 5%, Germany – 1.6%, China – 2% and India – 2.2% (Market Line).

Most of previous studies were conducted in Western and emerging wine markets. Russian wine consumption patterns have received insignificant attention in research literature except for a recent paper written by Ceccia et al. (2013). In that study, the authors investigated the prospects for the export for wine products to the Russian market. Based on their experimental approach they concluded that there are three well-defined segments in this market. Price, region of origin and presence of product certificate are important among Russian consumers. However, this study does not include socio-demographic, economic and regional factors that may potentially affect wine consumption in Russia. Furthermore, their analysis is based on three cities with limited coverage of survey information. A more detailed analysis of this topic at a national level is important.

The remainder of the article is organized as follows: in the next section we discuss previous studies on alcoholic beverages consumption in Russia. Section three provides a detailed description of data and variables used in the analysis. In section four we discuss methodology applied to the topic. Section five touches on estimation results and the last section highlights some concluding remarks.

## 2. Past studies

As mentioned above there is only a single paper on wine consumption in Russia. Other studies are focused on multi-disciplinary approaches to heavy drinking. In an earlier study, Bobak et al. (1999) point out that alcohol consumption is more prevalent among males and it is not connected either with sizable socio-economic differences with changes in Russian society during a transition period.

Tekin (2004) investigated the presence of a relationship between alcohol consumption and labor market productivity in Russia. His empirical findings indicate that such a correlation between variables of interest follows an inverse U-shape. Moderate drinking habits appear to have a positive impact on employment in cross sectional models. However, such an

impact seems to disappear once individual fixed effects are taken into account.

Baltagi and Geishecker (2006) estimated a rational addiction model for alcohol consumption by utilizing a panel data setting on a wave-by-wave basis. They emphasized that this model may partially explain patterns and behavior of Russian male drinkers. This model did not have significant effects for women.

Taplina (2007) provides a concise description of the scale and dynamics of alcohol consumption for the period between 1994 and 2002. Her analysis primarily refers to the social and demographic aspects of immoderate drinking in the Russian society. In her paper she points out that alcohol consumption is an indicator of societal health. Public policy aimed at improving people's welfare should encourage reduction of excess alcohol consumption in this society.

In a study by Perman (2010) he presents an analysis of drinking patterns in Russia at the time of country's transition period. Despite the fact that during the 1990s economic hardship was associated with a gradual decline in the purchase of alcoholic beverages, homemade ethanol consumption increased significantly which raised public concerns over this problem as drinking counterfeit ethanol may seriously deteriorate Russian's health conditions.

Herzfeld et al. (2014) demonstrate that Russian males show a persistent propensity to heavy drinking. They point out that relevant policy measures need to be undertaken in order to address men as the most vulnerable demographic cohort in the Russian society.

Keenan et al. (2014) investigated alcohol consumption in Russian society from sociological perspectives. Drinking patterns may affect relationship among people. They argue that individuals who are not drinkers are more likely to convert their relationship from cohabitation into marriage as compared with frequent drinkers that suffer from instable and irregular relationship.

To our best knowledge the present study is the first examination of determinants of fortified wine consumption in Russia. We believe that findings of the present study may represent the attitudes and preferences of the general Russian population regarding this product. Certainly, this study will be useful for companies working or intending to act in marketing of fortified wine in one of the largest markets in the world.

## 3. Data

The data utilized for the present article is taken from the Russian Longitudinal Monitoring Survey (RLMS). The RLMS is the most comprehensive and nationally representative micro-level survey that is regularly conducted in all of Russia's federal districts. This survey is jointly coordinated and maintained by National Research University Higher School of Economics and Russian Academy of Sciences together with Carolina Population's Center at the University of North Carolina.

Information collected as a result of these surveys is designed to monitor and track the impact of state reforms on the welfare

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