



Wine attributes, perceived risk and online wine repurchase intention: The cross-level interaction effects of website quality



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ABSTRACT

It is vital for the successful web-based wine business to reduce perceived risk associated with online wine purchasing because it negatively affects repurchase intention. Randomly obtained data from 457 U.S. consumers identified as having purchased wine online was analyzed using hierarchical linear modeling (HLM) to determine the relationships between key wine attributes, perceived risk and online wine repurchase intention. Results confirmed that sensory and origin-related attributes positively influence perceived risk. The cross-level interaction role that wine website quality plays upon the relationship between wine attributes and perceived risk was also examined. Results revealed that information quality and service quality moderate the impact of the origin attribute, which in turn reduces perceived risk with online wine shopping. These findings offer useful implications for online wine website managers to develop more effective website frameworks.

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1. Introduction

Wine is one of the most popular alcoholic beverages in the United States, and approximately 35% of the U.S. adult population drink wine at an annual per capita rate of 3.03 gallons (Wine Market Council, 2012). The U.S. wine industry has steadily increased production and sales growth annually. From 2003 to 2012, the U.S. wine industry increased production and sales from 268.8 million cases and \$22.3 billion to 360.1 million cases and \$34.6 billion, representing a 34% increase in production and a 55.2% increase in sales. (Wine Institute, 2013). Due to this, the U.S. wine industry has been able to build enormous business markets. Contributing to this are the wine retailers and wineries which have expanded distribution channels, increased market share and as a result, have established more competitive wine industry predominance.

Given wine's lucrative potential and growing demand in the U.S., early online wine retailers recognized the benefits for using e-commerce. Global customer accesses, unlimited product portfolio, low operational costs, no requirements for a physical store

and the ability for customized marketing opportunities were compelling reasons that convinced online merchants to begin to sell wine (Swartzberg et al., 2000). From a consumer's perspective, online wine shopping provides the benefit of offering a wider wine selection because of convenient access to numerous wine websites often driven by online merchants advertising their wine products (Gebauer and Ginsburg, 2003). Another primary benefit for buying wine online is that consumers do not feel pressured into making hasty decisions. Online wine shopping allows consumers to conveniently research wines prior to placing their order (Stefalo, 2011).

When the Internet first emerged as a new source for consumer product purchasing, an early research study by Alpin (1999) documented that the online wine business could become a powerful channel to search and acquire desirable wine products in a relatively cost effective and convenient manner. Subsequent studies also supported the importance online wine retailing offered as a sales channel for becoming a successful business (Bruwer and Wood, 2005; Stricker et al., 2001). However, since the advent of the Internet, offline wine retail purchases have accounted for about 95% of total annual U.S. wine sales primarily because of the U.S. Constitution's 21st Amendment. Enacted in 1933, this federal law gave individual states the authority to govern themselves regarding the sale of alcoholic beverages. State laws pertaining to a three tier distribution system for the sale of alcohol products were subsequently established. Now that U.S. consumers have embraced the Internet as a convenient channel for purchasing products, the three-tier

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alcohol distribution system has become antiquated, highly controversial, and represents a very real threat to U.S. businesses that sell wine online directly to consumers (Bensinger, 2012). In recognition of this situation, legislative modifications have occurred in selected states such as California, regarding the online distribution of wine sales that have facilitated recent sales growth for online wine businesses (Wiseman and Ellig, 2007).

Wine.com, the top online wine retailer, is now able to ship wine directly to consumer households living in states allowing residents to buy wine online and then receive their online order at their residence. As a direct result of these changes, Wine.com's online wine sales business has more than doubled in five years from 2007 to 2012 (Burg, 2012). Following suit, Amazon.com launched online wine marketplaces in the U.S. during October, 2012 providing a growing awareness from a well-known Internet icon about online wine purchasing opportunities (Pfanner, 2013).

Despite these encouraging indicators of successfulness regarding online wine sales, several important and significant concerns remain to be fully understood in order to further grow U.S. online sales. The issues surrounding wine attributes and the appropriateness of wine as an online product have been questioned which could lead to high levels of perceived risk with online wine purchasing (Santos and Ribeiro, 2012).

Regarding wine attributes and online purchasing behavior, research conducted in the early stages of consumer Internet immaturity posited that wine may not be appropriate for e-commerce sales because wine involves sensory-related attributes that must be used in order to assist in the choice process, which is not as important when selecting online products that are less dependent upon sensory-related attributes (Stricker et al., 2001). Since wine attributes depend in part, upon a subtle combination of factors such as vintages, grape varieties, regions and wine making processes, much of these wine intangibles are unsubstantiated until the actual bottle has been opened and the wine aroma and taste have been evaluated (Jagle, 2012). Other wine research suggested that because an individual consumer's evaluation pertaining to a certain wine may vary according to taste and preference, formulating an objective sensory description would not be possible until the experience has been tangibilized using the senses of sight, smell and taste (Charters and Pettigrew, 2005).

Perceived risk regarding online shopping has been associated in earlier research with factors such as the online delivery system, privacy and security, and the inability to taste, feel, smell or see actual products regardless of the recognized convenience and benefits associated with online channels (Tan, 1999; Miyazaki and Fernandez, 2001). Since wine is classified as an experiential product especially dependent upon sight, smell and taste, online wine research regarding perceived risk has also suggested that wine experience would be vital in making purchase decisions (Gupta et al., 2004), and that consumers lacking experience with sensory aspects related to wine perceive a high level of risk with online wine purchasing (Bhatnagar and Ghose, 2004; Phau and Poon, 2000). Much more recent challenges pertaining to purchasing wine online involve issues surrounding product authenticity. Attributes associated with the assurance of wine's authenticity including guaranteed governmental classifications, varieties, labels, origin and vintage have all become highly important in recent years due to wine counterfeiting practices (Chow, 2013). As these wine counterfeit practices continue, today's wine consumers may hesitate to purchase wines using online channels.

To address this perceived risk issue, early online retailers began focusing on establishing well-designed website frameworks offering high levels of consumer service quality practices implemented to formulate more positive perceptions about purchasing e-commerce products (Palmer, 2002). Numerous e-commerce studies have emphasized the importance of website quality and

the role it plays in reducing perceived risk and in facilitating relationships between online consumers and companies (Cronin et al., 2000; Lee and Kozar, 2006; Wu et al., 2003).

In the e-commerce business context, service quality can be defined as how well the consumers' evaluation and perception of a website's features reflect excellence and quality (Santos, 2003). In contrast with traditional offline market settings where service quality is evaluated based upon the consumers' experience and interactions with employees, online service quality is limited to the consumers' interactions with websites (Kim et al., 2006). Therefore, evaluations of website quality can strongly depend on consumer experiences with the online shopping process which include technical adequacy and support, privacy, visual appearance, navigation, credibility, information quality, customization and contact interactivity (Liu and Arnett, 2000; Santos, 2003; Zeithaml et al., 2002). Kim et al. (2008) demonstrated that system quality, information quality, reputation, recommendation and buyer's feedback of websites are found to be primary determinants for making purchase decisions when shopping online.

Given the increase of online wine retailing, online wine business managers should understand those critical factors necessary to create and maintain positive consumer impressions about the online wine shopping experience. Thus, it is important to acquire a more accurate understanding of the various roles overall consumer perceptions of website quality plays upon intentions to purchase (and repurchase) wine online. Recognizing that the importance of consumer willingness to repurchase has been well-demonstrated in the traditional business context, consumer repurchasing behavior has been regarded as the critical factor for businesses to obtain a competitive advantage for retaining consumers and increasing profitability in the online context (Hellier et al., 2003; Khalifa and Liu, 2007; Tsai and Huang, 2007). Therefore, how perceived risk with online wine shopping affects repurchase intention should be examined as an important and challenging issue for online wine business success.

Early research limited its focus to studies addressing consumer motivation and perceptions regarding the online wine purchase process (Gebauer and Ginsburg, 2003). Extant literature has yet to explore the effects wine attributes have upon perceived risk regarding online wine shopping and the degree to which website quality affects these relationships. Therefore, this study attempts to fill the existing void by examining website quality to determine if improved perceptions lead to repurchase intentions. In light of this documented evidence, the objectives of this study are to: (1) examine the effects wine attributes have upon perceived risk with online wine shopping, (2) explore the impact perceived risk has upon online wine repurchase intention and (3) determine moderating effects website quality may have upon the relationships between wine attributes and perceived risk with online wine purchasing.

This study's sample consisted of consumers that purchased wine using specific websites. Website quality was evaluated based upon consumer's prior online wine shopping experience at these specific wine websites. Because perceptions about the quality of wine websites facilitate the formulation of a comprehensive corporate image that could significantly affect an individual's beliefs and repurchase intentions, it was necessary to develop a multilevel model designed to integrate individual-level factors involving wine attributes, perceived risk and online wine repurchase intention with firm-level factors involving website quality.

Therefore, a multilevel approach was deemed appropriate to effectively investigate online wine repurchase intention (Bryk and Raudenbush, 1992). This multilevel model was then tested to identify relationships among individual-level variables and the cross-level interaction mechanism between the individual and firm-level factors (see Fig. 1). Using this method, study findings will be able to subsequently offer actionable managerial insight to use

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