

# Prosumers in the wine market: An explorative study

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## Abstract

Winning business models increasingly build on stronger integration of clients in the world of production. Empirical evidence on such prosuming for the wine industry is lacking. A multidimensional approach and 321 interviews with wine consumers allowed to explore prosuming interest with descriptive, correlation, and a two-step cluster analyses. The study results support the relevance of customer integration in the world of wine. Two clusters divide the wine consumers: prosuming interested versus prosuming reluctant consumers. Against literature based expectations, demographics or wine knowledge are less cluster determinant. Challenging wine consumer groups, especially the younger generation, can be attracted via prosuming. New client relationships can be built with loyalty and price premium opportunities in a market where these two success variables are under pressure. Despite a general openness and curiosity from the client side the interviews revealed no enthusiasm for prosuming and disclosed a segment of clients with low and limited involvement interest. Hence careful resource allocation is recommended. Prosuming needs managerial attention and a strategic approach adapting the business model to integrate interested clients.

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## 1. Introduction

Prosuming or co-creation describe the idea of “*producing consumers*”. Prosuming blurs historical boundaries of separated worlds of producers and consumers where producers supply products or services that consumers then buy and use (Firat and Dholakia, 2006; Kotler, 1986; Prahalad and Ramaswamy, 2004). The integration of producers and consumers requires suppliers to lean on involvement, empowerment, and partnering with their clients. Client integration into tasks of the suppliers creates winning value propositions and results in a closer relationship with customers (Carbonell et al., 2009; Kumar, 2004; Vivek et al., 2012). Brand awareness and loyalty increase, and companies can lock-in their customers emotionally (Hollebeek, 2011b; Hollebeek, 2011c). Prosuming interfaces secure that clients get used to processes and therefore stay with familiar providers (Grün and Brunner, 2002). Prosuming stimulated a new paradigm in marketing which

allows to win or keep clients in increasingly competitive environments (Bandulet and Morasch, 2005; Kotler, 1986). It facilitates a synchronized pursuit of customization and mass-market-approach (Grün and Brunner, 2002). Meanwhile general literature on prosuming is extensive, research in the context of the wine industry is limited.

Prosuming in wine can be observed in practice with sporadic examples and missing evidence for design or value creation. Empiric research on prosuming in wine is scarce. In lack of empirical work, an interview-based study intended to contribute to the concept of prosuming and to provide orientation for wineries. The market that served for this empirical study on prosuming, the German wine market, is mature and competitive and, therefore, suits prosuming investigation. A lot of players are forced to exit the market (Schallenberger, 2009) with the remaining ones increasing in professionalism but still struggling to be profitable (Mend, 2009a, b; Oberhofer, 2011). Producers are suffering from the increasing market power of indirect sales channels and decreasing customer loyalty (Haucap et al., 2013). Since wine is an experiential good where interaction with the producer can represent an important

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utility for the wine customers, co-creation was expected to be in the interest for both, wine producers and consumers (Hall, 2010; Orth, 2010; Pine and Gilmore, 1998; Riviezzo et al., 2011). The study approach leaned on grounded theory methodology (Suddaby, 2006). Face-to-face interviews with 231 wine consumers provided insights into consumers' interest in wine co-creation and allowed to explore client clusters examining attitude, preferences, and behavior by descriptive, correlation, and cluster analyses. Focus was laid on quality data generation and exploration (Corbin and Strauss, 1990; Suddaby, 2006).

The following literature review illustrates the relevance of prosuming and points out that the research community welcomes additional research in regards to co-creation in the wine industry. Section 3 details the conceptual basis for the research approach and presents the research questions, the study design, and the chosen variables falling back on the literature. Results of the interviews are then presented and discussed. The paper concludes with key insights, practical implications, the limitations of the study, and hints for possible future research.

## 2. Literature review

Prosuming draws considerable attention in the marketing literature. It illustrates a change in marketing paradigm from product-orientation to customer-centricity. This transition alters the interaction of suppliers with their customers and forces companies to adapt their business models. Adjusting the offerings and opening the business models for active client engagement is declared to be a key success factor to win clients in increasingly competitive industries but at the same time to allow for increase in efficiency (Firat and Dholakia, 2006; Grönroos, 2007; Kotler, 1986; Toffler, 1980).

Consumers experience far-reaching integration into the world of production. In today's grocery shopping for example, buyers extend self-servicing to scan purchases at cash registers. Indeed, first shops without employees are in realization. Customers perform task of suppliers in the course of product design, creation, and the marketing and sales. Besides a paradigmatic change for customer orientation technological innovation fosters the implementation of offerings characterized by deeper and more extensive integration of consumers in the world of the suppliers (Bandulet and Morasch, 2005; Bloemer and Ruyter, 1999; Carbonell et al., 2009; Goodman et al., 1995; Grönroos, 2007; Klioutch and Leker, 2011; Kotler, 1986; Kumar, 2004; Ravald and Grönroos, 1996; Toffler, 1980; Vivek et al., 2012; Wilson, 2005). Flight passengers check-in with mobile devices, a process formerly in the realm of the ground handling staff of an airline or a service provider. Hotel destinations are chosen considering the evaluations of former guests via the internet. Consumers communicating positive judgments, thus, act as marketers by voluntarily sharing their experience. Persuaded clients invite friends to present products and act as brand ambassadors. Indeed, successful new business models are characterized by an increasing number of tasks being performed by the

customers spanning the whole value chain from R&D, to production, to sales and marketing (Schreiter, 2003; Vivek et al., 2012). Potential users of products, for example, link into the creation processes of products, and services (Chien and Chen, 2010) to influence, modify and upgrade new products, services and offers (Füller et al., 2009). Due to extensive engagement and integration customers become partners of the producing organization (Firat et al., 1997).

Empowered and more active clients benefit both parties (Vargo and Lusch, 2008). Prosuming decreases costs and increases efficiency as well as effectiveness for producers and consumers. Clients assemble furniture or plug in data for online banking processes what formerly drew upon producers' resources (Voß and Rieder, 2005). Integrating consumers in R&D safeguards from offering expensive features not valued by clients. On the other hand, customers thereby reduce their search costs since the designed services or products better fit their needs. Time-consuming data checks, validation or return processes can be saved when consumers fill forms or if products are tailored to individual needs (Chien and Chen, 2010). Involvement impacts the customer experience, and extensive integration is key in innovative business models (Bruhn and Hadwich, 2012). Producers gain increased market share, higher returns, and financial profits (Grün and Brunner, 2002). Market pull hence replaces the historic model of suppliers pushing products into the market mainly on the back of strong marketing (Dell'Era and Bellini, 2009; Kumar, 2004; Prahalad and Ramaswamy, 2004). Involvement and prosuming become important factors in the buying decision (Schmitt, 1999). It stimulates a more intensive relationship and, therefore, brand recognition (Pine and Gilmore, 1998). Extensive and innovative interaction with clients to develop products, services, and offers enables producers to outperform competitors. Prosuming thus offers great potential to reach and win new clients, increase client loyalty, achieve better products, increase efficiency, cut costs, or improve processes (Chien and Chen, 2010; Grün and Brunner, 2002; Reichwald and Piller, 2005; Sharma et al., 2010).

A review of the wine specific literature discloses less attention on prosuming but extensive publication on involvement. Wine is an emotional and experiential good and therefore requires more intensive engagement in the course of the buying process than less complex products (Ashenfelter, 2008; Gergaud and Livat, 2007; Häusel, 2008; Lachmann and Arnold, 2011; Schiefer and Fischer, 2008; Schneider, 1997). Indeed, wine can offer high emotional utility. A bottle of wine can cost less than \$2 but up to several thousand dollars (Storchmann, 2012) raising the level of engagement by clients (Becker, 2013; Engelbrecht et al., 2014). In the context of wine as an agrarian good where grapes depend on nature and vegetation involvement matters as well (Delacroix and Swaminathan, 1991). More empowered clients are more insightful to the natural volatility of yield and quality of wine. Being a category in the food and beverages market with multiple sales channels and increasing market power of distributors the changing relationship between clients and producers due to involvement is highly relevant. Overall,

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