

Profiling the high frequency wine consumer by price segmentation in the US market

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Abstract

Heavy users of consumer products are important to marketers as a profitable target segment. This is equally true in the wine industry, but with the added precaution of encouraging responsible consumption. This study examines the attributes and behaviors of 681 high frequency (heavy-user) wine consumers in the US, based on a price segmentation of High, Moderate, and Low Spenders. For this study, price segmentation was defined as the price typically paid for a bottle of wine for home consumption. Significant differences were discovered based on gender, age, income, wine involvement, shopping channel, ecommerce/social media usage and other key areas. Implications for marketing managers as well as areas of future research are described.

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1. Introduction

The concept of heavy-users in a consumer product category has been important to marketing researchers for decades (Twedt, 1964; Cook and Mindak, 1984; Hallberg, 1995). By focusing on the demographics, attitudes, and behaviors of these segments of consumers, marketing researchers can better understand what motivates them and consequently develop promotions that will encourage continued, and perhaps increased, product purchases.

When applied to the wine industry, however, the heavy user concept must be modified somewhat, because the alcoholic effect of the product can be unhealthy if consumed in high amounts. Therefore, in the US wine industry, promotion of wine consumption is generally done with a reminder to drink in moderation (Wine Institute, 2014a, 2014b). As growth in the volume of consumption is desirable only to a point, marketers

must encourage consumers to trade up to higher priced bottles to drive revenue growth.

Recently the Wine Market Council (2014) has completed research showing that of the 230 million adults in the US, 40% drink wine. Of these, 33% are defined as high frequency drinkers, or those who consume wine more than once a week, and the remaining 67% are considered occasional drinkers because they drink wine once a week or less. The high frequency drinkers can be perceived as matching the heavy-user category, and indeed, this group consumes 81% of all wine in the US.

Obviously these high frequency wine consumers are a sought after market for wine firms. These consumers buy the majority of wine sold and often serve as opinion leaders in the product category. However, frequent drinkers are not a homogenous segment of the wine market. One important characteristic that can be used to distinguish among frequent wine drinkers is how much they typically spend on a bottle of wine. We have chosen to look at the purchase of wine for home consumption. While it is certainly the case that consumers may spend more for a bottle of wine for a special occasion to be celebrated at home, the fact that these consumers usually drink wine several times during the

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week suggests that the most of their bottle purchases are for casual consumption.

Therefore, this study was developed to investigate how the amount of money high frequency (HF) wine consumers typically spend on wine influences attitudes and behaviors related to wine consumption and purchase. In order to do this, we segmented a national sample of 681 HF wine consumers into three groups based on the amount they typically spend for a bottle of wine to be consumed at home. We then sought to identify differences in demographics, attitudes and behaviors among the three groups. The results illustrate implications and potential recommendations to wine marketers on how to best appeal to the different segments of the market.

2. Review of the literature

2.1. Marketing research on frequency and volume of purchase

Many marketers are familiar with the concept of the Pareto Effect, which states that a certain percentage of consumers purchase a higher percentage of a product category. In general, this is referred to as the 80/20 rule, in which 80% of the product or process is a result of 20% of the consumers or effort. This concept was highlighted in Twedt (1964) segmentation work that placed consumers into the three categories of heavy, light and non-byers.

However, later research has shown that the heavy users are not always the best-behaved, because they can be price conscious, which causes them to look for deals before purchase, and can result in brand switching and disloyalty (Clancy and Shulman, 1994). Furthermore, the Pareto effect has been shown to differ by product category. Indeed in previous research in the wine industry, it has been shown to range from 75% (Sharp, 2010) to 55–65% and varies over time (Habel et al., 2003).

2.2. Global research on high frequency (HF) wine drinkers

The research that has been conducted on heavy wine users spans in the globe, in that it can be found in France, Australia, the UK, and the US, and focuses on demographics, attributes and values. One of the earliest studies (Goldsmith and D'Hauteville, 1998) was conducted with 392 adult American consumers and found that HF wine drinkers are highly involved and interested in wine. A French study of 4010 consumers (D'Hauteville, 2003) discovered that HF drinkers are also highly involved with wine, and also possess higher incomes, and have strong value of social integration. In the UK a study of 100 common wine brands (Chrysochou et al., 2011), showed that HF drinkers are more loyal by country of origin and grape varietal.

In Australia, a fascinating study of 4800 consumers was conducted to analyze the Pareto Effect of wine, beer, and spirits purchases (Habel et al., 2003). Researchers found that there was a difference between the three product categories and that it varied over time. A more recent US study of over 1000 wine consumers showed that HF drinkers more often fall into

both the Baby Boomers and Millennials generations and buy wine most often at wine specialty stores (Wine Market Council, 2015).

Despite the promising number of studies to date on high frequency (heavy user) wine consumers, there are no studies that examine segmentation of these consumers by price point. Therefore, this opens a new window for investigation.

2.3. Overview of US wine industry

The US is considered to be the largest wine market in the world in terms of both volume and value (Wine Institute, 2014a, 2014b). In 2014, it is estimated that wine revenues approached \$40 billion, with 69% of wine sales coming from domestic products and 31% from imported wine (Frederickson, 2015).

There are 8287 wineries in the US (Gordon, 2015), with California producing more than 90% of the wine. The next five largest wine producing states are Washington, Oregon, New York, Virginia and Texas. Though wine consumption is only 3.14 gal (11.9 l) per capita (Wine Market Council, 2015), the good news is that wine sales have been growing at a rate of 2 to 3% per year in the US market for the past 21 years (Wine Institute, 2014a, 2014b).

Due to its large size and positive trends in wine consumption, the US is considered to be a prime consumer target for most large wine producing nations. Information about its consumer preferences, and especially high frequency drinkers, is important.

3. Research question

What differences are there between high frequency wine consumers when segmented by the three pricing tiers of High, Moderate, and Low Spenders?

1. Differences in demographics (gender, age, income, education, and children)?
2. Differences in attitudes (wine involvement, wine knowledge, satisfaction with wine selection and price)?
3. Differences in behavior (preferred varietals, shopping channels, ecommerce and social media usage).

4. Methodology

4.1. Survey and data collection

An on-line questionnaire composed of 33 questions was developed. Question topics included basic demographic information, attitudes, and behavior questions, and standard Likert scale questions regarding self-reported wine knowledge, involvement and satisfaction were employed. The survey was beta-tested and revisions made based on the feedback.

The survey was launched in 2014 via Survey Monkey for a period of one week. Data collection came from panel data provided by *Survey Sampling International*. A representative

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