Wine consumption and sales strategies: The evolution of Mass Retail Trading in Italy

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Abstract

The recent economic crisis has brought considerable changes also to food consumption: on one hand, many products have recorded consistent absolute declines in demand, while on the other hand, we have witnessed preferences shift towards low-cost foods or, in any event, foods of lower quality standards. In order to study these phenomena and, especially, the strategies firms adopt to confront them, the wine sector constitutes a particularly interesting focus due to its wide supply range and the elevated reactivity to price and income of demand. Our paper intends to take a close look at wine consumptions, focusing on the sales made on the Mass Retail Trading (MRT) channel from 2009 to 2013, and to conduct a thorough analysis of the performances of the single products, in view of pointing out the sector's overall trend, as well as the principal typologies of wine, in terms of their sales results in that period. Applying Latent Class Regression has permitted us to identify six explicative models of performances, demonstrating the effect on sales of the structural characteristics of productions and sales strategies.
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1. Introduction

The economic crisis of these past years has hit hard in many product areas, including that of food, which for the first time has recorded reductions in consumption even in nominal terms (Casini et al., 2015; Eurostat, 2014; Lombardi and Verneau, 2013; Pozzolo, 2011). In this scenario, we witness a decline in purchases in terms of both food quantity and quality, and an increase in sales of low-cost products, some of them even imported or, in any event, foods of lower quality standards (Andreyeva et al., 2010; Casini et al., 2014a; Eurostat, 2014; Samoggia et al., 2014). In this regard, a recent study conducted on the crisis' impact in Greece reveals that most households have modified their eating habits. In particular, the study shows that consumers have preferred less expensive products

characterised by prime prices, making their purchases on the occasion of promotional sales, and increasingly more often resorting to large grocery stores, discount stores or similar types of sales channels (Duquenne and Vlontzos, 2014). Likewise, a study conducted in Italy points out that as of 2007, the economic crisis has resulted in the poorer classes to moving away from the Mediterranean diet (Bonaccio et al., 2014). In addition, the Italian National Institute of Statistics' "Study on the consumption of families" points out consistent variations in food spending in the period after 2008, recording a contraction in nominal terms of almost 2% in 2013, with the most significant decrease concerning meat (-3.2%) (Istat, 2013).

On the other hand, a study conducted on the period 2007/ 2009 in Iceland shows that the economic crisis can have positive effects on eating habits, favouring health-promoting behaviours through the reduction of alcohol consumption and an increase in the consumption of fruit and vegetables (Ásgeirsdóttir et al., 2014).

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Alongside price sensitiveness, literature highlights the presence of consumer segments that show greater attention for the product's quality characteristics, choosing foods produced using techniques that respect the environment or are expressions of territorial values (Nomisma, 2014). These differentiated behaviours within the general picture point out a complex system in which consumers orient their choices in a non-homogeneous manner.

In this framework, the wine sector constitutes a particularly interesting focus in order to understand the market dynamics in a phase of economic crisis. As it does not represent an essential good, wine in fact has a demand that is more reactive to changes in price and income. Furthermore, it embraces a much wider range of products both in terms of quality and price (Casini et al., 2014b).

In the wine sector, we witness two apparently opposing phenomena: the increase of mass-produced wine, and the specialisation towards narrow markets, characterised by excellent product quality in terms of importance of terroir, appellation, and geographical identity (Anderson and Nelgen, 2011; Charters, 2006; Hammervoll et al., 2014). In particular, the growing weight of mass-produced wine is documented by the export figures of the European market, which is the principal wine producer (66% of world production in 2011). The overall increase of wine exports from 2010 to 2011 (13%) concerned the sale of bulk wine, especially by the two principal exporters, Spain (+30.7%) and Italy (+8%) (International Organisation of Vine and Wine, 2014). In parallel, the literature shows that narrow markets capable of responding to niches of consumers with differentiated demands for qualitatively better products have gained ground (Toften and Hammervoll, 2010, 2013). These phenomena can be explained by the polarisation of consumers towards opposite behaviours. The principal consumption driver of the first is price, while that of the second is the search for higher quality standards.

These tendencies are also reflected in the sales channels preferred by consumers. In this regard, the retail sales figures of wine in the principal consumer countries show that most purchases are made at large grocery stores and discount stores, where the prices are more competitive than in other shops (Euromonitor, 2009 cited in Pomarici et al., 2012). Many authors affirm that the factors that determine the purchase of wine in supermarkets are represented not only by prices, but also by the wide range of available products, the ease and efficiency of purchase, and the quality of the products (Anchor and Kourilova, 2009; Esbjerg and Bech-Larsen, 2009; Nordfalt, 2009; Ritchie et al., 2010). Studies recently conducted on Mass Retail Trading (MRT) channel sales point out that quality is a decisive factor in choosing wine and that the consumer chooses to purchase quality wines at this type of sales outlet. While in the past, supermarket purchases were associated with light drinkers or little wine-consuming drinkers, the consumer who purchases in this retail environment now presents a better perception of the image of wine (Casini et al., 2006; Crispino et al., 2013; Thomas and Pickering, 2003; Szolnoki and Hoffmann, 2014).

What emerges from this review is that the phenomena manifested in these past years have increased the entropy of a system like that of the wine sector, which is in itself quite developed, creating a scenario that is not easy to interpret. Our paper thus proposes to reassemble the picture of wine consumptions, referencing the sales made on the mass retail channel in Italy from 2009 to 2013, and to analyse the performances of winegrowing firms with respect to their production and sales strategies.

Following a bibliographical review of the principal factors that influence wine choice, the first part of the paper will illustrate the Latent Class Regression (LCR) methodology used to analyse the principal evolutive models of wine sales in function of product characteristics and sales strategies. The second part will illustrate the case study represented by the sales on the Mass Retail Trading channel in Italy in the period 2009–2013. Following an analysis of the sector's development in terms of volumes, prices, and typology of products sold, we shall describe the application of the LCR methodology and discuss the results as they pertain to the relationship between sales performance and adopted strategies.

2. Wine attributes and purchase decisions

Various studies have confronted the theme of wine attributes that influence consumer purchasing behaviour (Goodman et al., 2008; Lockshin et al., 2006). Price constitutes a decisive choice criterion, as well as an important sign of quality (Bredahl, 2004; Jover et al., 2004; Mueller et al., 2010; Rasmussen and Lockshin, 1999). The influence of price on choice is all the more marked for consumers who have a low involvement with wine (Hollebeek et al., 2007). Moreover, several authors report that this attribute can be a strong choice driver independently of the presence of other factors: given a certain situation of consumption, the consumer indeed seems to decide the price bracket for his/her choice even before going to the sales outlet (Jarvis et al., 2003; Mtimet and Albisu, 2006).

The literature reports that there are other elements connected with price that influence the consumer's choice. We are referring, in particular, to promotional activities, which are sales strategies widely diffused especially in Mass Retail Trading. These are implemented by means of defining different systems, such as the presence of particular signs on the label, or of a specific placement of the product on the shelf in order to increase its visibility (Hawkes, 2008). Generally speaking, the purchase of wine during a promotional sale is associated with consumers who have a low involvement with wine, as price is an important purchasing incentive (Ritchie, 2009). Furthermore, the choice of a product on promotional sale is associated with the consumer's loyalty to this very product brand: the consumers most loyal to the brand tend to stock up on their favourite brand during promotional sales and wait for another promotional sale of the brand, at the same sales outlet or at another, to purchase it again (ACNielsen, 2005; Ritchie et al., 2010).

Given the strong tie that exists between wine quality and terroir in the broadest sense of the term, the country of origin constitutes a very important product attribute (Angulo et al., 2000; Jarvis et al., 2003; Lockshin et al., 2006; Tustin and Lockshin, 2001). Numerous authors indeed point out that it is