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PROFILING THE WINE CONSUMER MARKET: CASE STUDIES ON USA AND ROMANIA

Case
study

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Abstract

A marketing-oriented winery is capable to understand the configuration of a marketing strategy and the implications and opportunities of its implementation in the activity they carry out. This know-how allows wineries to effectively compete with other wine producers in today's quasi-saturated, complex and challenging wine market. A winery with such an orientation is also capable to attain its aspirations and objectives through a thorough understanding of customers' needs and wants. Within this context the scope of this paper is being sketched: to look within the wide spectrum of wine consumers and shed light on the consumer market segmentation process in order to better understand the wine consumer behaviour, values, consumption patterns and profiles. The gathered intelligence will allow winemakers to produce the wines that the consumers actually want to drink.

1. INTRODUCTION

In the production activity and marketing of wine, the winery (be it a company with thousands of employees, or a micro-enterprise or an entrepreneur with initiative) must adopt and assume the risk of very important decisions related to sales volume, price sensitivity, the perception of the brand, promoting its wine for sale etc. (all the elements of the marketing mix). In these circumstances, it is extremely important for wine producers to understand the configuration of a marketing strategy and the implications and opportunities involved in its implementation in the activity they perform.

If wine marketing was the least explored, at least in recent decades, we cannot say the same about the wine industry market segments, and this can be attributed to major concerns over which the wine producer directed all his attention, namely product. Given the orientation to product of the wine producers, less attention or not at all has been paid until recently to the wine market and consumer's behaviour and features. Only in recent decades the research has drawn attention to the wine market segmentation and the consumers' of wine behaviour.

The scope of this paper is to look within the wide spectrum of wine consumers and shed light on the consumer market segmentation process in order to better understand the wine consumer behaviour, values, consumption patterns and profiles. The gathered intelligence will allow winemakers to produce the wines that the consumers actually want to drink.

2. THEORETICAL ASPECTS REGARDING THE MARKET SEGMENTATION PROCESS

Identifying the customer's segments in the wine industry is a recent concern of academic circles and business environment, compared to the long history that the product itself has, the wine. The slow approach to research and practice in marketing of wine as a whole and in the study of market segments in the wine industry, in particular, can be attributed to major concerns over which the wine producer turned his full attention, namely the product. Given the orientation of the wine producers to the product, less attention, if any, has been paid until recently, to the wine market and to consumer's behaviour and features. Only in recent decades, the research has had to attention the wine market segmentation and the behaviour of wine consumers.

The determination of tools of a certain promotional strategy is taking into account the peculiarities of the market segment to which the product is targeted. Bruhn (1999) calls these categories of consumers „groups-purpose "and defines them as" the communication receptors of an advertising message by the advertising of a

business" (Bruhn, 1999, p. 223). He also makes a distinction between scope groups and market segments. If the last ones refer to current and potential customers of a company, whether individuals or households, the scope groups also contain other stakeholders that can exert influence on the decisions of buyers.

Market segmentation knows a long history in specialty literature, which is best described in the work of Wyner (2002). We do not intend to make an incursion into the history, but rather the applicability of the concepts in the wine industry. In identifying categories of consumers, a company (vine) may consider the following descriptive features: a) socio-demographic characteristics: age, income, profession, sex, education, social status, marital status etc.; b) psychological characteristics: lifestyle, conceptions, affinity for a certain type of music or film, values, concerns etc .; c) characteristics related to the frequency of wine consumption: recreational consumption, experimental, occasioned by travels, etc .; d) buying criteria: price or brand awareness, brand loyalty, attraction to the advertising campaign, etc. In this context, packaging is very important, but the content is definitive and he is the one who gives the final grade to product and the service (Ioan et al., 2014, 2013a, 2013b).

The segmentation that is made by a marketing company can bring numerous benefits. Dodd and Bigotti (1997) capture the benefits of market segmentation, few of them referring to: decrease costs, increase efficiency in the implementation of promotion policy of the company etc. But not all costs decrease for a company that applies the segmentation procedure. To serve certain market segments or a certain category of consumers, companies make additional efforts in manufacturing, research or promotion of products. Hall and Winchester (2000a, 2000b) closely investigate the profitability brought by the segmentation process but outline the importance of knowing the patterns of consumption (repetitive consumption). Thus the behavioural segmentation of the market (Kotler and Armstrong proposed, 1996) can prove highly useful and can be a starting point for more detailed studies. Thus appears inevitably the question: to segment or not to segment the market in the case wine industry? Bruwer et al. (2001) states that there is no homogeneous single market, it is "fictitious" and this especially applies in the case of wine market.

3. CREATING CONSUMER PROFILES ON THE WINE MARKET

McKinna (1987) was among the first researchers who analyzed the applicability of the wine market segmentation process. McKinna (1987) identified four market segments with an exploratory qualitative study which is based on

expectations regarding the product and risk aversion (see also Hall and Winchester, 2000b and Spawton 1991). Thus, the process allowed the identification of four categories of consumers of wine: connoisseurs, aspirants, consumers of alcoholic beverages (including wine) and new wines consumers. Spawton (1991) use as a starting point McKinna's study (1987) and perform the market segmentation into four main categories of customers, identifying their corresponding proportions. Thus three of them are found in the above mentioned work: connoisseurs (25%), aspirants (51%) and consumers of wines (10%), while the fourth category includes consumers of wine in bulk (14%).

Hall and Winchester (2000b) tested empirically the study conducted by Spawton (1991) on the procedure of segmentation into four groups. The two empirically prove the existence of three of the four categories of consumers, i.e. connoisseurs, aspirants and consumers of alcoholic beverages (including wine). Although they could not confirm the existence of the fourth category of consumers surprised by Spawton (1991), the two researchers have managed to identify a consumer segment oriented to fun: these are young people who are used to go out and who consume wine occasionally as an assortment of alcoholic beverage.

Bruwer et al. (2001) conducted market segmentation by addressing the lifestyle (lifestyle segmentation approach) on a sample of wine consumers in Australia, on the grounds that "lifestyle is the way that consumers correlate products with a certain social status that they relate to". Their study was conducted by analyzing the situations in which takes place the consumption of wine, the manner of wine purchasing, quality and sought attributes, consumer habits and consequences of the consumption of wine. As a result, we identified 16 dimensions of analysis and grouping together we have racked up five segments. These are: sociable wine consumers and oriented with a tendency towards fun (eng., Enjoyment-oriented social wine drinkers); wine consumers oriented towards fashion and image (eng., Fashion, image-oriented wine drinkers), an enthusiastic consumer's ritual obvious (rom., ritual oriented conspicuous wine enthusiasts), discrete and consistent premium consumers (eng., purposeful inconspicuous premium wine drinkers) and basic consumers (eng., basic wine drinkers). Each segment captures a unique profile and between them there are differences related to the amount of wine consumed per week, amount of money spent per month with the purchase of wine and the average amount spent on a bottle of wine.

Bruwer and Li (2007) use a similar approach, i.e. "lifestyle associated with wine" (Wine-Related Lifestyle) and starting from the identification of the 13 sub-dimensions descriptive, they segment the market of wine consumers in five main categories:

the conservative and knowledgeable consumer (eng., conservative, knowledgeable wine Drinkers) representing 19.2% of the market, the sociable consumer oriented towards fun (eng., Enjoyment-oriented, Social wine Drinkers) by 16.2%, the average consumer of wine (eng. , Basic Wine Drinkers) 23.5%, the mature and patient consumer (eng., Mature, Time-Rich Wine Drinkers) by 18.2% and the professional and young consumer (eng., Young professional Wine Drinkers) with a share of 22.9% on the market.

Constellation Brands is a manufacturer and international marketer of beer, wine and spirits with operational points in the USA, Canada, Mexico, New Zealand and Italy. This company has taken the pulse of the wine consumer market in the past 10 years through Genome Project in 2014, thereby creating a detailed mosaic of the wine market that allows a deeper understanding of the motivations, attitudes and behaviours that describe today's wine consumers. The study entitled "Genome Project, The Evolution of the Wine Consumer" (Constellation Brands, 2014) divides consumers into six distinct segments.

The study conducted by Constellation Brands has behind more than 100 questions to a sample of 4,000 consumers in the United States and 2946 consumers in Canada who buy and consume wine at least once every three months. A first version of this study was carried out in 2004 and has identified the following six consumer segments: Enthusiastic, Image Seeker, the Consumer Overwhelmed, the skilled Buyer, the Traditionalist and the pleased taster. If the first three segments remained unchanged, these being found in the study undertaken ten years later, the other three segments of consumers have suffered changes and / or migrations, mainly due to market developments (a new generation, Millennials (Generation Y), entered the market, there has been the proliferation of mobile applications and social media, etc.) and improving the company's strategy analysis (which includes a wide range of prices, a larger sample of people, a larger number of questions etc.). The three new segments identified in the survey account for more than half of public drunkard in the United States and Canada.

Finally, Constellation Brands has identified the following six categories of wine consumers, specific to the current context of 2014 (see Figure 1): enthusiastic, loyal consumer or daily, the price influenced consumer, the new comer consumer, the image consumer and consumers overwhelmed.

The enthusiast is someone passionate about wine and consumes more premium products, but he is also consuming beer, bourbon and single malt whiskey (in about the same measure). He holds in his personal bar about 30 bottles of wine and he consumes per month an average of 12 glasses of wine. He is willing to give a larger sum of money for

a bottle of wine, given the passion he has for this drink and what it represents. When the enthusiast spends more than \$ 13 on a bottle of wine, he is motivated by the descriptive characteristics of the product purchased; he is backed by experience gained over time. The same amount of money a consumer spends from the segment of newcomers, but these are motivated not by the characteristics of the product ("as the product?") but by what this represents and social interaction implied ("who use the product?" or "who buys the product?"). If ten years ago this area was predominantly male, currently it is divided equally between the sexes. The acquisition process is not difficult for enthusiasts (such as, for example, consumers overwhelmed), since they have rich knowledge on viticulture.

The loyal consumer tends to lean a little to the female gender, 52% of consumers are women. Also, this segment occupies more than 20% of all wine consumers analyzed and provides more than 22% of the total amount of profit rise of trade in wine. Wine consumption for this person is a routine and tends to choose brands to show their loyalty, as proof being the highest weight that has wine consumption (44%) in the total consumption of alcoholic beverages of this person. The loyal consumer displays the highest frequency of wine consumption among all consumer segments, with 13 glasses of wine per month. Wine bottles turnover of this segment is high, preferring consumption at the expense of collection (a stock of 10 bottles in the bar, compared to enthusiastic holding 30 bottles in bar staff).

The price Influenced consumer is probably the newest segment identified in the study, representing more than 21% of the wine consuming public. This segment consists primarily of females (59%) and is part of a family where the average income of the household is the lowest compared to other consumer categories (\$ 63,000). The estimated monthly wine consumption is above average 10 drinks per month, but the wine purchased is a cheaper one, being willing to spend just \$ 8 per bottle (the lowest price compared to other segments of buyers).

The newcomer consumer is the youngest wine consumer in the segment, this being usually male (only 38% of these customers are female) and has an average age of 36 years. The segment in question arose as a result of population changes, they are likely to recognize that they are a new group and are willing to learn more. They are also captivated by advances in technology and often use smart phones, tablets and other portable devices (through which sometimes they purchase wine). Because it is new in the industry and does not have much knowledge regarding wine, wine consumption share in the total of alcoholic beverages consumption is less than 24%, the same extent as consumer and

imaging seeker (for wine consumption is just a "business card").

The image consumer, first identified in the study conducted in 2005, is present today in the analysis carried out by Constellation Brands. This segment consists primarily of men (63%) and represents approximately 18% of wine consumers. The image consumer is the one that brings the most profit to the wine company, the purchases made by him lead to more than a quarter (26%) of the total profit of the firm. Coming from a wealthy family, with above-average income (\$ 91,000) he can afford to purchase more expensive wines (on average \$ 12 per bottle), but he doesn't make it for the intrinsic wine attributes (as evidenced by reduced monthly consumption, only 7 drinks per month), but to satisfy a need for the image, to be associated with a high social status (10 bottles of wine that is always available to them, for displaying to the public).

The overwhelmed consumer forms a segment of consumers predominantly female (67%) that has remained constant over the last ten years of analysis (this being found in the 2004 study, but also in the one conducted in the 2014) and which has not changed attitudes and behaviours during this period. In general, they tend to say that wine is a very complex product and its acquisition is an overwhelming task (needing more information at point of sale), although it represents about 19% of all wine consumers. Not being a knowledgeable consumer of this product he is not willing to spend too much on a bottle of wine (about \$ 9 on average per bottle), relatively low consumption (7 drinks per month) and he is not interested to keep in his own bar more than four bottles. Constellation Brands sees in the category classified as "overwhelmed" the best opportunity to increase wine sales.

In terms of promotion policy, a company may find this study useful as knowing the peculiarities of consumer segments and demographic profiles described by Constellation Brands, can adapt the promotional tools knowingly to reach each segment.

In Romania, the company Shortcut Research, a company that deals with the qualitative research among consumers to gather information useful in developing communication campaigns, products or steering decisions of a company, launched in 2012, a study entitled "Winesphere middle class - a study on culture, consumption the perception of wine in the segment of 25-45 years." This study draws a portrait of the target group in terms of lifestyle, consumption habits, attitudes and modes of perception of wine (see Figure 2). The impetus for researchers to carry out such a study was given by the nature of the wine market, one of the most competitive markets due to the existence of a multitude of products, and the need to know

the wine customer's profile in the segment mentioned above (Dobre, 2012).

The main results of the study refer to the interest of the segment analyzed for personal cultivation, a refined lifestyle, maturing tastes and consumption decisions. Starting from a socio-demographic and psycho-graphic target audience, the researchers at the Shortcut Research succeed to study in depth the subjective appreciation of the place the wine occupies in the life of consumers in the 25-45 years segment and the way in which this distinguishes from other alcoholic beverages. The study also takes into account the consumption of wine in the city and in the private sector, on what channels is done the purchasing of the wine product, the habits associated with wine and which is the frequency of wine consumption. Due to the implementation of this review, shortcut Research has identified the following segments of consumers: The experimenters, status seekers, Conservatives connoisseurs, the *ordinary drinkers* and the cultivated hedonists.

Starting from the market study conducted by the ShortCUT Research regarding the wine consumers' typologies in Romania, the blogger Cristi Manafu (2012) conducted a strategic projection with platforms and online environments that these consumers attend and towards which they manifest a certain affinity.

For *status seekers*, given the fact that wine is a flagship position in society, they are keen to have as many gadgets that allow them to express themselves and show their social status (the real one or the one that would like to be perceived). *The cultivated hedonists* are those wine consumers for who matters the harmony and socialization, these being more interested in drinking wine with good company and to capture moments. *The conservative connoisseur* has the basic means of communication and information, but he does not fully master it relying more on personal experience. *Experimenters* need relevant information to purchase a wine, which is why they are looking for either online or request them from friends. *An ordinary drinker* is regardless of how often he consumes or the wine image, as long as it is an alcoholic beverage; he is easily influenced by what he sees on television or read in the online newspapers.

The findings above reveal who is the target audience, which is the profile and which are the main areas of interest as well as the environments in which they can be achieved. Thus a vine company may adjust its promotional tools to reach each category of consumers and thus to determine them to buy the product.

4. CONCLUSIONS

Wine is a complex commodity, almost enigmatic. Precisely from the product's complexity derives the high degree of sophistication of research in wine domain and also the novelty of the formalities made. In this context, wine marketing can be very effective for a winery and can help it compete effectively in a somewhat saturated wine market. The promotion activity can be quite expensive for a company, but when it is done properly, the return on the investment can be very high. The challenge that these raise, consists in the increased difficulty of measuring efficiency of special promotional strategy, and this especially when market conditions are constantly changing and wine companies are forced to adapt and reinvent themselves considering the promotion strategies adopted.

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Figure 1 Categories of wine consumers in the USA and their profile
Source: own realization using Constellation Brands data (2014)



Figure 2 categories of consumers of wine in Romania and their profile
Source: own realization using the Shortcut Research model (2012)

