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Age Related Motivational Segmentation of Wine Consumption in a Hospitality Setting

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Introduction

To meet the increasing demand for wine worldwide, over the past five years approximately 8.5 million hectares of vineyards have been planted with the annual production of finished wine exceeding 25,000 million bottles of wine (www.wineinstitute.org/cornmunications). Within Australia bottled wine consumption has also been increasing with the Australian Bureau of Statistics estimating that 4.1 million people aged 18 years and over (31% of the population) drink wine at least once a week (ABS, 1998). Studies conducted by the Wine Research Institute in South Australia have shown that wine consumers drink on average 4.5 glasses of wine per week in a variety of different consumption settings including both home and restaurant meals (www.awri.com.au) 'It is estimated that 89% of those persons who drank wine in 1998 consumed it mainly with a meal' (ABS, 1998, p.55). Whilst the majority of wine sales in the hospitality industry occur in restaurants and banqueting centres (Hall, O'Mahony, and Lockshin, 200 lb), when added to the wine sales that occur in other hospitality settings such as bars and nightclubs the importance of this study to the food and beverage sector of the hospitality industry is confirmed. Indeed, there is a clear need for hospitality operators to investigate the consumption patterns of wine consumers and to understand the motives and influences in wine purchasing so that marketing strategies can be developed to capitalise on this growing market. As highlighted by Hall, O'Mahony and Lockshin, (2001 a, 2001b, 2001c), the type of occasion, for example, whether it is a party, or special occasion, or an intimate dinner, can significantly influence the motives and influences related to wine consumption. As Gluckman (1990) asserts, to understand wine consumption it is necessary to understand the individual's behaviour relating to the consumption of wine. This understanding leads to the development of segmentation strategies that can be used to improve the marketing and sales of wine within hospitality establishments. Hall and Winchester (2000a, 2000b, 2000c) identified wine market segments relating to whether or not the consumer is categorised as a Connoisseur, Aspirational drinker, Beverage wine consumer or Enjoyment orientated. Hall, et al. (2001d) also identify the potential for occasion-based segmentation of wine consumers in hospitality settings.

Literature Review

Consumer behaviour is a complex process that is neither singular in nature nor consistent in its application. This is particularly evident in the purchase of wine where previous studies have identified a number of product, packaging, purchase and consumption situational factors that have an impact on the wine selection process (Hall, et al., 2001a; Shaw, Keeghan and Hall, 1999; Keovvn and Casey, 1995; Jenster and Jenster, 1993). This complexity has been further emphasised in findings by Edwards and Mort (1991), who stress that there is more to wine than the obvious tangible qualities. Numerous personal psychological and subjective intangible features as well as those observable and definable product features play a part in the purchase decision (Judica and Perkins, 1992; Keown and Casey, 1995; Shaw. Keeghan and Hall, 1999). In addition, Lockshin, Spawton and Macintosh (1997) have established the importance of the influence of product involvement in retail purchasing of wine.

However, product involvement was not a construct that was investigated in this study and may be a worthwhile addition in any further investigations of this process.

Marketing theory based on propositions suggested by Kotler, *et al.* (2001) argues that all products can be distinguished at three levels: the core product, the tangible product, and the augmented product. The most fundamental level is the core benefit or the real needs the consumer seeks to satisfy. This is particularly evident in the purchase of wine where the consumer is not simply buying an alcoholic beverage, with its characteristics of bouquet, colour and taste but obtaining benefits that relate to intellectual prestige (through learning and being knowledgeable about wines) combined with the beliefs associated with the enjoyment of a quality product. This has been confirmed by research into the purpose of social situations where wine is consumed. Dodd, *et al.* (1996), for instance, identified that there is a certain status associated with the consumption of wine and cites Champagne for celebrations as an example of the social dimensions associated with the consumption of wine and food. Spawton proposes that the wine product is '...a bundle of benefits which in combination satisfy a consumer requirement' (1991, p.20). Keown and Casey (1995) illustrate this concept by suggesting that one of the most important intangible features of wine is its ability to be 'a thirst quencher, a deal clincher, an aphrodisiac or an anaesthetic' (p. **17).**

Risk Aversion

Another intangible feature of wine consumption is the notion of risk. Indeed, many authors agree that for a high proportion of wine purchases there is an element of the decision that involves a risk-aversion strategy (e.g. Spawton, 1991; Mitchell and Greatorex, 1989; Gluckman, 1990). Mitchell and Greatorex (1989) suggest, however, that the major concern in purchasing wine involves functional risks. These risks revolve around social risks (being embarrassed in front of colleagues, family and friends); financial risks in the cost of the wine and even physical risks in terms of possible effects from alcohol consumption.

Mitchell and Greatorex (1989) describe six ways in which consumers can reduce risks when purchasing wine. They include seeking information, remaining loyal to a known brand, using the image of the retailer to judge product worth, using top of mind brands in unfamiliar product segments, paying more than a reasonable price, or getting reassurance through trials such as tastings and samples. Spawton (1991) builds on the work of Mitchell and Greatorex by differentiating between the key expectation factors to identify the main facets of risk and presents a more comprehensive account of the factors affecting consumer wine purchasing behaviour. The factors that he identifies are: self esteem, where wine knowledge and appreciation create a favourable impression; complementarity to meals, where the wine is expected to enhance taste and enjoyment; psychological risk, where making the wrong wine choice is being potentially damaging to the buyer's own self esteem: functionality, where the buyer does not have the ability to determine if the wine is faulty; and economic, where the perceived value of the product is of a standard that is relative to the price being paid. Whilst, on the surface, the main facets of risk identified by Spawton appear to be essentially the same as those listed by Mitchell and Greatorex, the significance in this comparison is that Spawton identifies how expectations that are associated with the purchase of wine lead into the types of perceived 'risk'.

Risk Reduction Strategies

To reduce the perceived risk the consumer adopts a number of strategies. Spawton (1991) identifies six risk-reduction strategies used by consumers in order to reduce the possibility of purchase dissonance. These are:
1. selecting brand names that represent quality and are included in the range of 'safe brands' established in the mind of the consumer;
2. utilising the product recommendations of peers;
3. reliance on retail assistants;
4. knowledge gained through wine appreciation education;
5. pricing; and

6. packaging and labeling where they represent the style and quality desired (p. 16).

These have direct implications for the marketer who can reduce the consumer's perceived risk by using a range of strategies including pricing strategies to indicate quality, providing access to advice, and using tastings and free samples.

Price and Quality

Established marketing theory has strongly maintained the position that consumers perceive a strong correlation between price and product quality. This has also been supported in several wine related studies, although many of them have been limited in that price has been the only attribute used as a descriptor for the product (refer to Jacoby and Olson for discussion).

In subsequent studies where price has been utilised in conjunction with other product attributes, the results have been significantly different. For example, in the study of 'quality' perceptions of beer performed by Jacoby and Olson (1971) where both brand and price were included and were supplemented with sensory cues of taste and smell, it was identified that price alone did not create 'quality' perceptions in a multi-cue situation. The brand also created significant 'quality' perceptions particularly when the brand had a strong positive image. More importantly when there was no taste differentiation between the beer products used in the choice set neither cues showed significant effects. Indeed, participants were able to infer 'quality' from the sensory cues alone, that is, through taste and smell.

Nevertheless, quality is an important cue in relation to wine and whilst price is often a primary cue that is utilised to indicate quality, the attributes that signal quality to consumers can in fact be either intrinsic or extrinsic. Intrinsic cues are inherent within the product and changing any of these characteristics would change the product itself. Extrinsic cues, on the other hand, are those that can be changed without altering the structure of the product (Olson and Jacoby, 1972; Szybillo and Jacoby, 1974; Schiffman, 2001). The assessment of wine quality can therefore be based on intrinsic cues such as colour, aroma (nose), and taste. In the absence of actual experience with the product, extrinsic cues such as price, the consumer distribution outlet, region of production, recommendations of friends, advice of the salespersons, label and packaging and brand name become surrogates for quality evaluation. This balance between intrinsic and extrinsic factors makes the interpretation of consumer perceptions on the relative importance of wine quality very complex.

This is further complicated by the fact that wine market prices are associated with specific wine attributes. A study of the hedonic prices for red quality wine, for example, indicated that the region of production and the year of vintage were the main determinants of market price, while grape variety and alcoholic content are not significantly correlated with price (Angulo, et al., 2000).

Of the important attributes used in the buyer decision process for wine, however, taste has been found to be of the utmost importance. Lockshin and Rhodus (1993), for example, have shown that expert wine tasters and wholesale wine salespeople are more likely to use the intrinsic taste of the wine in their assessment of quality. With this in mind, Spawton (1991) notes that the prominent strategy in wine marketing is a 'push' rather than a 'pull' strategy and therefore pricing often is determined by the quality perceptions of the wholesaler and retailer who subsequently influence the prices that are established for particular wines.

Consumer Behaviour by Market Segments

The complex nature of consumer behaviour has been illustrated and it is noted that a major component of consumers' wine purchasing behaviour involves the element of perceived 'risk'. This tendency of wine to show features of high involvement purchase means consumers undertake risk reduction strategies, primarily in the form of information search and the evaluation of both intrinsic and extrinsic product cues. This information search is in itself influenced by a number of factors and

has been shown to be consistent among all consumers in most product categories. Consequently, the evaluation of product cues is the fundamental means of influencing the wine purchasing process.

Traditionally theorists have assumed price to be a primary cue utilised to indicate quality, however, this has been disproved in multi-cue situations, particularly in relation to the purchase of wine. Other product cues that can be manipulated by the marketer have been identified as maintaining significant importance in the purchase of wine including the brand, the label and the specific terms utilised (based on the 'framing' effect). The complexity of the product has been emphasised by authors such as Edwards and Mort (1991), who stress there is more to wine than the 'simple tangible qualities'.

One of the key factors in the successful marketing of wine is the identification of what is important to the consumer/target market. Marketing aims to uncover the nature of these needs by utilising both the tangible and intangible features associated with a product. Tangible features are basically the physical and sensory elements a buyer seeks in the choice of a product. In the case of wine the following tangible features can be identified:

- The wine itself, determined by grape variety, region, vintage and blending style.
- The bottle and bottle dress to identify the type and style of wine and indicate quality through traditional shapes and colours.
- Labelling information to confirm the taste and flavour of the wine, provide evidence of quality and supporting advice on its consumption and enjoyment.

The augmented product introduces additional intangible features that can help to differentiate a wine from the competition. Features such as the image associated with a winery, awards given by wine magazines and newspapers, the atmosphere created by the wine outlet as well as the knowledge and education provided by the wine seller can reinforce and enhance the wine buyers' perception of the product on offer.

Wine makers are beginning to target a younger consumer in the quest for increased wine sales and a broader customer base (Bayer, 1998). The Australian Grapegrower and Winemakcr (2001) highlights the fact that the rate of growth in wine sales within Australia of just 2% annually was not enough to sustain the industry's increases in wine production. There is an opportunity to target Generation X (those people born between 1961-1980) as well as Generation Y (those people born between 1981-1995) and that generation X could be responsible for up to 50% of Australia's wine buying between 2005-2015 by applying new approaches to marketing targeting at this consumer group. Howard and Stonier (2001,2002) draw attention to the most important influences on this group being family and friends, wine reviews, visits to wineries and price. Allen (2002), Wilson and Riebe (2001); and Wilson, *et al.* (2001), conclude that many people in the wine industry have the wrong thinking about this group and do not understand their needs. This appears to be the case in other countries as well, such as Germany where research showed a whole section of younger consumers being dissuaded from German wine, considering it cheap and not to their liking. There was a lack of middle-range German wines catering to the expectations and preferences of the younger consumer group (Knott, 2000).

In summary, models of consumer behaviour for wine purchasing must incorporate a complex set of decisions in the selection and balancing of both tangible and intangible features. It is further contended that by identifying market segments and the differences that can be found in the manner in which these segments behave, in terms of the purchasing and consumption of wine, specific marketing strategies can be developed to improve wine sales within the hospitality industry.

Methodology and Data Analysis

Following the comprehensive literature review discussed in the previous sections and over 200 in-depth interviews, the selection criteria relating to wine purchasing were determined. This aided the development of a quantitative questionnaire that contained ninety questions designed to gather information relating to the wine purchase behaviour of respondents. The target population for this

research was wine purchasers and consumers aged 18 years and older. In order to be eligible for the study, respondents must have consumed wine that they had personally purchased within the previous three months. Trained interviewers were used to collect the data from a convenience sample of 500 respondents that yielded a total 444 valid responses.

			Factors			
Variables		Mood enhancement	Information and Perceived Risk	Wine and food matching	Product Attributes	Price and Value
Relaxing		.838				
Mood enhancement		.785				
Excitement		.779				
Relieves stress		.747				
Fun and enjoyment		.558				
Advice salesperson			.734			
Advice family			.667			
Advice experts			.649			
Advice friends			.571			
Advice waiters			.541			
Samples and in-house displays			.533			
Region wine produced				.817		
Wine with food				.513		
Type of food with wine				.459		
Price					.743	
Discounts					.707	
Value					.563	
Value for money					.518	
Taste						.776
Quality of wine						.654
Type of wine						.542
Percentage of variance explained		24.3	12.2	9.7	8.9	6.3
Eigenvalue		5.4	2.7	2.2	2.0	1.4
Reliability alpha		0.86	0.80	0.76	0.77	0.70
MANOVA with age categories		Sig diff <.05	Sig diff <.05	Sig diff <.05	Sig diff <.05	Sig diff <.05

Table 1: Factor analysis, reliability and MANOVA statistics

With the extensive quantitative data set available, SPSS for Windows Version 10 was used to summarise and analyse the data. In particular, three multivariate techniques were utilized: Factor Analysis, Reliability Analysis and Multivariate Analysis of Variance (MANOVA). Factor analysis examines the interrelationships among a large number of variables and then attempts to explain them in terms of their common underlying dimension. In this study, Factor analysis was used as a summarisation and data reduction technique in order to remove irrelevant variables and factors, so that the data is in a manageable form. Reliability analysis was then performed to ensure that the factors resulting from the factor analysis are indeed reliable. Reliability analysis perforins an item analysis on the components of additive scales by computing commonly used coefficients of reliability. Finally, MANOVA was used to assess the group differences across multiple metric dependant variables simultaneously.

Results

Factor Analysis Results

The appropriateness of the data for factor analysis was tested using Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin (KMO) Measure of Sampling. A KMO of .830 and significance level of .000 was achieved for the Bartlett's test which indicates that the data was suitable for factor analysis. Five factors were produced in the factor analysis (see Table 1), each had eigen values greater than 1 and the five factors accounted for 61% of the variance. The five factors represented constructs relating to: 'mood enhancement', 'information and perceived risk', 'wine and food matching', 'price and value', and

the product attributes of the wine itself. A reliability analysis of each of the factors was undertaken using Cronbachs alpha and all factors achieved an acceptable reliability coefficient above 0.7.

Demographic Segment Analysis

The demographic variable of interest in this study was age. After examination of alternative age divisions, the sample was divided into three groups according to age: 18-25 years, 26-34 years, and 35+ years of age. This segmentation was adapted from the divisions used by Wilson and Reibe (2002) who separated wine consumers into groups based on ABS data and Howard and Stonier (2001; 2002) who have discussed the applicability of using segmentations based on specific demographic groups using age of potential consumers.

The groups selected represent the age group at the 'introductory' stage of wine consumption (18-25 years), the 'developing' stage (26-34 years) and the 'established' wine consumers (35+ years). A multivariate analysis of variance was used to test whether the constructs developed in the factor analysis varied significantly according to age segment (see Table 2). In order to investigate how the variables that made up each of the constructs varied according to age category, an analysis of variance was undertaken. The suitability of applying this technique to the data set was addressed by using Levene's test of equality of error variance. For each of the multivariate analysis a Box's test was applied to measure the equality of covariance matrices; each of the constructs satisfied the requirements of the test and a series of MANOVAs were proceeded with. This analysis revealed that each construct as a whole did show significant variation according to age category (Significant at the .05 level).

The factor. Mood Enhancement, was comprised of the variables 'relaxing', 'mood enhancement', 'excitement', 'relieves stress' and 'fun and enjoyment'. For this factor there are indications that it is less important to the older age-groups. In particular, 'mood enhancement' and 'excitement' are significantly less important to the 35+ year old group. The 18-25 year old group place more importance on the 'fun and enjoyment' variables of this factor. There was a significant difference between the age categories for 'mood enhancement', 'relaxing' and 'excitement'. 'Relaxing' was more important for the 26-34 year old group, while mood enhancement and excitement were less important for the 35+ age group.

Seeking and being provided with information is a risk reduction strategy associated with wine purchase and consumption. The older group (35+ years) places less importance on Information and Risk Reduction and three of the components 'advice from salespersons', 'advice from waiters' and 'samples and in-house displays' show significant differences by our demographic of interest.

Overall, the Wine and Food Matching factor is less important to the 18-25 year old group. This factor comprises of the 'wine region', 'grape variety' and 'matching wine to food' which all show significant differences between age groups.

The Price and Value factor includes a number of important variables, namely: 'price', 'discounts', 'value' and 'value for money'. However, these do not vary significantly between the age groups with all finding the variables equally important.

Variables included in the Product Attribute factor, namely: 'taste', 'quality of wine' and 'type of wine', are all equally important to all respondents, apart from quality of wine which is significantly more important to the 35- year old group.

Discussion of Results

These results demonstrate that different consumer purchase factors operate for different age group segments. For example, the benefit of'relaxing' was more important for the 26-34 year old group, while 'mood enhancement' and 'excitement' were less important for the 35+ age group. It is also clear that fun and enjoyment is an important aspect of wine consumption for all age groups. The onus is

therefore on the hospitality manager to create the conditions for this to occur. With this in mind, decor, ambience and the general atmosphere that is created within these establishments should be designed and structured to provide an enjoyable experience.

Table 2: MANOVA and mean scores for each age category		
	Mean scores for each age category		
Factors/Variables	18-25 years	26-34 years	35+ years
Mood enhancement			
Relaxing*	5.8	6.4*	5.7
Mood enhancement*	5.7	5.9	5.0
Excitement*	5.4	5.5	4.6
Relieves stress	5.0	5.6	4.9
Fun and enjoyment	6.8	6.5	6.3
Information and risk reduction			
Advice from salesperson*	5.3	5.9	4.9
Advice from family	5.9	6.1	5.5
Advice from experts	5.9	6.4	5.8
Advice from friends	6.6	6.8	6.3
Advice from waiters*	5.1	5.4	4.5
Samples and in-house displays*	4.7	5.3	4.4
Wine and food matching			
Region wine produced*	4.4	5.3	5.5
Grape variety*	4.3	5.4	5.2
Wine with food*	5.9	6.0	6.8
Type of food with wine	6.5	7.1	6.9
Price and Value			
Price	6.9	6.9	6.9
Discounts	5.4	6.0	6.0
Value	6.7	7.1	7.3
Value for money	6.4	6.9	7.0
Product Attributes			
Taste	8.8	8.8	8.9
Quality of wine*	7.3	7.6	8.0
Type of wine	7.9	7.7	7.9
Note: *Significant at 0.05			

'Sample and in-house displays', 'advice from salespersons', 'advice from waiters' vary significantly between age groups and tended to be more important for the 26-34 year old group. This would seem to suggest that this group are more influenced by educational material as well as the perceive expertise of waiting staff. As a result, it is recommended that continual wine training should be a core professional development activity for hospitality employees. Perhaps even a return to the traditional Sommelier approach, where one highly skilled individual deals exclusively with wine sales within restaurants, should be considered.

The factor for 'grape variety', 'region' and 'matching wine with food' were less important for the 18-25 year old group; for both other groups the educational aspects of the wine products appear to be influential. These groups are interested in the features of the wine and in complementing food. In terms of waiters' recommendations, however, this presents some difficulties as often they are required to recommend a wine to complement a variety of dishes that have been ordered by groups of guests (for example meat, fish and chicken at the same table).

'Quality of wine' was significantly more important for the older 35+ year old group. This would suggest that these clientele, by placing more importance on this factor, are choosing hospitality locations that can provide an appropriate wine quality. Interestingly, the price and value factors

showed no significant differences between the groups but does remain important for all age categories.

Implications

This study has important implications for managers and owners of hospitality establishments that rely on sales to add to the profitability of their businesses. It has been shown that a simple demographic factor that is generally identifiable amongst customer groups should be used as a segmentation variable in any hospitality marketing plan. By establishing the age profile of the client of a business, the manager can then adopt wine selling strategics that will appeal to the customer directly. This will enable the establishment to have the right product and right service combinations that will lead to greater customer satisfaction and hence higher product sales.

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