



Region of Origin and its Importance to New Zealand Wine Consumers

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Abstract

This research investigates the importance of region of origin across different levels of involved consumers and across wine types. New Zealand has a young, yet thriving wine industry. In the international market, New Zealand wine is gaining a reputation as a premium producer. Despite the wine industry contributing significantly to national GDP, there is limited research on the nations' wine consumers and wine regions. Wine is a highly experiential product; therefore the influence of consumers' level of involvement is often examined. More so than most other fast moving consumer goods, wine is inextricably linked to and reliant upon place. Thus region of origin has been a subject of many studies into wine consumers purchase decisions. There is a lack of research however on the differing importance of region of origin across wine types, especially so in a New Zealand context. This quantitative study measured involvement as a multidimensional construct with four dimensions. This involvement construct was tested against twelve product attributes in a consumers' wine purchase decision, region/wine associations, region/wine preferences and wine characteristics. An online survey was employed and sought wine consumers via wine related websites, which resulted in 134 usable surveys. Data was analysed with a combination of parametric and non-parametric tests, which examined differences in means, significance of that difference and independency between variables. This study found that region of origin is important to high involvement consumers and involvement has a greater impact when combined with the type of drinker one identifies oneself as. Most importantly, the importance of region of origin was different across wine types and highly involved consumers have preferences for which region specific wine types come from. The implications of this study are that red wine advertisements should emphasize 'wine characteristics', including 'terroir' and white wine regions/producers should perhaps emphasize variety instead of region and regional characteristics.

Conceptual development

Problem Identification

With regard to the literature, it seems apparent there is indeed a gap in the research. Some authors have studied how region of origin differs in importance across various consumer segments, for example Johnson and Bruwer (2007) conducted a Californian based study that explored how consumer confidence is enhanced with strong regional brands. While Orth et al. (2005) studied preferences and region equity, across segments defined by lifestyle. These United States based studies do not however distinguish differences across regions and wine types. McCutcheon et al. (2009) provided the most similar study to the current research; they studied how region of origin impacts across consumer segments, defined by characteristics including involvement. Their study was Australian based and again, not wine type specific. The gap in research that this study aims to fill therefore is: Do consumers, defined by involvement, regard the region of origin important in their purchase decision? And does this differ across wine type?

Research Objectives

The foremost objective of this study is to determine the importance of wines' region of origin in the purchase decision process of consumers in the New Zealand market. A secondary objective is to understand how the relative weight of importance varies according to the consumer's level of involvement. To address the gaps in existing literature another secondary objective is created; to discover if region of origin differs in relative importance across different wine types. These objectives aim to support existing findings and to bridge the gaps on the knowledge of New Zealand wine regions, and consumers' behaviour towards them.

Method of data collection

The research was conducted using an online anonymous survey that took less than fifteen minutes to complete. The literature supports this method of data collection as online surveys have successfully been used in various studies (Johnson & Bruwer, 2007; Remaud & Lockshin, 2009). This method of data collection has been chosen because of its ease, low costs and quick implementation (Malhotra, 2010).

The respondents were given a link and were ensured of their privacy and briefed on what the survey was based on (region of origin and its importance in a wine purchase decision). Respondents were made aware of an incentive (win one of six \$50 vouchers to an online wine store) and offered to voluntarily give an email address on a separate page to ensure their anonymity. Respondents were

first asked if they have consumed wine over the last three months (Famularo et al., 2009) as this was a requirement to participate in the study. Upon agreement and having met the consumption requirement, they were led to the questionnaire that measured involvement, wine origin preferences, personal wine preferences, as well as behavioural and demographic variables

Results

Descriptives

Almost half the sample were 18-24 years of age while the rest was aged 25-66 and over (please see Appendix B). This dispersion of age was reflected in the annual income of the sample, the two biggest percentages coming from opposite ends of income brackets; 15.9% earned \$100,000+, 15.1% earned \$10,000-\$5,000 (see Appendix C). The vast range in annual income was also portrayed in the occupations of participants, with majority being either categorized as students, professionals or managers and administrators (see Appendix D). Less dispersion was seen in the participants' geographical location as 50.8% claimed Otago as their home region. Wellington (16.4%) and Auckland (13.3%) followed with the rest of participants claiming the various regions of New Zealand as their homes (see Appendix E). With regard to preferred wine types (red or white) there was a relatively balanced proportion of each type of drinker; 68% of respondents saw themselves as red wine drinkers, while 76.7% saw themselves as white wine drinkers. The sample reported that they regularly drink wine, with only 35.6% of respondents consuming wine on a monthly basis, majority of the participants consume wine at least once a week.

Furthermore, to address the lack of dispersion regarding the identified home regions of respondents, independent t-tests were run to see if the home region of Otago would influence the results. The 'home region' variable was transformed into a variable with two groups, 'Otago' and 'Rest'. This variable was then run against key variables that will be later used to test hypotheses. No significant difference was found between regions, therefore the fact that over half of respondents identified Otago, as their home region will not influence the results of this study.

Hypothesis	Test	Hypothesis supported
<i>H1-High and low involvement Red wine drinkers differ to high and low involvement white wine drinkers in how important they regard ROO in their purchase decision.</i>	Crosstabs, Chi ²	✓
<i>H2-Different wine types influence the importance that consumers place on ROO</i>	ANOVA	✓
<i>H3-High and low involvement red wine consumers differ to highly and lower involved white wine consumers in their preference for what region a specific wine type comes from</i>	Mann-Whitney U	✓
<i>H4-Highly involved consumers spend more on wine than lower involved consumers</i>	Mann-Whitney U, Independent samples t-tests	Partially supported
<i>H5-Highly involved consumers place more importance on wine characteristics than lower involved consumers</i>	Independent samples t-tests	✓
<i>H6-Red wine drinkers place more importance on the concept of 'terroir' than white wine drinkers</i>	Independent samples t-tests	✓

Discussion

This section will be discussing the statistical tests done in previous sections regarding each of the proposed hypotheses. Inferences will be made and literature will be consulted to support findings from the data collected in this study.

This study bridges the gaps in wine marketing research on the importance of region of origin across wine types and involvement levels of New Zealand wine consumers. From the data analysis, involvement clearly influences the use and importance of region of origin in a consumers wine purchase decision. Additionally the type of drinker, meaning if one regards themselves as a red wine or white wine drinker also appears to influence the importance of region of origin, especially so in conjunction with involvement.

This study further contributes to existing theory by addressing the primary objective of this study; the importance of region of origin among other attributes in a wine consumers' purchase decision. Findings suggest that consumers regard region of origin in the top 50% of their purchase decision, which supports existing conclusions (McCutcheon et al., 2009). Supporting Schamel (2006), this study's findings suggest that the importance of region of origin is moderated by whether it is a red or white wine drinkers purchase decision, as region of origin was ranked higher by red wine drinkers. The secondary research objective has been addressed by distinguishing the varying importance attributed to region of origin by high and low involvement consumers. Furthermore, the results indicate that importance of region of origin differs across wine types, thus addressing the third objective of this study.

H1

High involvement red wine drinkers rank ROO significantly higher in their purchase decision than their low involvement counterparts. Conversely, even though high involvement white wine drinkers also appear rank ROO higher in their purchase decision than their low involvement counterparts, this difference is not significant. This test was done by distinguishing both involvement levels and the type of wine drinker that one identifies themselves as. This distinction between involvement levels, the type of drinker one identifies oneself as and the varying importance attributed to ROO in a wine purchase decision addresses this study's primary objective.

H2

Different wine types were found to influence the importance that consumers place on ROO. High involvement groups generally placed more importance on ROO than low involvement consumers. However only Pinot Noir, Sauvignon Blanc, Pinot Gris, Syrah/Shiraz and Riesling displayed significant differences between high/low involvement consumers and how important they regarded ROO to each wine type. The third objective of this study has been addressed with this finding by discovering that the importance of ROO to each wine type differs significantly. The varieties that were found to have significant differences are varieties that are reputable in New Zealand (Dana & Winestone, 2008; Murray & Overton, 2011; Shaw, 2011). Inferences can be made that the varieties that yielded non-significant results either have less association with New Zealand or that consumers don't consider ROO as important to such varieties (Chardonnay, Cabernet Sauvignon and Merlot). To further explain; Chardonnay is the most consumed wine variety in the world (Robinson, 1996). Perhaps this widespread consumption instigates a somewhat global image, thus prohibiting notions of ROO to be clearly communicated. Notably, Cabernet Sauvignon and Merlot are often blended into wines typically named 'Bordeaux Blends', in direct reference to the French winemaking region, practices and style. This strong tie between these blended varieties and France could somewhat negate the importance of ROO when 'Bordeaux blends' are produced in new world wine-producing countries like New Zealand.

H3

In accordance with the literature, the analysis revealed that there are significant differences between high and low involvement red wine consumers regarding their preference for where each red wine type comes from (Pinot Noir, Cabernet Sauvignon, Syrah/Shiraz and Merlot). Notably however there is also a significant difference between red wine involvement groups regarding their preference for where Chardonnay comes from, thus suggesting that despite being a white wine, red wine consumers regard region of origin as important to Chardonnay. This could be due to the strong association between Chardonnay and France. Chardonnay is known as one of the 'classic' French varieties, where region of origin plays an integral part in the cultivation and vinification of Chardonnay grapes (Robinson, 1996, Charters, 2006).

Conversely, white wine consumers displayed no significant difference between high and low involvement consumers and their preference for where each wine type comes from. The t-test

that was run to examine the differences between the majority who identified Otago as their home region and the rest of respondents indicated there was no significant influence of their home region. This finding supports existing literature, which concluded that red wine consumers place more importance on region of origin than white wine consumers (Schamel, 2006). Furthermore, this finding suggests that differentiating wine consumers based upon the type of drinker one identifies oneself as, may be an appropriate segmentation method.

H4

Spending patterns showed no significant difference between high and low involvement consumers. Contrary to the literature (Spawton, 1991; Schamel, 2006; Lockshin et al., 2012) this lack of significance could be explained by the limited sample size, as the mean of high involvement consumers (\$38.44) was higher than that of their low involvement counterparts (\$25.73). As this result contradicted existing studies, further tests were run to see if the type of drinker (red or white) differentiated spending patterns for each wine type.

When the type of drinker (red or white) was included with involvement in analysis, the spending patterns changed. High involvement red wine consumers spent significantly more on average than low involvement red wine drinkers. There was no significant difference between high and low involvement white wine consumers however, thus indicating that involvement has greater influence over average spending when in conjunction with the type of drinker one identifies oneself as.

Significant differences were found between high and low involvement red wine drinkers and each of the red wine types used in analysis. Notably, differences were also found for Chardonnay. This can be dually explained by the nature of grapes and the differing process to make red and white wines. Grapes have tannins in their skins, stems and seeds that allow a wine to age (Charters, 2006). These tannins are more present in red wine because the red wine fermentation process requires the skins to be present to give red wine its colour (Robinson, 1996). As opposed to skins (therefore most of the tannins) to be absent during a white wine fermentation (Robinson, 1996). Tannins are also found in the oak barrels that are used to store red wine whilst it matures (Hall & Mitchell, 2008). Only Chardonnay uses oak barrels for maturation, hence why red wines are predominantly associated with 'oak aging' and therefore tannin and longevity (Robinson, 1996). Red wines are therefore able and known to age for upwards of 100 years or more depending on the amount and strength of the tannins in the wine, (to view wine maturity graphically, please refer to Appendix Q). Therefore similar to art, higher prices are demanded for wines that are able to age. Thus red wine often demands higher prices than most white wine, Chardonnay being the exception because oak

aging is often used to mature Chardonnay wine (Robinson, 1996). This finding indicates that price difference may be a function of taste, or perceptions of process, experience or winemaking.

Furthermore, white wine drinkers in general did not spend more on average per bottle than those who didn't identify themselves as white wine drinkers. The lack of significance for white wine drinkers and average spend per bottle could be attributed again to the sample population characteristics. Significant differences between high and low involvement white wine consumers and their maximum expenditure were only found for Chardonnay and interestingly, Syrah/Shiraz. Logically speaking, it would be expected that high involvement white wine consumers would spend significantly more on white wine varieties. However the results indicate that involvement only influences spending patterns of white wine consumers for Chardonnay, again this could be due to the use of oak aging for many Chardonnay wines (Robinson, 1996). The significant difference that was found for Syrah/Shiraz could also be attributed to the variety being a very aromatic red wine variety, thus displaying similar characteristics to the aromatic white wines, (Robinson, 1996).

H5

Regarding the various 'wine characteristics' that were used in this study ('boutique', 'estate bottled', 'artisan', 'distinctive', 'terroir' and 'select grapes'), involvement had a significant impact on the relative importance of each characteristic. High involvement respondents had significantly higher means for each characteristic. This supports the literature (Schamel, 2006; Mueller, et al., 2010) which suggests higher involved consumers will place more importance on characteristics that represent region of origin, portray high quality, exclusivity and which differentiates a wine from others. The secondary objective is addressed here, as there is a distinction between high and low involvement consumers and how important they regard these 'wine characteristics' that represent region of origin.

H6

Red wine consumers were found to place significantly more importance on the concept of 'terroir' than white wine consumers. This finding supports Schamel (2006) who concluded that red wine consumers are more concerned with the region of origin and terroir of a wine than white wine consumers. The origins of this assumption can be attributed to the nature of red wine grapes that typically are harder to grow, therefore require more precise and particular growing sites. Thus terroir is important to red wine consumers in general (Schamel, 2006) and regarding this study, terroir is also important to New Zealand red wine consumers.

7. Conclusion

The research question is addressed by consulting this study's findings, which indicate that involvement clearly influences the use and importance of region of origin in a consumer's wine purchase decision. This distinction can be attributed to the finding that high involvement consumers placed more importance on 'wine characteristics' (that represent region of origin) than low involvement consumers. Furthermore, the finding that indicates region of origin is ranked in the first 50% of high involvement red wine consumers also addresses the primary objective of this study. Interestingly the type of drinker, meaning if one regards themselves as a red wine or white wine drinker also appears to influence the importance of region of origin, especially so in conjunction with involvement. It is prevalent that New Zealand's leading red wine variety; Pinot Noir yields significant differences between involvement and type of drinker groups for how much is spent on either variety, thus supporting NZW (2011) suggestion that marketing efforts can focus on Pinot Noir. Chardonnay also yielded significant results between high and low involvement consumers for both red and white wine drinkers in the maximum amount they would be willing to pay for the variety. High involvement red wine drinkers also displayed significant preference for the region of origin for Chardonnay. Findings suggest that price difference may be a function of taste, or perceptions of process, experience or winemaking. Differences are apparent for how much importance is given to either wine type as well as differing preferences for where each wine type comes from. Thus the research question and secondary objective is addressed as differences across wine types were found.

7.2-Managerial implications

Practically speaking, managers should note that the influence of involvement is further enhanced by the type of drinker one identifies themselves as (i.e. red or white wine drinker). Therefore segmenting based on involvement and/or further segmenting by red and white wine drinkers may be highly beneficial and more efficient in representing involvement, behaviours, perceptions, awareness, knowledge and characteristics. Additionally, as findings suggest white wine drinkers spend less in general and by wine type. White wine drinkers also place less importance on region of origin for different wine types and on 'wine characteristics' thus suggesting that emphasizing ROO in marketing communications may be less effective than for red wine drinkers. Notably, if segmenting just on involvement, differentiating advertising by variety may also be beneficial. Pinot Noir, Sauvignon Blanc, Pinot Gris, Syrah/Shiraz and

Riesling all showed significant results between high/low involvement consumers and the importance of region of origin. Those varieties that did not yield significant results (Chardonnay, Cabernet Sauvignon and Merlot) could benefit more by emphasizing flavours and characteristics of the wine rather than the ROO. Especially for Cabernet Sauvignon and Merlot, which are often blended, perhaps emphasizing the 'Bordeaux Blend' practices, process and characteristics could be beneficial.

Furthermore, producers that are targeting the niche high quality, distinctive wines (typically smaller scale producers/regions) market should take into account that advertising wine characteristics such as 'Boutique', 'Estate Bottled', 'Artisan', 'Distinctive', 'Terroir' and 'Select Grapes' may only be effective for high involvement consumers. This inference is made from the finding that high involvement consumers place significantly more importance on wine characteristics. Additionally, red wine consumers place significantly more importance on the concept of 'terroir' than white wine drinkers. Hence even within New Zealand where regions' 'terroir' is still being defined and understood, consumers appear to have awareness of and place importance on the concept and relative ideas/wine characteristics. Marketing communications should take this into account by utilising the notion of 'terroir' to high involvement, red wine consumers/varieties, particularly Pinot Noir and Syrah/Shiraz.