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Acceptance of a Tasting Room in a Downtown Location as a Marketing Vehicle for a Local Wine Region

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The successful marketing of a specific wine or region is expensive. The wine industry has thousands of brands and hundreds of growing regions associated with the brands. The use of local grower and vintner associations is one solution to the large marketing expense required to generate awareness and distribution of wine brands. Associations allow for the pooling of marketing funds among local growers. One such association is the Edna Valley and Arroyo Grande Vintners Association, which was established in 1982 in San Luis Obispo, California. It is a nonprofit mutual-benefit corporation organized under the California Nonprofit Mutual Benefit Corporation Law. The specific purpose of this corporation is to improve the business conditions of the grape-growing and wine-producing industry in the Edna and Arroyo Grande Valleys in San Luis Obispo County, California.

The San Luis Obispo Vintners Association is a group of independent wine producers in the cities of South San Luis Obispo County; growers; and technical advisors from California Polytechnic State University, the Chamber of Commerce, the San Luis Obispo County Visitors & Conference Bureau, the City of San Luis Obispo, and the Downtown Association, local restaurant and hospitality owners. In 2005 the Vintners Association had 31 members, and includes an executive director, marketing coordinator, five officers and five directors.

In order to most efficiently allocate its scarce marketing budget, the association conducted market research. The first phase of research was conducted to examine how awareness has been generated for the wine region and why consumers visit the region's tasting rooms. This marketing research was conducted during the Summer and Fall of 2004. The research used a survey instrument conducted through a personal interview of 321 randomly selected tasting-room customers at Edna Valley and Arroyo Grande wineries. Forty-one percent of the consumers interviewed in the tasting rooms were visitors to the area and 59% were local residents.

It was found that those familiar with San Luis Obispo believe the region produces high-quality wines. However, the primary reason visitors were in San Luis Obispo was for vacation, 46% of visitors, while only 11% indicated the primary reason was to visit the wine region. Marketing played a very minor role in bringing visitors to the tasting rooms. Almost half of the visitors heard about the wine region from friends. Another 10% found the region by "passing through." While the impact of marketing on generating tasting-room visitors is low, the research shows that the visitors are important to the local economy and wineries. The average visitor to the region spent approximately a day-and-a-half wine tasting in a group of three wine tasters and visited five wineries. They spent an average of $741.71 on lodging and expenses during their vacation. Furthermore, they spent on average $195 at the wineries during their wine trips. Local residents spend on average $125 at the wineries during wine tasting trips that last approximately one day.

The results of the marketing research show the economic importance of the tastingroom visitors to the overall region. The research also shows the lack of awareness of the region generated by marketing vehicles. Consumers seem to stumble upon the marketing region by visiting friends or passing through the region. In order to attract more high-spending visitors to the San Luis Obispo area's tasting rooms, the San Luis Obispo Vintners and Growers Association has decided to use a wine bar, Taste, in a downtown location for the purpose of generating awareness of their brands and their tasting rooms and as a location for distribution directly to the consumer. Since over half of the visitors to tasting rooms are local residents, the purpose of this research is to examine the acceptance among local residents of a wine bar that highlights the region's wines in a downtown location operated by the Vintners and Growers Association. In addition, this research examines the demographics and category behavior of the likely target for the wine bar.

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Methodology

A consumer survey of 265 wine purchasers in San Luis Obispo County was used to examine the wine bar acceptance. The survey instrument was administered through the use of a personal interview in January and February of 2005. The random sample was screened to ensure that respondents were 21 years or older and had purchased wine in the past year. Consumers were asked:

> "How good of an idea do you think it is for the wineries in the Edna Valley and Arroyo Grande to open a joint wine tasting room/wine bar in the city of San Luis Obispo?"

Almost three-fourths of respondents thought it was an excellent or very good idea. One-third of respondents indicated that it is an excellent idea. Thus respondents were very supportive of the new marketing vehicle for the wineries in their area. This research profiles the likely target for the tasting room, those indicating the wine bar is an excellent or very good idea.

Target Market

This marketing research indicates that wine consumers in San Luis Obispo are equally likely to be males or females. Approximately half are married and half are single. Three-fourths of the wine consumers are employed, and almost a quarter have children. One-third of the wine consumers have an income over $50,000. Over half of the wine consumers are 30 years old or older.

Demographics

The likely target has a higher education and income level than do the non-target consumers. However, the age, marital status, employment, and presence of children in the home is similar between the two groups (Table 1).

Category Behavior

Most wine consumers interviewed also consumer other alcoholic beverages; however, the likely target consumers are also more likely to make purchases of mixed drinks when purchasing alcoholic beverages. Thus there are many substitute products for the wine (Table 2).

Most wine consumers purchase their wine from a grocery store. However, consumers who are the likely target for the tasting room are more likely to also purchase wine from retailers such as Trader Joe's, wineries, and a wine club than are the non-target consumers.

Table 1. Demographics.

Education	Likely target percentage N=191	Non-target percentage N=74	P-value[1]
Grade school/ less	0.5	0.0	0.021*
Some high school	0.5	0.0	
High school	2.5	10.7	
Some college	41.0	50.7	
College graduate	41.5	32.0	
Post graduate work	14.0	6.7	
Income			0.042**
Under 34,999	38.1	52.2	
$35,000 or more	61.9	47.8	

[1] Significance level of chi-square statistic.

* Significant at 5% level. ** Significant at the 10% level.

Table 2. Category Behavior.

Beverages purchase	Likely target percentage (N=191)	Non-target percentage (N=74)	P-value[1]
Beer	85.9	79.7	0.211
Sparkling wine	56.3	52.0	0.525
Mixed drinks	76.6	64.4	0.043*
Other	37.1	31.1	0.360
Locations where wine purchased			
Grocery store	86.4	81.3	0.291
Trader Joes	71.9	54.7	0.007*
Winery	42	24	0.006*
Liquor store	40	36	0.545
Costco	32.8	31.5	0.837
Wine shop	21.6	13.7	0.144
Wine club	10.6	2.7	0.037*
Natural food store	4.5	1.4	0.215
Other	8.0	6.8	0.731

[1] Significance level of chi-square statistic.

* Significant at 5% level. ** Significant at the 10% level.

Likely target consumers spend more per bottle of wine (Table 3). The target consumer allocates a higher proportion of bottles purchased to wine in the $20-and-higher category while the non-target consumer allocates a higher proportion of purchases to the $10–$14.99 category. Furthermore, the target consumer allocates a higher proportion of purchases to red wine.

The consumers who are more likely to visit the wine bar downtown went wine tasting more often in the past year than did the non-target consumers. (Tab;e 4) They have also wine tasted in more regions in the past three years. Three-fourths of the target market have gone wine tasting in San Luis Obispo.

Most wine consumers have learned about wine at a friend's home and at a bar (Table 5). However, the target consumers learn about wine in more places than do the non-target consumers. The target consumers are more likely to have tried a new wine at a friend's home, a winery tasting room, or a restaurant or wine bar; seen a magazine advertisement for the wine; or discovered it on the Internet. Very few of the consumers have learned a bout a new wine at a wine bar, since the proposed wine bar will be the first in the local area.

Purchasing Attitudes

A successful product positioning is based on the factors that motivate consumers to purchase one product versus other products. In order to develop a successful positioning for wine or a wine bar, Clancy and Shulman (1991) indicate that the characteristics that are desirable to consumers when they make a purchase decision must be identified. The characteristics that consumers want when they purchase wine are examined by desirability ratings. The most desirable characteristics should be used in the development of a positioning statement for the wine offered at the wine bar, since those characteristics are the most important to consumers when they make a decision about purchasing wine.

Consumers were asked to rate the desirability of

Table 3. Wine-Purchasing Behavior.

	Likely target mean (N= 142)	Non-target mean (N=126)	P-value[1]
Dollars per month	$60.82	$38.89	0.055**
# of bottles	5.2	5.1	0.962
Proportion of bottles by price	Likely target percentage (N=191)	Non-target percentage (N=74)	P-value[1]
$0–4.99	24%	33%	0.123
$5–9.99	26%	32%	0.235
$10–14.99	27%	19%	0.031*
$15–19.99	14%	12%	0.595
$20+	11%	5%	0.032*
Proportion of bottles by type	Likely target mean (N=191)	Non-target mean (N=74)	P-value[1]
White	30%	35%	0.420
Blush	7%	8%	0.699
Red	57%	50%	0.066**
Sparkling	5%	7%	0.610
Other	1%	1%	0.761

[1] Significance level of t statistic.

* Significant at 5% level. ** Significant at the 10% level

twenty-one characteristics of wine to them when they make a decision to purchase wine. They were asked the following question:

> "The following list shows features people may look for when they purchase wine. Please indicate the desirability of each feature by giving me a number from one to five. Five means the feature is extremely desirable, three means it is somewhat desirable, and one means the feature is not desirable at all to you when you purchase food. If no single answer captures your feelings completely, please indicate the closest number. Please try to use all the numbers in the scale."

Analysis of the mean ratings of the interval data in Table 6 indicates that the characteristics are divided into three groups: somewhat to very desirable characteristics, somewhat desirable characteristics, and slightly to somewhat desirable characteristics.

The very desirable characteristics for San Luis Obispo consumers when shopping for wine are those concerning taste, quality, value, and whether or not friends recommended it. The somewhat desirable characteristics are if the wine is good for a party or date, if it is good to drink after work to help them unwind, if it complements food well, if it helps them relax, if it is inexpensive, if it is made by a well-known winemaker, or if it is a prestigious brand with a creative label from a well-known winegrowing region. The slightly to somewhat desirable characteristics concern the alcohol content, whether it was aged in barrel, if it has health benefits, if it won any contests, if it was organically grown, or if it was given a high rating from *Wine Spectator* or Robert Parker.

A comparison of the ratings between the target and non-target consumers indicates that the consumers likely to go to the wine bar are more involved with the wine purchase, because more characteristics are important to the target consumers. The likely target consumers are more concerned with premium

Table 4. Number of Times Consumers Went Wine Tasting in the Past Year.

	Likely target mean (N=191)	Non-target mean (N=74)	P-value[1]
# of times	2.33	1.58	.049*
Wine region went wine tasting past three years	Likely target percentage (N=191)	Non-target percentage (N=74)	P-value[2]
Napa Valley	35.5	22.7	.042*
Sonoma County	26.8	14.9	.039*
San Luis Obispo County	75.4	54.7	.001*
Santa Barbara County	38.0	14.9	.000*
France	3.0	4.0	.678
Italy	3.0	2.7	.884
Chile	2.5	1.3	.555
Australia	4.5	4.0	.857
South Africa	2.5	0.0	.167
Other region in the U.S.	8.0	5.3	.448
Other Country	9.0	4.0	.162

[1] Significance level of t statistic. [2] Significance level of Chi-square statistic.

* Significant at 5% level. ** Significant at the 10% level.

quality, taste, if it helps them relax, if it is good after work, if it complements food, if it is made by a well-known winemaker, if it is a prestigious brand from a well-known wine growing region, and if it was given a high rating from *Wine Spectator*. This agrees with the finding that these consumers also spend more on the same number of bottles of wine. Premium-quality wines from prestigious brands, well-known wine makers, and well-known wine regions are typically higher-priced.

One of the purposes of the wine bar is to educate consumers about the San Luis Obispo wine-region characteristics. The target consumers appear to find these characteristics more desirable than do the non-target consumers. Thus marketing communications about the wines offered at the wine bar should include references to the region and its winemakers. Furthermore, they must stress the quality and taste of the wines available at the wine bar.

Marketing Implications

The San Luis Obispo Vintners and Growers Association is opening a wine bar in downtown San Luis Obispo to generate awareness about their wines to downtown visitors. This wine bar will also serve as an additional location for sales directly to the consumer. Most wine consumers in the San Luis Obispo area think that opening a wine bar in downtown San Luis Obispo featuring local wines is a good idea. The target consumers spend more each month on wine compared to non-target consumers. However, they purchase the same number of bottles of wine compared to the non-target consumers—they allocate their purchases to higher priced wines. The target consumers wine taste more often and are more likely to learn about wine at winery events and at restaurants. The downtown wine bar will likely be another source of information about wine for these consumers. In order to attract the target consumers, marketing communications will need to emphasize the quality and taste of the wines in the wine bar. The wine bar should include educational information about the region and its winemakers. Special winemaker events at the wine bar will attract the target consumers.

References

Clancy, K. J. and R. Shulman. 1991. *The Marketing Revolution.* New York: Harper Business, HarperCollins Publishers. 109–113.

Table 5. How Consumers Learn About a New Wine.

	Likely target percentage (N=191)	Non-target percentage (N=74)	P-value[1]
At a friend's home	85.5	73	0.016*
Bar	77.7	78.1	0.942
Restaurant by bottle	60.6	37.3	0.001*
Waiter	52.3	38.7	0.045*
Sommelier	47	38.9	0.238
Winery tasting room	36	33.8	0.733
Wine tasting dinners	30	27	0.631
Winery events	27.1	14.9	0.034*
Magazines	27	22.7	0.465
Newsletters	21.5	8	0.009*
Restaurant by glass	19.5	13.3	0.234
Friends and family	11.7	6.8	0.236
Internet	10.6	10.7	0.988
Television	8.2	5.3	0.425
Radio	7.6	1.4	0.052**
Wine bar	6.5	5.3	0.721
Other	17.7	17.3	0.947

[1] Significance level of chi-square statistic.

* Significant at 5% level. ** Significant at the 10% level.

Table 6. Desirability of Attributes.

	Likely target mean (N=191)	Non-target mean (N=74)	P-value[1]
Somewhat to very desirable			
Tastes good	91.1	86.5	.054**
Good value for money	83.4	81.4	.464
Recommended by friends	77.0	73.2	.156
Premium-quality product	75.6	63.2	.000*
Somewhat desirable			
Good for a party	72.8	69.6	.312
Good for a date	71.5	69.6	.564
Good to drink after work	72.3	64.1	.017*
Complement with food	71.9	62.7	.004*
Helps to relax	69.6	62.2	.034*
Inexpensive	65.9	66.1	.953
Well-known winemaker	64.7	58.6	.073**
Prestigious brand	64.1	57.8	.055**
Winegrowing region	64.4	56.2	.014*
Creative label	59.8	61.1	.688
Slightly to somewhat desirable			
High in alcohol	55.5	59.7	.228
Aged in a barrel	57.7	52.2	.106
Has health benefits	54.0	58.4	.226
High *Wine Spectator* rate	53.5	47.8	.079**
Wine-contest winner	52.2	49.2	.349
Organically grown	44.3	48.9	.190
High Robert Parker rating	42.6	42.7	.972

[1] Significance level of t statistic.

* Significant at 5% level. ** Significant at the 10% level.