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How do consumers select wine? Factors that affect the purchasing decision of wine consumers in Singapore.

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Cover Page Footnote
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1. Introduction

The Singapore wine market has been robust over the last few years. In 2006, the market value grew by 7.1% to S$213.1 million *(datamonitor.com Nov 2007 – Industry Profile of Wine in Singapore).* The market value forecast by 2011 is S$278 million, a 30.7% increase from 2006. Market volume in 2006 was 9 million litres or about 12 million bottles (750ml per bottle) while volume forecast by 2011 is 10 million litres or 13.3 million bottles.

2. Objectives

This paper examines the key factors that affect the purchasing decision of wine consumers in Singapore. Specifically the effects of product origin, purchase location and the role of the consumers' self when purchasing wine.

Conclusions and recommendations are made for wine industry practitioners, food and beverage establishments or businesses in hotels, clubs, restaurants and bars, as well as for further academic research.

In addition, this research will enhance:

- consumer's credence in buying as an individual
- wine producers profiting from yielding better choice wines for the wine market's economy
- effective inventory management to the business in the wine supply chain.

3. Methodologies

For the purpose of this research, three methods were adopted; focus group discussions, informal interviews and an online survey. For the focus groups, this consisted of two separate groups with a total of 23 persons, to discuss their wine preferences and selection behavior when purchasing wine, or as in most cases what particular wines they tend to recommend to their guests. These two groups consisted of food and beverage personnel from hotels and independent restaurant and bar establishments. On the average, participants had about three years working experience in their respective establishments in the capacity of waiters, bartenders, captains and bar supervisors. These groups from the industry were chosen based on their familiarities with wines, both in selling and purchasing.

For the informal interview, these were conducted with personnel involved in selling wines in supermarkets and independent wine shops, and included mall interception interviews with consumers who purchased wines at supermarkets. Similarly, these sales personnel were chosen for their familiarities with wine.

The final methodology was done through an online survey targeted at people involved in either the selling and or purchasing of wines.

3.1 Focus Group Discussions

The first two focus group discussions were conducted separately with emphasis placed on key factors that affect the purchasing decision of Singapore wine consumers when considering wines for purchase.

3.1.2 Findings from Focus Group Discussions

The findings of the three most common key factors received from the two focus group discussions (in descending order of importance) were:

1. Grape Varietals
2. Country of Origin (particularly wines from France and Australia)
3. Price

Other factors that affect the purchasing decision of Singapore wine consumers:

(i) brand reputation and popularity
(ii) promotion
(iii) quality of wine
(iv) prior knowledge of wine
(v) personal familiarity with wine

3.2 Sampling through Interviews

These findings were then presented to the next 3 groups of supermarket and independent wine shop personnel through informal one-on-one interviews, and to wine shoppers at supermarkets through mall interception interviews.

The three supermarkets were chosen for their convenient location and good spread of the different kinds of consumers selected for this research. The interviews were particularly timely as the downtown supermarket selected was having their annual wine fair. While the expatriate frequented outlet was selected based on its predominant community of wine consumers living in the vicinity, and the third supermarket, was chosen for its heartland Singaporean locale.

Findings received at the wine fair indicated that many consumers bought red wines from France and Australia, paid no less than S$30, and respondents mentioned that they could get good wines at a good value at wine fairs such as this. At the fair, consumers indicated that they were also exposed to a good range of wine varieties with substantial tasting samples.

At the expatriate frequented supermarket, many purchased Australian Cabernet / Shiraz blends at prices below S$40 which they considered inexpensive. Good brands were also available, especially the French Chateaux and familiar brands such as Wolf Blass, Australia, were also factors consumers considered when selecting their wines.

At the local heartland supermarket, choices were made based on country of origin i.e. mainly Australian wines, both reds and whites. The prices spent on wines were in the mid S$20s range, which respondents considered good and attractive.

3.2.1 Findings from the Interviews

Interview with Wine Personnel
The key factors received from the supermarket wine personnel were similar to the findings from the focus groups, i.e. grape variety, origin and price. In addition, consumers' personal preference and the popularity of certain brands such as Wolf Blass, Australia, and Lindemans, French Chateaux wines, were the other selection factors.

However, findings from the independent wine shop personnel were markedly different. They found that premium brands priced at value were a top deciding factor for consumers, followed by other factors such as promotional offers and personal selling by the wine shop.

Mall Interception Interview
The third group of wine shoppers was approached through mall interception interviews. A simple 3-question survey was presented to shoppers upon payment of their wines. Survey questions were structured based on findings from the interviews with supermarket personnel (e.g.: If Price is a factor, how much would you pay?).

Questions given to the shoppers of the mall-interception were:

1. What wine(s) did you buy, and from which country?
2. How much did you pay for each bottle, on an average?
3. What factor(s) affected your selection?

3.3 Online Survey

Factors from the findings were then presented through an online survey. The groups targeted were wine connoisseurs, wine bar owners, female consumers, colleagues, the general public, and in addition, wine sommelier associations and wine industry associates. Survey questions were then structured to find specific evidence of the 3 key factors.

The 5 questions asked were as follows:

1. **What are the 3 key factors that affected your selection of wines?**
   This question attempts to find out if the 3 key factors obtained from the focus group and interview findings would be consistent with those in the online survey groups.

   Findings would be particularly important for wine producers as an indication of wine preferences of consumers.

2. **Where did you buy your wine(s) from?**
   This question was designed to specifically ask where consumers purchase their wines – On-trade (hotels, clubs, restaurants, bars), wine shops or supermarkets.

   Findings would be useful for wine supply businesses to strategise expansion plans based on the key locations the majority of consumers purchase their wines from, as well as to keep consumers informed of the best places to purchase their wines.

3. **How much did you spend on an average per bottle?**
   Question to qualify the key factor on Price – how much?

   Findings would assist producers in matching their wines to the price demand in the market and for suppliers to be more sensitive to consumers' price ceilings.

4. **Which is your most preferred country of origin when selecting your wine(s)?**
   Question to qualify the factor on Country of Origin – which in this case was France and Australia.

   Findings would optimise the stocking of wine supply for effective inventory and swift turnovers. As perishable products, wines are often kept longer than they should be.

5. **Which is your favourite grape variety?**
   This question is asked to find the 3 most popular grape varieties.

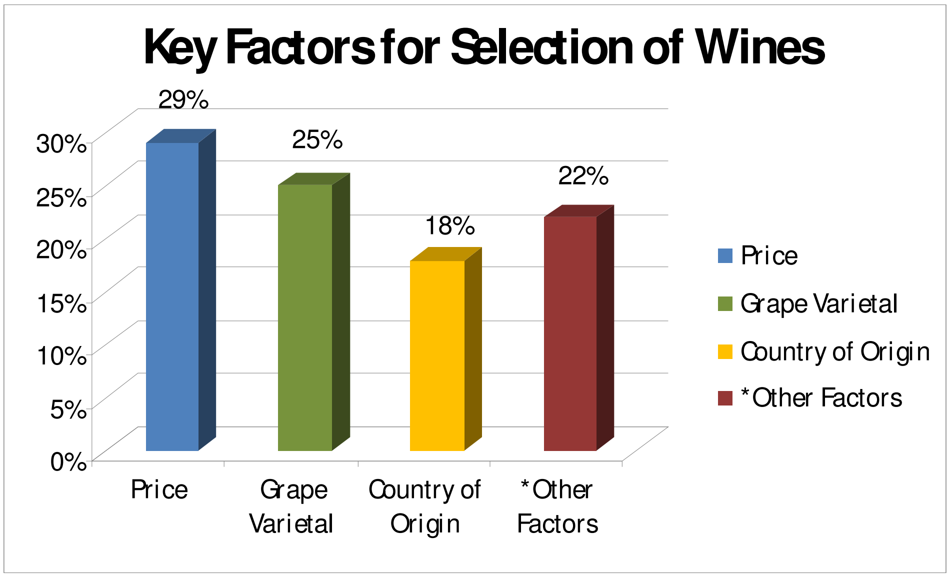
   Findings would enable producers to make wines of preferred varietals for consumer thus supplying according to real market demand.

3.3.1 Findings from the Online Survey

i. The 3 key factors obtained from the survey response were:

Price	29%	(21 out of 72 response count)
Grape Varietals	25%	(18 / 72)
Country of Origin	18%	(13 / 72)
*Other Factors	22%	(16 / 72)

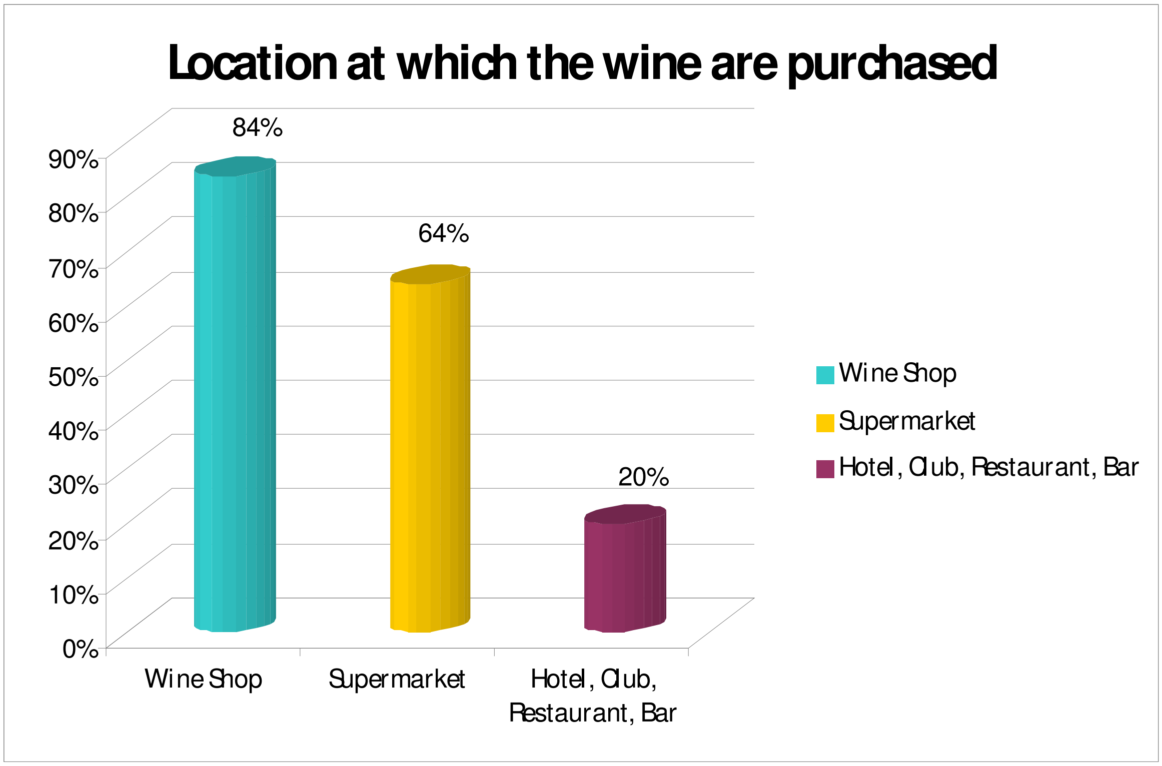
Figure 1.



*Other factors included brand of wine, vintage year, reputation of producer, quality of wine, age of wine, celebration occasion, availability, promotion, food matching, and friend's recommendation.

ii. Where did consumers purchase their wines?

Figure 2.



Majority responded that wine shops and supermarkets as main places where they purchase their wines.

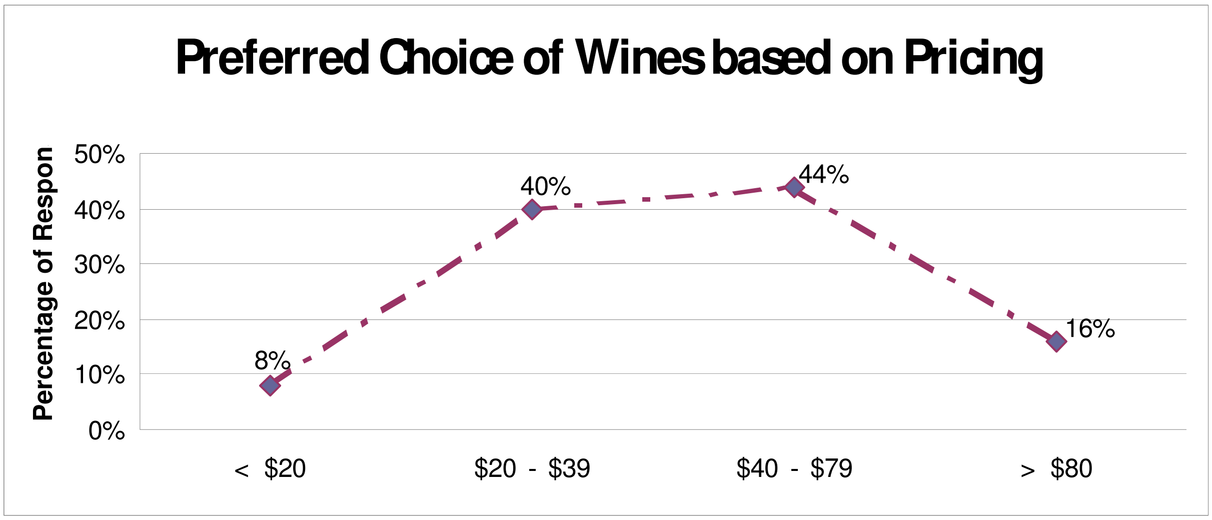
iii. Price:

At the other end of the spectrum, from a lower retail pricing (supermarkets, wine shops) to a higher on-trade pricing (hotels, clubs, restaurants, bars), prices ranged from the low S$20s to high S$80s.

Responses are as follows:

Below S$20	8% of total response
S$20 - S$39	40%
S$40 - S$79	44%
Above S$80	16%

Figure 3.



Although price was one of the main key factors consumers considered when selecting their wines, the survey indicates that consumers in Singapore are willing to spend more on wine as indicated in the findings that show a median of about S$50 to S$60 i.e. on the higher side of the price range.

The findings further reveal that these consumers tend to spend more at wine shops compared to supermarkets, particularly premium brands priced at value. It is also important to point out that wine shops are more inclined to stock better quality wines compared to supermarkets.

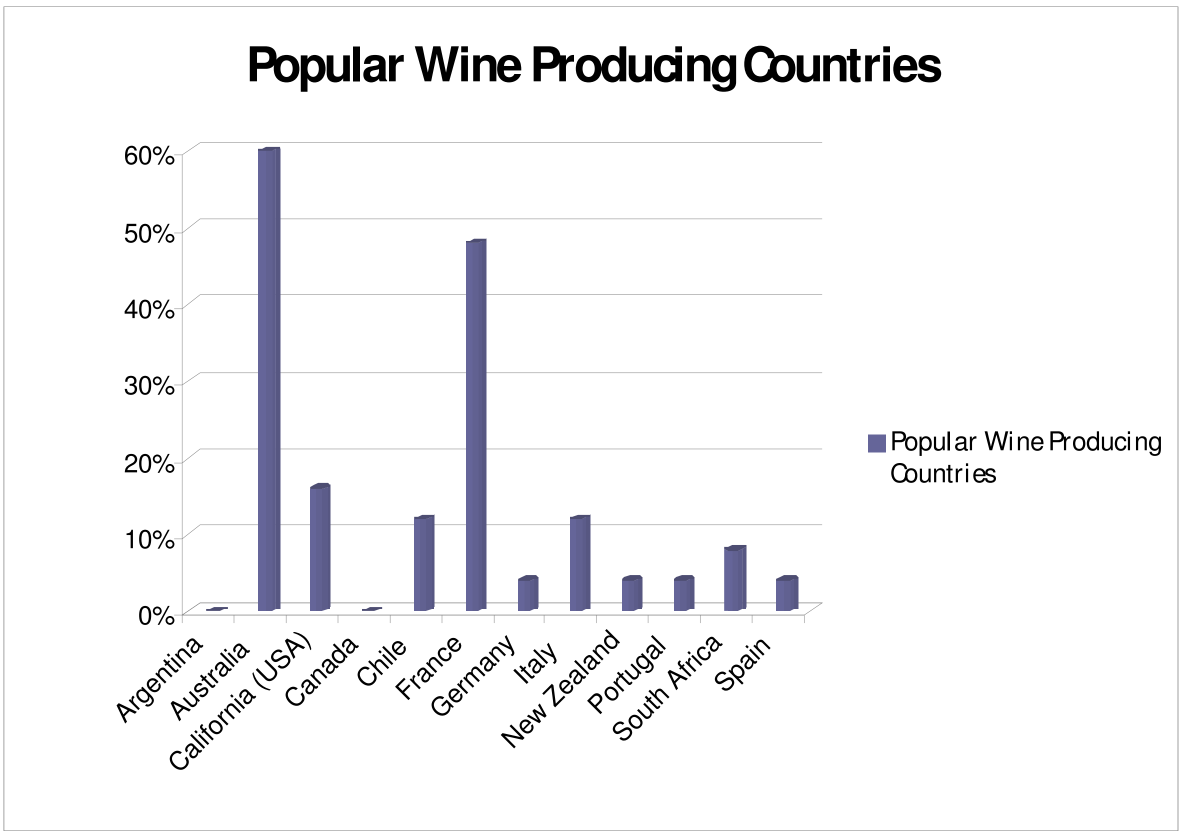
While the findings from the mall interceptions indicate that 40% of consumers bought wines from supermarkets at the average price range of the mid S$20 to S$39.

iv. Country of Origin:

The most popular wine producing countries were alphabetically listed in the survey as follows:

Argentina	0% of total response
Australia	60%
California (USA)	16%
Canada	0%
Chile	12%
France	48%
Germany	4%
Italy	12%
New Zealand	4%
Portugal	4%
South Africa	8%
Spain	4%

Figure 4.

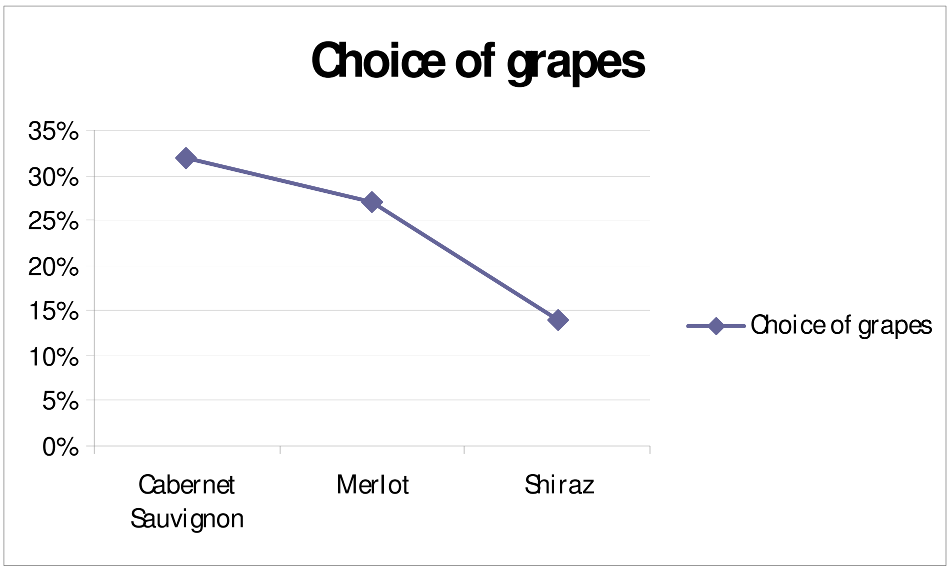


It was little surprise that consumers' top choice of wine producing countries was Australia and France. This was further supported from findings conducted through personal interviews of supermarket wine personnel who responded candidly on the popularity of wines from Australia and France.

Their responses also supported the findings done through mall interceptions conducted at various supermarkets, including the wine fair. Interceptions were done only after interviewees had paid for their wine purchases in order to get more accurate results. This was important since those who indicated their preference on purchasing French wines, may end up purchasing Australian wines instead or perhaps may decide to not even purchase at all. Most consumers interviewed purchased Australian and French wines.

v. The 3 Favourite Grape Varietals were:

Figure 5.



The rest of the other grape varietals are Sauvignon Blanc and Chardonnay (white), and Pinot Noir (red).

Red grapes emerged the perennial favourite for the majority, thus further substantiating why the world's main red wine yielding countries produced about 5.07 million hectoliters or about 538 million bottles of French red wine in 2007 in the famous Bordeaux region alone, known best for producing 85% of its wine red, and about 525,000 tonnes or about 656 million bottles of Australian red wine in 2007 (France Bordeaux red - Cabernet Sauvignon and Merlot grapes, and Australia red – Cabernet Sauvignon, Merlot and Shiraz grapes)
http://www.bordeaux.com/Data/media/DP08_UK_Economie.pdf (Sales of Bordeaux wines in 2007) and ***http://www.wineaustralia.com*** *(Australian Viticulture At A Glance 2008)*

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4. Conclusion

It can be concluded from this research that price is the key determining factor that affects the purchasing decision for consumers when selecting wines and that location from which they purchase the wines, also plays a part when compared to the two common price range markets:

- Supermarket entry level consumers who buy at lower prices, and
- Wine shops where consumers are more discerning on quality, thus willing to pay more for their wines.

Top favourites are wines from Australia (4.7 million litres or 6.2 million bottles) and France (3.4 million litres or 4.5 million bottles), with both countries taking a combined total market share of more than 80% of the 12 million bottles imported to Singapore annually.
Source: IE Singapore (The Straits Times, Thursday October 25 2007, page H34)

Acknowledgements:

Focus Group
(Hotel)
Amara Hotel
Changi Village Hotel
M Hotel
Ritz-Carlton Hotel

(Club / Restaurant / Bar)
Au Petit Salut
Jumbo Seafood
One° 15 Marina
Republic Yacht Club
St. James Power House

Personal Interview Group
Carrefour
Cold Storage
Denise Wine

Mall Interception:
Carrefour Wine Fair – Suntec City
Cold Storage – Great World City
NTUC Fairprice – Bukit Batok Central

Online Survey Groups:
Wine Connoisseurs
Wine Bar Owners
Female Consumers
Shatec Institutes Colleagues
General Public
Wine Sommeliers Association
Wine Industry Associates

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Singapore imports more wines for 5th straight year
The Straits Times, Thursday October 25, 2007 page H34