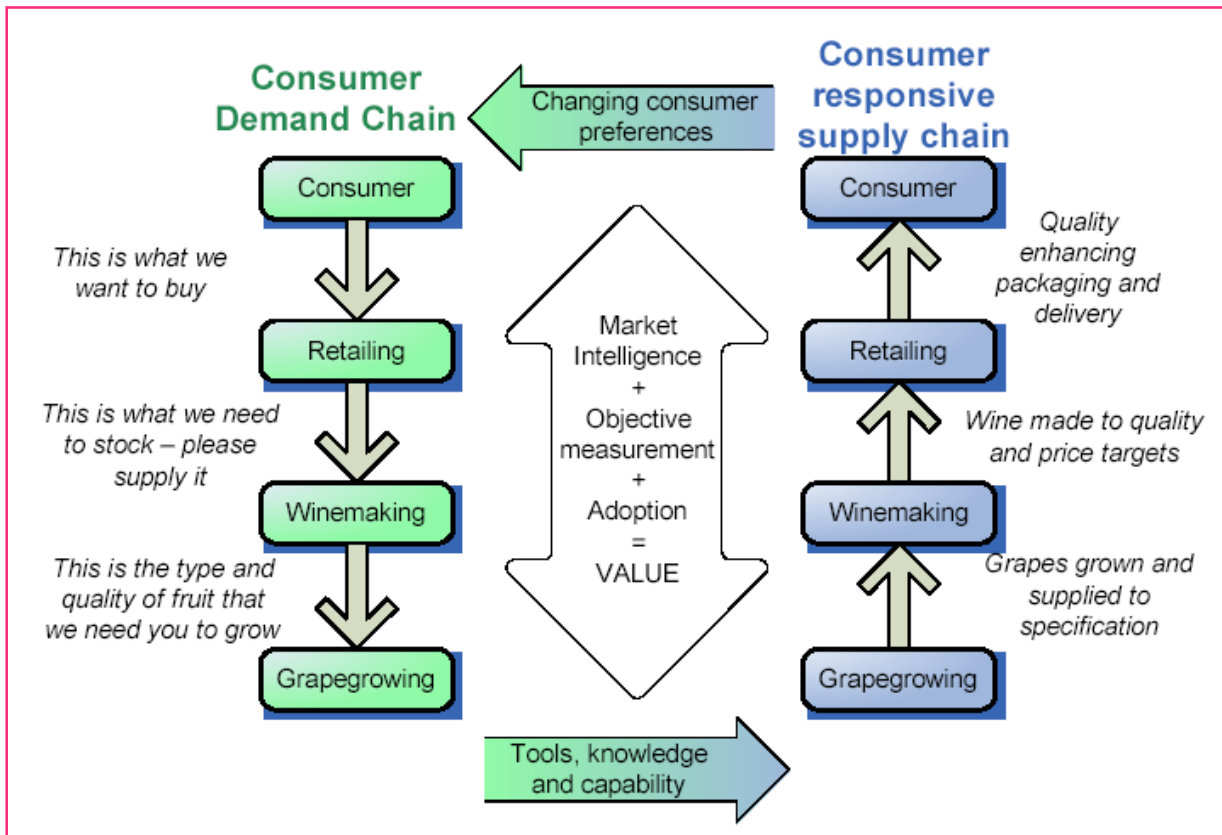


YOUR GUIDE TO CONDUCTING CELLAR DOOR MARKET RESEARCH

Developmental Stage of the Australian Wine Industry and Marketing Research

Since the early 1990s and into the new millennium, the world wine market has been undergoing fundamental changes. New trends are emerging more often now and tend to develop at a faster rate than ever before, in the process affecting the competitiveness of wine companies. As wine increasingly becomes a lifestyle beverage and more acceptable and desired by a wider spectrum of consumers, there is a greater need to understand wine consumption patterns and consumer profiles (Bruwer *et al.* 2002)¹.

Although there are some promising signs that there is a strong intent to adopt a whole-of-wine-chain approach to wine business, achieving this with an optimal outcome, is not a reality as yet. One would reasonably wonder why this is hard to achieve until one pauses to think what it all involves. The whole-of-wine-approach (see below) essentially means that the industry must establish what wine (products) the consumers really want to buy, feed this information down the chain to its production-side, establish whether it can (and wants to) make these wines and hence grow the grapes required long before the process can become a reality. For a successful outcome, the process therefore starts with the consumer and finishes with the consumer.



(CRC 2004 Planning Committee)

¹ Bruwer, J., Li, E. and Reid, M. (2003). Segmentation of the Australian Domestic Wine Market Using a Wine-Related Lifestyle Approach. *Journal of Wine Research*, 13(3), 217-242.

Consumers interface with the wine industry at various levels. One of these is at cellar door, which offers the opportunity for wineries to sell wine direct to visitors at full margins without any intermediaries (and their commissions) involved. Whereas visitation by potential consumers to a cellar door presents a sales opportunity it also offers the best possible opportunity to conduct marketing research on the customers.

Why is the Cellar Door so Important and should its Impact be Researched?

In Australia, more than 70% of wineries produce less than 7,500 cases (by crushing less than 100 tons of grapes). At present 78% of all the wineries operate a cellar door and this number is increasing as wine retail consolidation accelerates making it more and more difficult for small wineries to get their brands on the shelves of retail giants like the Coles-Myer and Woolworths groups². The bottom line is that wineries are increasingly having to sell their wines through the direct mode with the cellar door being the main vehicle for achieving this³.

Therefore, "for the winery, the cellar door represents 'its own retail store', the arena within which it can perform the act of introducing visitors to the organisation and its wines, staff, winery, vineyards and setting" (Bruwer, 2002)⁴.

There is a body of knowledge pointing to the fact that many people will visit the cellar door only once or very seldom for various reasons⁵. Either they live too far away (in another city, state or country) or they simply do not engage in the leisure time activity of visiting winery cellar doors very often and/or they are novelty seekers visiting as many wine regions and different (for them new) cellar doors as they possibly can. Not surprising, only about one in three Australians visit a winery cellar door during a year. If it is a fact that many of our visitors are first-timers and may not come back, the opportunity of having them at the cellar door should be optimised and the best we can aim for is that they remain connected with our brand through the wine club/mail order and/or buy our wines in retail stores or in the on-trade at restaurants, etc.

When one looks at the actual sales of wine to visitors achieved at the cellar door, one should actually have a more pragmatic view of what the cellar door does for the winery's brand beyond the visit of the person. Did the person start to buy (or continue to buy) the winery's wines at a retail store or restaurant in the city after the visit to the cellar door? How big was the effect or impact of the cellar door visit on future sales? This means that cellar door staff should not be judged on sales through the cellar door's cash register only! Remember, that some visitors deliberately elect not to buy wine during the cellar door visit for a variety of reasons, but the more important consideration is whether they will in future!

How can we establish whether this is happening? The answer is by means of marketing research! For example, one of the questions asked of visitors in a cellar door research survey conducted at most cellar doors in a well-known Australian wine region was whether they had bought and/or consumed any wines of the specific winery during a defined time period prior to visiting its cellar door. To indicate just how much the brand strength of wineries differ, we examine the answers for two of the wineries - the one a strong 250,000 case p.a. producer (Winery A) and the other a smaller lesser-known 10,000 case producer (Winery B) within the same wine region.

In the case of Winery A, a high 42% of visitors indicated that they had bought/consumed the winery's wines prior to the visit....talking about strong brand associations and wanting to visit the 'home of the brand' which is the cellar door! In the case of Winery B, a much lower 18% indicated their involvement with the brand. This would be expected as Winery A gets more visitors than any other in the wine region and there are literally dozens of small wineries all competing to be visited.

However, the actual bottom line of the above is in the answer to the next question: whether the visitors indicated that they'd buy the wines in future at a retail store or restaurant (irrespective of whether they had prior experience of the winery's products). The answer was that in both cases, the actual visit to the cellar doors of Wineries A and B significantly increased this figure, in some cases by as high as 25-30%! This underscores the actual value of the cellar door and why it is so critically important to know everything that we possibly can about our visitors through carefully executed marketing research.

² Winetitles (2004). The Australian and New Zealand Wine Industry Directory 2004, 22nd Annual Edition, Winetitles, Adelaide: Australia.

³ Bruwer, J. (2004). The Love Affair of Generation X Consumers with the Winery Cellar Door. *The Australian & New Zealand Grapegrower & Winemaker*, no. 49 (December), 19-24.

⁴ Bruwer, J. (2002a). The Importance and Role of the Winery Cellar Door in the Australian Wine Industry: Some Perspectives. *The Australian & New Zealand Grapegrower & Winemaker*, 463, August, 96-99.

⁵ Bruwer, J. (2002b). Marketing Wine to Generation X Consumers Through the Winery Cellar Door, *The Australian & New Zealand Grapegrower & Winemaker*, 467, December, 67-70.

What is Marketing Research?

Marketing research is the systematic and objective identification, collection, analysis, dissemination and use of information for the purpose of improving decision making related to the identification and solution of problems and opportunities in marketing (Malhotra, 2004)⁶.

Certain aspects of this definition should be highlighted:

- It is a concerted attempt to provide accurate information that reflects the true state of affairs
- It is a systematic process and hence cellar door research should be conducted over a planned time period
- It is objective and hence focuses on specific issues such as what percentage of cellar door visitors who tasted purchased wine for take-home consumption.

Market research is like taking of a photograph of the visitor profile of the cellar door. It is a snapshot taken at a specific time and over a time period that reflects the **average** cellar door visitor as accurately as possible.

Remember that it is not sensible to survey every single visitor to the cellar door, but it is definitely possible to conduct market research on a carefully selected sample of visitors.

Why is Marketing Research so Important?

Marketing research provides the information that intelligently informs our marketing strategies and actions. For example, if we establish that the cellar door visitor profile is mainly females from the Generation-X age group (18-34 years old), then that certainly has specific marketing implications (Bruwer, 2004)⁷.

A lot has been said about the plethora of wine brands emanating from the hundreds of small wineries struggling to get shelf space in retail stores and cluttering the offering to consumers, even confusing them. Located within a wine region that brings with it authenticity regarding a sense of place or home for the brand, the cellar door is the winery's own 'retail store' It is an environment that is free from the clutter of competing wine brands and where the staff can inform, educate and captivate visitors (consumers). In short, if the cellar door cannot provide a memorable total experience for the visitor to such an extent that when they depart they are knowledgeable about (if not emotionally connected to) the brand, then it has let a golden opportunity slip pass. Why? Simply because most of the visitors will not go back to the cellar door due to the fact that they live in another state or even country. They will in future seek to buy the brand in retail stores, restaurants or through the mail order mode IF they were convinced at the cellar door that it was worth doing this.

Benefits of Conducting Research vs. No Research

There are several benefits directly linked to the execution of marketing research at the cellar door:

- Obtain information about who the consumer is
- Segmentation of the market into actionable (sub) groups
- Opportunity to test product concepts and ideas on real consumers
- Find out how the winery, its staff, and products are perceived
- Find out how the winery's wine region is perceived
- Establish a database that makes benchmarking and identification of trends over time possible
- Identifying how the winery is performing in terms of certain key indicators.

Demographic profiles of consumers can vary greatly between wineries, because their positioning and products differ. In the case of wineries (for confidentiality reasons called A, B and C, all located within the same relatively well-known region), the visitor profile compositions (established through cellar door research) were as follows:

⁶ Malhotra, N.K. (2004). *Marketing Research: An Applied Orientation*. 4th edition, Pearson Education International, New Jersey: USA.

⁷ Bruwer, J. (2004). The Love Affair of Generation X Consumers with the Winery Cellar Door. *The Australian & New Zealand Grapegrower & Winemaker*, no. 49(December), 19-24.

	<u>Winery A</u>	<u>Winery B</u>
Male	48%	78%
Female	52%	22%
Under 35 years old	38%	22%
Bought wine at cellar door	63%	89%
No. of bottles bought at cellar door	3.5 bottles	10.6 bottles
Average price per bottle	\$20.32	\$14.57

Clearly Winery B attracts older male consumers who buy a relatively high number of bottles of wine. Winery B also has a very high yield rate (89%) which is the actual % of visitors out of every 100 who buy wine for take-home consumption. However, Winery A succeeds in obtaining a much higher price per bottle (but needs to get more of its visitors to buy wine) and has a larger younger age-group visitor population. Ultimately Winery B did not change (why should it have to?) and Winery A built a restaurant, which is now catering for the younger visitors' needs. Both beneficial outcomes were as a result of conducting concentrated market research on their cellar door visitors.

In the same region there is a Winery C with a yield rate of 'only' 56%. When compared with B and even A it should be able to do much better that it does. By means of marketing research we can find out what the 'problem' is and how this can be fixed.

Types of Research

There are essentially two types of research at our disposal to determine consumers' behaviour:

Quantitative research produces measurable descriptive information or data. The data can be analysed statistically because of its numerical nature. The methods of data collection used in quantitative research are questionnaire survey techniques, observation of consumer behaviour or experiments⁸. If a random probability sample of consumers (for example cellar door visitors) is drawn then the finding(s) can be generalised to a larger population (see 'sampling and data collection in marketing research').

An example of typical quantitative research using the survey questionnaire technique at a cellar door is:

"Have you ever visited this cellar door before today?" Options: Yes No

(the answer can only be one of the two options given.....there is no 'grey area')

Result: Yes = 52% No = 48%

Now we know that 48% of the visitors to the cellar door are first-timers.....a very important finding indeed. The next (quantitative) question could be to those who have indeed visited before:

"How many times have you visited the cellar door before today?" Fill in number of times:

From this answer we can determine how regularly the repeat visitors visit the cellar door, etc. etc.

Qualitative research produces descriptive information obtained by means of in-depth face-to-face interviewing of consumers, consumer focus group discussions and projective techniques. Normally a highly-trained interviewer is needed to probe for answers regarding discussions topics. The findings tend to be somewhat subjective. The sample sizes are generally small and hence the results cannot be generalised to the total population. However, qualitative research can produce valuable insights about cellar door issues and can be used in combination with quantitative research.

⁸ Schiffman, L.G. and Kanuk, L.L. (2004). *Consumer Behavior*, 8th edition, New Jersey: Pearson Prentice Hall.

For example, determining the perception that visitors have of the wine regional brand image:

"What would you in your own words say are the Barossa Valley Wine Region's main characteristics or features?".....

or, "Do you have any idea(s) about how this cellar door can improve visitors' total experience?"

.....

Sampling and Data Collection in Marketing Research

An integral part of research is the sampling of human subjects (also known as respondents). In the case of the cellar door, the respondents are all the people who visit the cellar door within a defined period of time and participate in the research data collection process.

There are three aspects to the sampling process side of a research survey:

- *Whom* to survey (the sampling unit)
- *How many* to survey (the sample size)
- *How to select* them (the sampling procedure)

For example, if it is known that 10,000 visitors visit the cellar door, and we wish to be 95% certain that the answers obtained from the research sample accurately reflect all these visitors, the total sample size required is 357 visitors. In other words, if we asked the age of all 357 visitors and the average obtained = 31.5 years, then we are 95% certain that the actual age of all (10,000) visitors is 31.5 years $\pm 2.2\%$ that is between 30.8 and 32.7 years. This is also how a forecast is made of the outcome of the election.....a sample of the USA voter public is taken and extrapolated to the total population simply because 200 million people cannot each be interviewed!

When it comes to selecting the respondent for the sample, remember that very few people (only between 3-7%) visit cellar doors on their own. The person is therefore almost always accompanied by either a spouse, *de facto* partner, family member or others living in the same household. Hence only ONE person in a household can act as a respondent, otherwise the information obtained is doubled-up, etc. For further details regarding which person from the household to select to complete the research survey and how this should be done, see 'instructions for cellar door research survey'.

NB. Remember that everyday cellar door surveys are of a **self-administrative** nature. That means that the cellar door staff will ask for a visitor's participation, generally only after they've tasted wine and had an opportunity to experience the cellar door. The visitor will then complete the survey and hand it back to the cellar door staff member. In this way the cellar door staff can continue with their normal tasks and hence conducting cellar door research is actually a **non-intrusive activity** on the cellar door's normal operations.

It is a good idea to incentivise visitors to participate, i.e. tell them they can enter a lucky draw for a case of wine if they participate, but do not incentivise them in such a way that they feel obliged to buy wine which will definitely skew the research results.

When conducting research at cellar door, a question to be answered is over what period should this take place? Normally cellar door surveys run for at least one month on all days of the month because some people visit only during weekends while others are on holiday and arrive at any time. Always aim to cover all (or most) of the possibilities.

Some cellar doors have the desire to measure their visitors over a longer period to capture both the peak holiday and slow times as the visitors during those periods can be distinctly different. In this case, the survey can be split over 4 month-long periods each capturing 70-80 visitors. Normally visitor traffic during weekends is at least double that during the week and therefore split the sampling process can be split as follows:

2 x surveys per weekday = 22 x 2 = 44 surveys
 4 x surveys per weekend day = 8 x 4 = 32 surveys
 Total = 76 surveys

The good news about conducting research and selecting samples is that you do not have to interview all visitors to the cellar door.

Data Analysis and Interpretation in Marketing Research

After collecting the information by means of the surveys, the next step is to analyse and interpret them. At the most basic level, this can be manually tallied but will not allow much analysis and interpretation other than knowing 'raw numbers' such as the gender split, etc.

It is best to log the data on a computer and then use the software program in the analysis process. Spreadsheet programs such as Microsoft Excel can be used for this, but can't cross-tabulate. For example, if you want to know what percentage of female visitors to the cellar door are 18-34 years old, and bought the winery's wines prior to the visit at a retail store, this could prove to be difficult. More sophisticated but expensive data capturing and analysis software programs such as SPSS can do this job very well.

Always be mindful that the ultimate value of the information you collect will be in your ability to interpret what the findings mean and how to implement these. You should therefore seek professional help from persons who are very experienced in questionnaire design, data analysis and interpretation and providing advice about implementation to winery cellar doors.

The Life (Frequency) of Conducting Marketing Research

There are certainly no hard and fast rules about this. We know that today's consumers have rapidly changing lifestyles and as such that probably provides the key to the answer. Furthermore, the production cycles of wineries (3-5 years for varietal switching, etc.) perhaps hold another key to this as the winery's business plan is likely to require a major revision every 3-5 years.

Hence there are two answers to how often research at cellar door should be conducted by a winery:

- At any time, the sooner the better if there has been no prior research conducted
- At least every 3 years if there has been a prior research study conducted on cellar door visitors

Also remember that it is very important to measure the same aspects next time around in order to be able to compare trends, changes, etc. For example, if the cellar door sales yield rate was 65% in 2002 and we measure it again in 2005 and find it to be 70%, we *know* that it has improved.

How to Write a Cellar Door Research Brief

All marketing research briefs have the same basic structure. Consultants require a brief to enable them to design the study to fit your winery's specific needs. First of all, make absolutely sure that you need and want to conduct a cellar door survey and what you expect the outcomes to be. In general, you are likely to be asked the following questions, so have the answers ready:

- The number of visitors to the cellar door per year (rough estimates are fine)
- Whether you want to do a longitudinal survey (covering the entire year) or a snapshot one (one month-long)
- Whether the cellar door sells only wine or merchandise and food (restaurant) as well
- Whether the wines are available in the off-trade and/or on-trade
- Whether information regarding other wine tourism stakeholders should be collected, such as where they stayed overnight in the region
- Whether the brand image of the wine region is important and what the perception is
- Whether you'd like to know what other cellar doors in the wine region your visitors also visit and in what order, etc. (to determine the winery visitation set of visitors)
- What sources of information regarding your winery are available to the public, such as a website, tastings in major centres, etc.
- Reasons why the visitor came to your cellar door
- How many wines are available to taste and whether a tasting fee is charged
- Whether the winery has a newsletter and/or a mail order or wine club and whether visitors should be asked if they'd like information in future
- Whether you'd like to find out what visitors really think of the cellar door - the staff's service levels, the building itself, etc
- Whether you want a report containing the results only or a live presentation providing more interpretation
- The available budget for the cellar door research survey

Wine Festival Research

The same principles apply for everyday cellar door (wine tourism) research and wine festival research.

Normally, a wine festival is a regional event held either at decentralised venues (namely the cellar doors) or at a centralised venue (i.e. the town's oval) or at both. The usual mode of data collection is face-to-face interviews conducted by trained interviewers with festival attendees.

Wine festival research is much more intense than everyday cellar door research and there isn't the luxury to conduct the study over a month, let alone a year. There are usually only one or two festival days with thousands of visitors in the region all at one time. Although a winery can conduct a survey on festival attendees at its cellar door and use basically the same format as outlined before (except for some specific questions relating to the festival only), it is most often undertaken by the regional association who commissions to have surveys undertaken simultaneously at as many cellar doors as possible or in the case of a centralised venue at as many winery stands as possible. Wine festival visitors are likely to move around between wineries and hence interviewers are stationed only at selected wineries.

When conducting research on attendees at a festival, do not start too early in the day when the attendees have not yet had the opportunity to experience aspects of the festival i.e. have lunch, etc. It will not be possible to have a large sample of surveys completed at a single winery due to the time factor. The larger sample required will be obtained by means of surveying several wineries in the region so you can compare your winery's results with the rest of the region.

Most of the 'standard' questions used in an everyday cellar door survey will again be asked, but the following festival-specific questions could be added:

- How many times they have attended the festival
- What year their last attendance was
- Sources of information about the festival
- Identify the sponsor(s) of the festival
- How many people in the person's group
- Wine tasting and buying behaviour
- Buying of food, wine by the glass, etc.
- Rating of satisfaction with the festival elements
- Whether they will attend the festival next year

Do not be too alarmed if the percentage of visitors buying wine to take home at the festival is relatively low. It is often inconvenient to buy wine at a festival because of things like overcrowding and parking far away from the cellar door⁹. For example, as the McLaren Vale wine region's Sea & Vines Festival matured over the years, the yield rate for selling wine to attendees dropped slowly year after year until only about one in five people (20%) bought wine in recent times. However, the overall benefit to individual wineries and the region continues to justify participation.

A final word - if the winery can conduct both everyday cellar door visitor and wine festival attendee research, it will be able to establish whether the festival brings different people to the region and winery. Below is an example (Winery X in a region):

	Cellar Door	Festival
Male	44%	52%
Female	56%	48%
18-24 years old	6%	8%
25-34 years old	36%	19%
35-44 years old	21%	21%
45-54 years old	24%	29%
55-65 years old	9%	19%
65+ years old	4%	4%

It can be seen that the festival clearly 'augmented' the cellar door's normal visitor profile by bringing older males to it.

⁹ Bruwer, J. (2002). The Wine and Food Festival Event: A Golden Opportunity to Learn More About Wine Consumers. *Australian & New Zealand Wine Industry Journal*, May-June, 17(3), 92-99.

Get Professional Advice & Training

Information for this section has been generously supplied by Dr. Johan Bruwer, The University of Adelaide (see Contributors section for contact details).