

Consumer perceptions of premium and luxury wine brands

By Therese Sjostrom, Armando Maria Corsi and Larry Lockshin
Ehrenberg-Bass Institute for Marketing Science, University of South Australia

A study was recently conducted to determine the attributes that consumers perceive to be associated with premium and luxury wines compared with regular wines, which also drew on the vast amount of existing literature on the topic. The findings suggest that many of the elements assumed to be connected are, in fact, not top-of-mind with many drinkers.

The premium and luxury segment of the wine sector has been growing steadily for the past 20 years, both domestically and internationally, and it is still on the rise (IWSR 2012). However, we still don't know what attributes consumers perceive to be associated with premium and luxury wines compared with regular wines. When a consumer is prepared to pay more for a wine, what elements come to mind? Does the consumer consider the wine to be a luxury or premium purchase? At what price tier is a wine perceived to be prestigious? The vast literature on luxury, premium or prestige wines has never answered these questions.

Rather than getting involved in the debate about definitions and differences between luxury, premium and prestige products, we chose to measure what consumers believe is associated with these terms in the Australian wine market. We believe our research provides guidance for wineries to develop the right associations with their brands, so that they meet existing consumer perceptions here in Australia. Two methods were used to answer these questions. We used best-worst scaling to understand which attributes are associated with prestigious wines, because this approach forces consumers to choose the most (best) and least (worst) attribute from a set that is most closely linked to prestige wines in his or her mind. We used the pick-any method, which provides lists of attributes and asks the consumer to pick any that he or she thinks are associated with each of four different price tiers, because this method is closely linked to top-of-mind mental associations.

METHOD

The study was conducted in October 2012 with a representative sample (n=509)

Table 1. List of potential elements that characterise a prestigious wine brand.

Adequate method of production	Premium price
Authentic/trustworthy brand	Premium quality
Exclusive brand history	Promotional activities (advertisement)
Famous brand endorsers/ambassadors	Respectable founder and designer
Good brand reputation/status	Suitable retail location
Limited production/edition	Unique features/characteristics
Positive country of origin reputation	

of Australian consumers, who had drunk wine at least once in the past six months.

For the first part of the study a list of 13 elements that consumers might associate with a prestigious wine was developed from existing literature and the experience the authors have in the field (Table 1).

Respondents were shown a specific number of choice sets, comprised of four of the 13 elements each. Each element appeared the same number of times across all choice sets and appeared an equal number of times with every other element based on an experimental balanced incomplete block design. In each choice set, respondents chose the element they considered 'most' appropriate to identify a prestigious wine and the element they considered the 'least' appropriate. Once the data was collected, we counted the number of times each element was selected as the most and as the least appropriate. A score was then calculated for each element between 0 and 100, where the closer the value was to 100 the higher the probability that the element was chosen as the most appropriate to identify a prestigious wine.

For the second part of the study, the previous item list was expanded to include another 10 elements that also could be associated with lower price points (Table 2). This guaranteed that respondents did

not focus exclusively on the highest price tiers, but they had to consider all the price tiers provided. We provided four price tiers – \$0-\$24.99, \$25-\$49.99, \$50-\$99.99, \$100+ - that encapsulated the main price categories at which consumers could buy wine in Australia.

Respondents were given a table showing all the 23 items in the rows, and the four price tiers in the columns. They were then asked to tick any elements they associated with each of the price tiers. There was no restriction on the number of items respondents could associate with the same price tier, or the number of price tiers they could associate with the same item. These perceptions were analysed via correspondence analysis (CA). The output is a plot for each of the items included in the analysis (in our case, product elements and price tiers). For ease of interpretation, the plot is often reduced to two dimensions, but the axes in the plot have no other meaning than a representation of the associations between the items displayed in the plot. Items closer to each other and close to the price tier are more associated together.

RESULTS

Table 3 reveals the results for the probability scores (0-100) for the best-worst analysis. Good brand reputation or

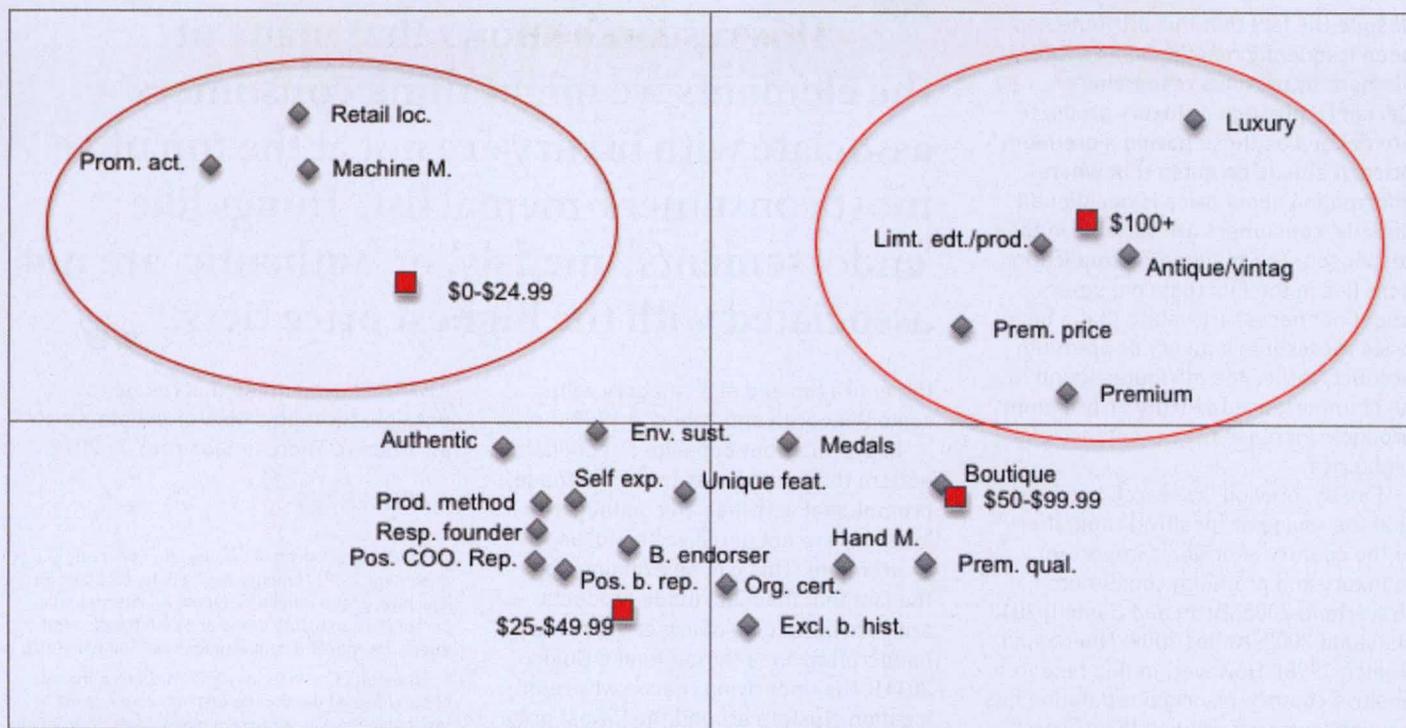


Figure 1. Correspondence analysis results.

Table 2. List of potential elements associable to different price points.

Adequate method of production	Premium price
Authentic/trustworthy brand	Premium quality
Exclusive brand history	Promotional activities (advertisement)
Famous brand endorsers/ambassadors	Respectable founder and designer
Good brand reputation/status	Suitable retail location
Limited production/edition	Unique features/characteristics
Positive country of origin reputation	Environmentally sustainable production
From a boutique (winery or distillery)	Old (back) vintage or antique
Luxury	Organic certification on bottle
Machine made	Premium
Medals/awards on bottle	Self-expression/to express yourself
Handmade	

status, premium quality and authentic or trustworthy brand are the attributes that were more associated with luxury or premium wines and spirits. These three elements represent the 'top three' most important attributes and are clearly far more likely to be associated with a prestigious wine than the other nine.

Figure 1 displays the results for the correspondence analysis. The wine category has five attributes that belong to the highest price (\$100+): luxury, antique/vintage, limited production/edition, premium price and premium, while the lowest price (\$0-\$24.99) only has three attributes that are strongly connected to it, namely promotional activities, suitable retail location and machine made. The other attributes have

mostly clustered around the price groups \$25-\$49.99 and \$50-\$99.99.

KEY FINDINGS AND RECOMMENDATIONS

The premium and luxury wine market is growing, and it is important for marketing managers to understand the elements consumers associate with prestige products. In particular, this research has produced two key outcomes for wine marketing managers:

Good brand reputation or status, premium quality, and having an authentic or trustworthy brand are the attributes that are most associated with luxury and premium wines

Table 3. Prestige probability score .

Attribute	Wine
Good brand reputation/status	100
Premium quality	099
Authentic/trustworthy brand	074
Unique features/characteristics	032
Positive of country of origin reputation	030
Exclusive brand history	026
Suitable retail location	022
Respectable founder/designer	020
Premium price	020
Adequate method of production	014
Limited production/edition	014
Promotional activities (advertisement)	013
Famous brand endorsers/ambassadors	013

This information is useful, as marketing managers can focus specifically on linking these attributes to their brand if they want to market and communicate it as a prestigious product.

Secondly, by knowing what attributes consumers associate with prestige, managers will be better able to differentiate between the messages for regular compared with prestige products.

It was somewhat surprising to find that 'premium price' does not seem to be a prominent attribute for the sample,

despite the fact that this attribute has been frequently mentioned as a critical element by previous researchers. Certainly, prestige or luxury products are defined as those having a premium price. It should be noted that where information about price is questioned directly, consumers are variable in their responses. The managerial implication here lies in the fact that consumers might not necessarily state that a high price represents a luxury or premium product; rather the attributes found to be of importance to luxury or premium products increase the acceptance of a high price.

Finally, previous research has shown that the image or (positive) reputation of the country of origin is important to luxury and premium consumers (Beverland 2005, Brun and Castelli 2013, Halstead 2002, Keller 2009, Nueno and Quelch 1998). However, in this research, positive country-of-origin reputation has a much lower association (best-worst score) than expected. A reason behind this might be the fact that consumers are overall becoming less concerned with the origins of products. For example, Aiello *et al.* (2009) found that the brand name is much more important for luxury products than the country of origin. The importance of country of origin could be product-specific - in this case, of limited importance for wine in Australia.

The terms luxury, premium, and antique or old vintage, consistently cluster around the highest price points

Previous studies found that the attributes used in this research have been perceived to belong to luxury or premium prices. However, this research has established the levels at which these attributes are perceived to belong to higher-priced products and found the top three and bottom attributes in relation to luxury and premium price.

The fact, that 'luxury' and 'premium' show a strong positive correlation at the highest price point corroborate the idea that luxury and premium should not be considered two distinct areas of investigation, but they both belong to a wider prestige group, that incorporates

This research shows that many of the elements we might think consumers associate with luxury are not at the top of most consumers' mental list. Things like 'endorsements', 'medals', or 'authentic' are not associated with the highest price tiers.

the entire top end of a category value scale (Vigneron and Johnson 1999).

In a similar but opposite direction, the bottom three attributes (machine made, promotional activities and suitable retail location) are not perceived as luxury or premium. This can be explained by the fact that machine made products are perceived to be of lesser value than handcrafted ones (Amatulli and Guido 2011). The underlying reason why retail location clusters around the lowest price points may be that convenient retail locations are more likely to sell lower-priced products, and the perception of scarcity is important for luxury and premium products (Arora 2011, Cervellon and Coudriet 2013, Nueno and Quelch 1998).

Practitioners should avoid allowing their customers to associate these attributes with the products they are managing. This research shows that many of the elements we might think consumers associate with luxury are not at the top of most consumers' mental list. Things like 'endorsements', 'medals', or 'authentic' are not associated with the highest price tiers. Perhaps they are assumed, but clearly this research identifies a few common attributes consumers consider to be linked to luxury wine brands. Producers should design their communications to mention and refer to the elements most linked to luxury and prestige in order to build the perception of their wine brand.

ACKNOWLEDGEMENTS

The authors thank the Grape and Wine Research and Development Corporation

(GWRDC), who made this research possible through a Master scholarship awarded to Therese Sjoström, in 2012.

REFERENCES

- Aiello, G.; Donvito, R.; Godey, B.; Pederzoli, D.; Wiedmann, K.P.; Hennigs, N.; Siebels, A.; Chan, P.; Tsuchiya, J. and Rabino, S. (2009) An international perspective on luxury brand and country-of-origin effect. *Journal of Brand Management* 16(5):323-337.
- Amatulli, C. and Guido, G. (2011) Determinants of purchasing intention for fashion luxury goods in the Italian market: A laddering approach. *Journal of Fashion Marketing and Management* 15(1):123-136.
- Arora, R. (2011) The 8ps of luxury brand marketing. Retrieved 07/04/2014 from <https://www.warc.com/Content/ContentViewer.aspx?MasterContentRef=31a9a641-4772-4a12-bd29-ed14640471e4>
- Beverland, M.B. (2005) Crafting brand authenticity: The case of luxury wines. *Journal of Management Studies* 42(5):1003-1029.
- Brun, A. and Castelli, C. (2013) The nature of luxury: A consumer perspective. *International Journal of Retail & Distribution Management* 41(11/12):823-847.
- Cervellon, M.C. and Coudriet, R. (2013) Brand social power in luxury retail: Manifestations of brand dominance over clients in the store. *International Journal of Retail & Distribution Management* 41(11/12):869-884.
- Halstead, L. (2002) How do consumers select wine? Factors that affect the purchase decision making process. Paper presented at the Annual Academy of Marketing, June, Nottingham.
- IWSR (2012) Demand for premium spirits gains momentum. Retrieved 07/04/2014 from <http://www.iwsr.co.uk/pages/news/pressreleases/Demandforpremiumspiritsgainsmomentum.pdf>
- Keller, K.L. (2009) Managing the growth tradeoff: Challenges and opportunities in luxury branding. *Journal of Brand Management* 16(5):290-301.
- Nueno, J.L. and Quelch, J.A. (1998) The mass marketing of luxury. *Business Horizons* 41(6):61-68.
- Vigneron, F. and Johnson, L.W. (1999) A review and a conceptual framework of prestige-seeking consumer behavior. *Academy of Marketing Science Review* 1999(1):1-15.

WVJ



Winebiz online Buyers' Guide
Equipment, Supplies & Services
for the wine & grape industry
www.winebiz.com.au/guide

Copyright of Wine & Viticulture Journal is the property of Winetitles Pty Ltd and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.