



Pennsylvania Wine Market & Research Promotion Program

Progress Report

A financial status report and a project performance report will be required on a semi-annual basis. October and April reports are due. A final report may serve as the last semi-annual report due 30 days after completion of the contract. Grantees shall monitor performance to ensure that time schedules are being met and projected goals by time periods are being accomplished. Please submit reports to: RA-AGCommodities@pa.gov.

SECTION 1 – SUMMARY INFORMATION

Date of Report:	<u>May 10, 2020</u>		
Title of Paper:	<u>Consumer Attitudes and Purchasing Behaviors toward PA Wines, Wineries, and Retail Wine Marketing Programs</u>		
Organization:	<u>Saint Joseph's University (SJU)</u>		
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Progress Report:	<input checked="" type="checkbox"/> Interim		
	<input type="checkbox"/> Final		
Area of Focus:	<input checked="" type="checkbox"/> Research		
	<input type="checkbox"/> Marketing		

SECTION 2 –OBJECTIVES | TIMELINES | OUTCOMES | BUDGET

(A comparison of actual accomplishments to the objectives for that period?)

Objectives and Research Methodologies:

The overall objective of this study is to understand the PA consumer wine market (both PA and non-PA wines), with the goal of providing wine producers the consumer market intelligence needed to develop effective marketing tactics that increase demand for PA wines and maximize sales and profitability.

This study will address the following specific objectives:

1. Evaluate the current consumer market for Pennsylvania wines and value-added products made from wine and wine grape varieties to document their potential for enhancing the profitability of PA wineries.
2. Analyze the characteristics and motivations of Pennsylvania wine consumers and identify the factors influencing their purchases of PA wines, including visits to wineries, participation in wine trails and availability of wine in retail supermarkets. One important focus will be determining where consumers are buying wines now, and how retail availability of wine in supermarkets has affected PA consumer wine purchasing behavior. Multivariate analysis will be used to predict the probability of purchasing PA wine given consumers' purchasing patterns and demographic characteristics.
3. Quantify the relative importance of, and tradeoffs between, physical wine attributes (sweetness, color, variety), credence attributes described on wine bottle labels (conventional vs. organic production method, PA origin vs. product of USA vs. imported) and purchase price when buying wine.
4. Use direct wine taste comparisons to evaluate consumers' perceptions of PA wines and wine varieties versus competitive non-PA wines made from the same or similar traditional wine grape varieties. What image do consumers have of PA wines versus other major brands sold at retail?
5. Evaluate the consumer awareness and perceptions of current PA Winery Association (PWA) consumer education and marketing programs (website, PWA Land Post, PA Wine School) since Act 39 passed in 2016 and PWA shifted its consumer education and promotion programs to a lifestyle strategy.

The PA wine consumer market research objectives listed above can be accomplished in a statistically valid manner through a comprehensive four-step consumer market research approach blending three exploratory focus groups, direct taste comparisons of PA versus non-PA wines in an Understanding and Appreciating Wine MBA graduate course, and an online panel survey of 500 Pennsylvania residents, supported by secondary information available from academic research studies and trade associations. This integrated research process will consist of:

1. A comprehensive review of secondary data from academic journals, published research reports, and other sources focused on the research currently done on consumer perceptions of the PA wine industry and wine products. The findings will be used to insure that past information and learning is built into the study, and to assist in the identification of salient variables and issues relating to the wine industry. Findings will also be used to help develop analytic methods to insure that this study is comparable to other similar studies.
2. Three preliminary focus groups with Pennsylvania residents will be undertaken at Saint Joseph's University (SJU) to identify key attitudes, perceptions, and concerns about the Pennsylvania wine industry, and to insure that the researchers are using the most pertinent terminology and identifying issues that may be specific to the PA wine consumer. One issue of particular interest will be the location of wine purchases to explore how retail wine sales in supermarkets have affected consumers' visits to PA wineries and participation in wine trails.

One focus group enhancement will involve participants' evaluations of wine displays. The researchers will set up several different wine displays: one display in which PA and non-PA wines are side by side sorted by variety, one where all the PA wines are grouped together and one where the non-PA wines are grouped together. The researchers will randomize the order in which focus group participants review the displays and then talk through their comments regarding the displays. Questions will also investigate differences in willingness to purchase wines from each display and a comparison of the percentage (%) increase in likelihood to buy across different displays.

3. Direct taste comparisons of PA versus non-PA wines. During the fall 2019 semester, the SJU Department of Food Marketing is offering an Understanding and Appreciating Wine graduate MBA course. Over the course of the semester, students will taste and evaluate approximately 60 non-PA wines. They will also taste a limited number of equivalent PA wines in head-to-head comparisons to identify and evaluate differences between PA wines versus non-PA wines produced from the same, or similar, grape varieties.

4. Quantitative online survey of PA residents. An online survey will be developed and administered to an Amazon MTurk panel of 500 Pennsylvania residents who are wine drinkers and shoppers to provide statistically valid, actionable results. An added advantage is that any specific issues of concern to the PA Winery Association can be explicitly investigated in the survey instrument.

Project Stages and Original Timeline: The consumer research project will be undertaken in five stages.

Stage 1: Secondary Research (summer/fall 2019)

Comprehensive literature review and content analysis

Development of written Pre-test Survey for stages 2 and 3, described below.

Stage 2: Qualitative Research (three focus groups) (fall 2019)

This stage also includes conducting recruitment and screening of focus group participants. For each focus group, 12 respondents will be recruited to ensure 10 participants per focus group.

Development of the focus group Participant Screener and of the focus group Discussion Guide.

Development of three wine displays featuring both PA and non-PA wines presented in different configurations.

Conduct three exploratory focus groups at SJU: one with a convenience sample of SJU faculty and staff who are wine drinkers and wine shoppers, one with Gen X and millennial wine drinkers who are also the primary wine shopper, and one with middle-aged and older wine drinkers/shoppers. Participants will also evaluate the three wine displays.

Stage 3: Qualitative Research (wine comparisons by FMK MBA class) (fall 2019)

During the fall 2019 Understanding and Appreciating Wine, EMBA students will formally taste and compare PA wines with popular branded wines made from the same wine grape varieties.

Stage 4: Quantitative Research (online survey) (winter/spring 2020)

Develop and analyze online survey of PA residents who are also wine drinkers/shoppers. Target is 500 survey completions.

Stage 5: Final Report Preparation and Presentation (May 31, 2020)

Prepare a written final report of research findings, and present that report and PowerPoint slide set to the PA Wine Marketing and Research Board staff and other invited individuals.

Outcomes and Modified Timeline:

The original research timeline had to be adjusted due to two events:

1. The original Grant Agreement was not received until August 31, 2019 which required that all research stages be moved forward by three months.
2. Covid-19 outbreak resulted in Saint Joseph's University switching to online classes in mid-March after spring break and the PA Fine Wine and Good Spirits stores closed on March 17, 2020.

Stage 1: Secondary Research (May 31, 2020)

The comprehensive literature review is 75% complete and waiting for addition of literature on the effects of Covid-19 pandemic on wine purchasing behavior.

Stage 2: Qualitative Research (three focus groups) (December 2019 and January 2020)

The three focus groups and all associated tasks were completed. The original proposal called for all three focus groups to take place at Saint Joseph's University. The two Philadelphia area focus groups were held on December 13 at a commercial focus group facility in Bala Cynwyd PA near SJU. At the request of the PA Wine Marketing and Research Board, one of the focus groups was moved to Pittsburgh and converted into two smaller mini-focus groups. The evaluation of wine displays featuring both PA and non-PA wines presented in different configurations was also completed with the focus groups.

Focus Group Outcomes

Focus Group Objectives

Understand current wine behavior

Determine awareness and current experience with local Pennsylvania Wines

Gain reactions to testing two shelf merchandising options for retail stores

PA Wines shelved by themselves

PA Wines and other wines intermixed on the shelf

Get input on how to increase their interest and purchase of Pennsylvania wines

Approach

Conducted 2 groups in Philadelphia on 12/11/19, total of 18 respondents

Group 1: Wine drinkers and primary wine shopper in the Millennial/GenX demographic.

Group 2: Wine drinkers and primary wine shopper in the 35-54 age group

Conducted 2 groups in Pittsburgh on 1/8/20, total of 11 respondents. Group 1 - 21-34 years old, Group 2 - 35-54 years old All have purchased and consumed wine in the last 30 days

Topic guide included questions in the areas of:

Understanding current wine behavior

Wine purchasing habits

Preferences with Wine merchandising exercise

Beliefs about Pennsylvania wines/wineries

Suggestions on how to increase awareness and purchase of PA wines

Key Learnings from Focus Groups

Overall wine behavior

Philadelphia:

Buy frequently, look for price when shopping, range is \$10 on low end and \$30 on high end with most purchases around \$15

Purchase their same brand most of the time, 3-4 times out of last 5 purchases

Like sweet wines

More wine is consumed at home vs. restaurant / bar as they see wine as too expensive when out. Would go cheaper with a beer or spend money on a cocktail

Don't know or care about origin

Decision criteria seem to be price, varietal, familiar brand

Pittsburgh:

Buy frequently, look for price when shopping, range is \$10-\$15

Aren't as brand loyal as Philadelphia, buy maybe 1-2 times out of last 5 purchases

Like sweet wines

More wine is consumed at home vs. restaurant / bar as they see wine as too expensive when out. Would go cheaper with a beer or spend money on a cocktail

Decision criteria seem to be varietal, price, familiar brand

Lots of positive experience with local PA Wines, via wine tours or just buying local wines

Shopping behavior

Philadelphia:

Most of their shopping took place in the Wine and Spirit shops, they like finding "deals" with Chairman's Selections, and like getting help/recommendations from staff

They have seen more of their purchases happen at grocery stores, which are more convenient (e.g. hours, already shopping) have less variety and are a bit more expensive

Most look for ABV on bottle when purchasing

When shopping at the shelf, striking labels can make a difference, especially when giving as a gift

Avoid bottom shelf in Wine store as too cheap

Pittsburgh:

Much of their shopping took place in the Wine and Spirit shops which sound smaller than the ones in Philadelphia area. Less likely to shop for Chairman's Selections and ask for suggestions.

They also buy frequently from local wineries or places that sell local wines (e.g. farmers market, local seller). They like the experience of supporting smaller/family owned local wine makers.

They don't buy much of their wine in grocery stores, but have noticed that Giant Eagle's Market District stores are carrying more local PA wines

Buy occasionally at Get Go stores

Not as likely to look for ABV when purchasing

Avoid bottom shelf in Wine store as too cheap

Experience with Pennsylvania Wineries

Philadelphia:

Respondents were not very familiar with local Pennsylvania wineries

Not many had taken tours, although some did in NJ

If they have experienced PA wineries, and bought wine there, it doesn't seem to translate to buying PA Wines in State stores or grocery stores

Pittsburgh:

Respondents were very familiar with local Pennsylvania wineries and like them

Some willing to travel an hour or so just to buy local wines

Erie area is well known with lots of good options

Don't really think about looking for PA wines in State stores, they get their local wine from wineries /local sellers

Wine Display Shelf Exercise

Philadelphia:

Most respondents weren't aware of how wines were currently merchandised in stores

Some thought it was by variety, but they weren't sure

Not aware of PA Wine section in State Stores

With the forced exposure setting, the shelf set of just PA wines raised awareness of PA Wines, however respondents tended to prefer having the PA wines intermixed with the other wines

Would not go out of their way to go to a PA only display

Necessary to merchandise it in a way that isn't a barrier to how they shop for wine now

If they are looking for a red wine, they want to shop for that, find a label they like and a price that they like and off they go

Pittsburgh:

Most respondents weren't overly aware of how wines were currently merchandised in stores

They thought it was by variety, but many just go to the section they are familiar with
Not aware of PA Wine section in State Stores
Respondents tended to prefer having the PA wines intermixed with the other wines
Merchandise it in a way that isn't a barrier to how they shop for wine now
They thought the color palette of the PA wine labels looked more expensive

Things to consider

Philadelphia:

There were no stated barriers to buying PA Wines
Seemed like a lack of awareness/knowledge about them was an opportunity
Recommendations from outside source can help
Sampling via State stores would be welcome
Labeling among varietals as well as inclusion in Chairman's Selection
Merchandising/sampling PA wines in bars can help drive trial which can lead to retail purchases in stores
If PA wineries are good at something specific (e.g. sweet wines, under \$10 bottles etc) maybe focus on that as a point of difference
Create events centered around PA wines to bring the winery experience locally

Pittsburgh:

Respondents felt that the quality and pricing for PA Wines is equal to non-PA wines
They currently purchase local wines frequently but not as much in State stores
Putting local wines on the same shelf as their varietal companions should help sales
Possibly have a section within the "Pinot" section that merchandises PA Pinot wines together within that section
Or use POS material to highlight PA "Pinot" selections within the larger section
Merchandising/sampling PA wines in bars may help drive trial which can lead to retail purchases in stores

Focus Group Summary: Overall Things to Consider

Since respondents are either already buying local wines or don't seem to have any inherent barriers to purchasing PA wines, solving the distribution/ merchandising issues with PA Stores is key to success
Current PA wine buyers are not buying many PA wines in state stores or grocery stores, which is a missed opportunity
The shelf exercise indicated that respondents preferred having PA wines intermixed with other wines.

Test merchandising local wines on the same shelf as their varietal companions should help sales

As a way to educate consumers about PA wines at the point of sale, possibly have a section within the “Pinot” section that merchandises PA Pinot wines together within that section

Use POS material to highlight PA “Pinot” selections within the larger section

Stage 3: Qualitative Research (wine comparisons by FMK MBA class) (spring 2020)

In the original research plan, during a fall 2019 Wines of the World graduate EMBA course, students were going to formally taste and compare PA wines with popular branded wines made from the same wine grape varieties. The fall 2019 course was cancelled due to low enrollment and held during the spring 2020 semester. The research plan called for seven blind taste test comparisons, but in early March, after three taste comparisons, all SJU classes switched to online delivery due to the coronavirus pandemic.

Stage 4: Quantitative Research (online survey) (summer 2020)

The research plan called for developing, administering and analyzing an online survey during the late winter and early spring 2020 of 500 PA residents who are also wine drinkers/shoppers. Once the coronavirus pandemic hit in mid-March, the PA Fine Wine and Good Spirits stores were closed on March 17, 2020. Before the stores closed, households across the region stocked up on vodka, margarita mix, and boxed wine. The state reported nearly \$30 million in liquor sales the day before the shutdown. The online liquor stores reopened on April 1, but many consumers could not place delivery orders because of overwhelming demand. PA reopened the “Premium Collection” stores for curbside pickup on April 20. On May 15, Fine Wine & Good Spirits will reopen an additional 155 stores with limited in-store public access in counties designated in the yellow phase of COVID-19 mitigation efforts. However, the majority of the stores remain closed, (Philadelphia Inquirer)

The Project Director and collaborating investigators decided to delay sending out the consumer surveys because of concerns about the effects of Covid-19 on wine purchasing behavior, especially since the PA Wine and Spirits stores, and probably many wineries, have been closed. Consumers who would normally buy their wines in the State stores and wineries have been forced to shift purchases to supermarkets. Wine purchasing behavior consumer survey results would be skewed under these conditions. The researchers felt that it would be better to wait until the PA Wine stores have been re-opened for a while and consumer behavior normalizes before administering the consumer survey.

Stage 5: Final Report Preparation and Presentation (by October 1, 2020)

Assuming that coronavirus restrictions are removed by mid-summer, the consumer survey can be administered in mid-September, with the final report completed and submitted by October 1, 2020.

SECTION 3 – SCOPE OF WORK

(Reasons why established objectives were not met, if applicable?)

As described in Section 2 page 8 above, the coronavirus pandemic and related restrictions prevented completion of research Stage 3 and caused a delay in Stage 4 Quantitative Research (online survey).

In Stage 3 Qualitative Research (wine comparisons) of the original research plan, during a fall 2019 Wines of the World graduate EMBA course, students were going to formally blind-taste and compare PA wines with popular branded wines made from the same wine grape varieties. The fall 2019 course was cancelled due to low enrollment and rescheduled during the spring 2020 semester. The research plan called for seven blind taste test comparisons, but in early March, after three blind taste comparisons, all SJU classes switched to online delivery due to the coronavirus pandemic. All class taste tests had to be discontinued.

Stage 4: Quantitative Research (online survey): Administration of the consumer marketing research survey, the final component of this research project, has been delayed because PA Wine and Spirits stores and wineries, two major wine purchasing venues, have been closed. Consumers have been limited to purchasing wines at supermarkets. Wine purchasing behavior consumer survey results would be skewed under these conditions. Once stay-at-home orders have been discontinued and all PA Wine and Spirits stores have all re-opened for a period of time, consumer wine purchasing behavior should normalize and the consumer survey can be administered to 500 PA residents.

SECTION 4 – DELAYS/RISKS

(Reasons for any problems, delays, or adverse conditions which will affect attainment of overall program objectives, prevent meeting time schedules or objectives, or preclude the attainment of particular objectives during established time periods. This disclosure shall be accomplished by a statement of the action taken or planned to resolve the situation?)

As described above in Sections 2 and 3, the Covid-19 pandemic restrictions have caused delays administering the consumer market research survey until all wine purchasing locations have been re-opened for a period of time to determine whether purchase behavior has returned to pre-covid behaviors or a new normal has been established.

The original timeline objective of having the research project completed by May 31, 2020 is no longer achievable. However, this marketing research project can still achieve its objectives and have a significant impact within the terms of the original Grant Agreement. The Grant Agreement specifies that the Term is eighteen months from the effective date (August 31, 2019) for research projects. An eighteen-month project completion deadline would be February 28, 2021.

The research project team has adjusted the original project timeline with the goal of completing the research and final report by October 1, 2020. This will be achievable unless the covid-19 pandemic restrictions for PA continue through mid-September.

SECTION 5 – SPECIAL NOTES

(What objectives and timetables are established for the next reporting period? Etc.)

The research team has identified that there are clearly some important covid-19 research questions that directly relate to this marketing research project. How has the pandemic affected consumer wine purchases, both in terms of quantity and purchase venue? There have been lots of anecdotal reports that consumption of alcoholic beverages has increased significantly during the pandemic. More importantly, will there be any permanent impacts on consumer wine purchasing behavior? There is a lot of precedent for permanent behavior shifts. For example, during the 2008-2009 recession, consumers shifted to private label store brands for many products and continued to purchase those store brands after the recession ended. Since we have not yet administered our online wine consumer survey, would the PA Wine Marketing and Research Board and the PA Liquor Control Board want us to explore these questions in our PA wine consumer survey, or should we just limit our focus to the original objectives?