What influences a distributor’s decision on who to represent?

This is one paper in a series of papers presenting results from research funded by the Grape and Wine Research and Development Corporation that examines ‘decision influencers’ amongst trade customers and distributors on what wine to buy in, promote and represent.

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CHOOSING WINE CARRIES a perceived risk (Hollebeck & Brodie 2009), for consumers and business customers alike. A distributor can only represent so many wineries and customers are looking to ‘trust’ in the purchase they make. The work of many researchers has been to identify ‘what’ consumers trust about wine.

Large brands represent a level of risk minimisation, they require less knowledge to make a buying decision (Atkin & Johnson 2010; Hollebeck & Brodie 2009; Lockshin 2000). The wider a brand is known, the more a consumer is exposed to a brand then the more likely they are to have positive attitudes about the brand (Sinapuelas & Sisodiya 2010). We expect then, that business customers will also value ‘brands’ as an influence in their decision.

Research has also shown that origin/region can be a substitute for brand in terms of a quality indicator (Atkin & Johnson 2010; Johnson & Bruwer 2007; Thode & Maskulka 1998; Veale & Quster 2009). In some cases we have seen the region becoming the brand (Papadopoulos & Heslop 2002) especially with higher-spending, discerning wine consumers (Johnson & Bruwer 2007).

Different regions command different price premiums (or discounts); some are more of a brand than others (Newman-Stein-Friedman 2004). There is trust with both regions and the brands (Bruwer & Wood 2005) often because the consumer is forced to rely on a multitude of extrinsic factors (Jacoby & Olson 1985).

Region has been shown to have the highest utility among higher knowledge consumers (Rasmussen & Lockshin 1999; Jarvis & Rungie 2002; Tustin & Lockshin 2001). We might expect to see a difference in the influence region has on distributors with varying sales volumes; lower sales distributors (at likely higher priced point wines, higher quality, lower volume) might be more influenced by region than branch and vice versa.

Business to business (B2B) customers are reliant on fewer customers than business to consumer (B2C) businesses, so the portfolio presented to the market is very important (Cambra-Fierro & Polo-Redondo 2008). This may translate into what winery to represent, as range can be everything (Dewald 2008).

Tipples (2010) reports of the importance a retailer places on receiving one invoice for a number of wineries. This demonstrates that the cost and ease of dealing with one account for a number of wines is important in B2B. As Zsidisin & Ellram (2003) posit, the B2B company needs to acquire what best helps them achieve their objective. Sourcing the supplies that best meet their and their customers’ needs (Cambra-Fierro & Polo-Redondo 2008) is a central tenet to relationship marketing and successful B2B operations. As consumers are more likely to repurchase from the same price-point (Lockshin 2005) the price-point target of the winery is likely to be an influence on a distributor’s decision.

Research showed that previous taste was a significant influencer of consumer choice (Goodman et al 2008, 2008a; Goodman 2009), so a wine-supply chain of industry professionals is likely to be influenced by taste. Expectations, likely to be generated by anticipation of future business, the brand, region or even winemaker/owner character (Spence & Essoussi 2008) can override the taster’s sensory perception (Veale & Quster 2009).

While knowledge of wine is important, in the business channel knowing how to sell it is critical and more likely to influence sales (Dewald 2008). Sommeliers, those responsible for wine sales in the on-premise setting, are influenced by value (for money), variety, taste and reputation (Dewald 2008). This raises the question: Do those distributors focussing at the on-premise market have factors such as the above as more of an influence than those with an off-premise focus?

Some retailers value merchandising support, while others simply seek payment to cover the retailers’ cost of conducting in-store tastings (Tipples 2010). In terms of sustainability, having a supply chain working together with the understanding of what its customers (and its customer’s customers) want is crucial for the creation of value for all those involved in the supply (value) chain from the winery to the consumer.

Method

Qualitative interviews were held, in-person and via telephone, with members of the wine supply chain to discuss the factors important to them when making decisions as to which wine to buy in or represent. From these interviews, a decision set was compiled for use in a quantitative study. The data was collected online using a best: worse design of 13 decision influencers (Goodman et al 2008). An email was sent to 121 wine distributors in Australia inviting them to complete the survey. This represents the population of licensed distributors that distribute wines within Australia (excluding those companies that only represent brands they own). Useable responses were received from 22 distributors, a response rate of 18 per cent. As this is a population sampling, 18% is a satisfactory sample size to investigate. Furthermore, the best-worse choice method enables data to be examined from smaller numbers of responses; in fact, estimations are available and accurate at the individual respondent level (Cohen 2009; Goodman et al 2005).

Responses were received from the various states in Australia broadly in line with market share of wine sales per state. New South Wales and Victoria represented 60% of responses, South Australia and Western Australia a further 31%, suggesting a broadly representative national sample of decision-making.

Results

Figure 1, on page 74, shows the results across all respondents in decreasing influence on the decision. Those below the line are not negative, simply the lower the standardised score, the less influence it has on the decision to take on a new winery.

At a full sample level, brand was the most important influencer of choice, 25%
more so than origin/region; in line with the findings of Atkin & Johnson (2010).

Taste was important (4th) as was the range of wines offered by the winery (5th). Margin and retail price-point ranked similar influence while, interestingly, the actual grape variety scored relatively low; this may be offset though as the distributor is more looking at the range of grape varieties produced as wine by the principal.

Typically, wine is seen as either a ‘commodity’ wine, with sales driven by volume or as ‘fine wine’ where volumes are typically lower. How does the sales volume of a distributor affect their choice of winery to represent?

Figure 2 gives a comparison between high and low volume distributors (HVD & LVD). HVD are substantially more influenced by brand than LVD; while this is to be expected it is now present in empirical results. LVD results suggest taste is the biggest influence on the decision and are substantially more influenced by taste and the retail price-point than HVD. This infers a very different approach and business logic between distributors of different sales levels. A winery approaching a distributor that takes them into a portfolio based on feedback of ‘taste’ and ‘retail price-point’ may need to...
see if it is with the mindset and position of expected smaller volume sales. It could be that feedback like this from a distributor to a winery principal is tied to the sales levels of the distributor concerned.

While on- and off-premise are arguably both the ‘retail’ wine channel, they represent different situations and are seen to show different behavioural responses (discussed in Cohen 2009; Goodman 2008, 2009). The question arises: do distributors with a business orientation and sales to on- or off-premise differ in their decision influencers concerning the wine they carry?

Figure 3 shows that there are several notable differences. Brand and the range of wine offered are much more of an influence for those with an off-premise focus while those with a focus toward on-premise are much more influenced by taste and margin. Those on-premise respondents interviewed in the qualitative phase reported the importance of margin (Goodman 2011) often mentioning the importance of it in the overall profit of the restaurant. While quantitative data needs to be gathered from trade customers, there appears to be an alignment between the later-stage customers of the supply chain. The question is whether the wineries seeking
to tap into this market offer products that suit the downstream chain members.

The importance of attitude to brand and taste is evident when segmenting the responses using the average trade margin received by distributors. Lower margin distributors (LMD) are much more influenced by brand and less by taste than higher margin distributors (HMD). Margin itself and retail price-point is significantly more of an influence to LMD while HMD, similar to those with an on-premise focus, are more influenced by grape variety and interestingly by medals and awards. While medals and awards have not shown to be much of an influence in consumer research (Goodman 2009), clearly HMD see some value in them.

Conclusion
While the limitations of this paper may be seen in the low number of respondents, in a B2B setting numbers of respondents are typically lower than in consumer research simply because there are less in the population. This research represents 18% of the population of the licensed distributors in Australia that sell non-proprietary brands; as such, it can be seen to be a sample worthy of examination.

As a starting point to using consumer-choice modelling to better understand decision-making within the wine supply chain, this paper has presented data that demonstrates differences in decision-making by distributors when segmenting by margin, market focus and sales volume. Wineries and wine researchers have seen that consumers have different choice influencers in different situations (Goodman 2008, 2009) and the same choice method shows differences in decisions in the supply chain.

If wineries are looking to target on-premise as an outlet for their wine it may well be worth considering different distribution or product offering to that which is presented to the off-premise channel. Different influencers are present amongst the distributors so different approaches may be needed.

Further research is needed to extend this study to the on and off-premise decision makers. Results like this contribute to the understanding and identification of information necessary to reduce problems identified in ‘agency theory’ that are likely to misalign supply chains.

When a winery is seeking distributor representation the data presented here suggests it may be worthwhile to understand the margin of the distributor. The ‘demographic’ of margin size is likely to result in a different emphasis of decision factors; therefore, the product offering may need to be adjusted to suit as necessary. It is proposed that to assist sustainability in the wine industry (even survival) that understanding is needed of the decision influencers at all exchange points in the industry. This will assist in enabling alignment of the supply chains and creation of value for all parties.

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References
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