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A COMPARATIVE STUDY OF DEMAND FOR LOCAL AND FOREIGN WINES IN BULGARIA

Empirical study

Keywords

Demand for wine,
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Bulgarian wines

JEL Classificationn

D12, M31, Q17

Abstract

We use a semantic differential based instrument to assess the main factors in wine demand attitudes of Bulgarian customers. We aim to find out whether specific marketing techniques could alter the demand for such a traditional product as wine in Bulgaria.

Given the fact that Bulgarian customers only recently received the possibility to taste imported wines, we find that foreign wines are evaluated mainly through the prejudice of past knowledge, not linked to the actual product. We discover a rigidity in such a prejudice and adhering to "standard" definitions of "prestige" and quality of wines. Most likely the demand for wine in Bulgaria will continue to be focused on local products.

Introduction

The present study is an effort to reveal the basic indicators which influence and determine the consumers' demand for wines. On the one hand we try to assess how the elements of the marketing mix (price, image, brand, package, vision) affect the ordinary consumer demand in selecting a wine. On the other hand, we are interested whether essential indicators of wine quality as depth, aroma, sourness, intensity, according to which wines are scored during tasting events, are relevant to the ordinary customer and are linked to the elements of the marketing mix.

A last group of indicators will show where wine lovers and ordinary customers would most likely consume the product. A standard hypothesis is that ordinary customers buy in grocery shops, they are influenced by the price and application of marketing techniques, and do not give priority to quality indicators. Real wine lovers however are likely to buy in specialized shops and restaurants, and are less influenced by price and basic indicators.

The study offers a possibility to assess the degree in which customers of such a traditional Bulgarian product as wine are influenced by specific marketing techniques.

The experiment

We apply an instrument in the form of repertory grid, making use of an approach in which the semantic space where the perceptions of the respondents lie is reconstructed.

The concept of semantic differential is suggested by C. Osgood (Osgood et al., 1957); for the purposes of the experiments it is complemented by the personal constructs concept of G. Kelly (Kelly, 1963). A classical text for applying the approach is Petrenko (2010). In recent years semantic studies in marketing are not uncommon, they are quite popular, our

study extends the empirical literature on that topic.

In our experiment we asked the respondents to assess with a score from -3 ("does not correspond at all") to +3 ("fully corresponds") 16 types of wine with 26 descriptors: "good packaging", "nice label", "good image", "popular", "low priced", "balanced", "depth", "intensity", "sour", "light", "sweet", "sharp (hot)", "fresh", "flowery", "rough", "aftertaste", "expensive", "demanded in Bulgaria", "demanded worldwide", "can be found anywhere", "it's worth its money", "I would like to drink it more often", "I consume in pubs", "I buy in grocery stores", "I buy in restaurants".

We selected 8 white and 8 red wines, from Bulgaria, France, Italy, New Zealand, USA, Chile, Argentina, Bulgaria big package (3-5 liters) and Italy big package (3-5 liters), without specific brands or sorts of wine.

As our main idea is to assess the place Bulgarian wines occupy in the consciousness of Bulgarian customers, we compare local wines with wines that could be their major competitors. In the last years wine market in Bulgaria widened significantly, through the introduction of wines from the Western hemisphere. The rise of living standards in Bulgaria (at least before 2008) provides certain possibilities to extend the demand also towards some more expensive, but also considered more prestigious wines as French and Italian ones. The sample of countries widely reflects the structure of the wine market today.

We consider bottled wines as a certain category of product, but in Bulgaria there is also a long tradition of consumption of home-made wine, which is often produced of several mixed sorts and is of unspecified quality, changing from year to year. We suppose that wines in big packages (3-5 liters) partly correspond to the idea to drink "some" wine; they can be considered as an alternative to home-made wines, that is

why we include also these wines in the types of wines studied.

In our study we inquire 368 Bulgarian citizens, male and female, aged 25-59, from 76 towns and villages. Our aim is to cover the active population in Bulgaria, the people who are the most active potential consumers of bottled wines.

After the initial processing of data we accept for further use 363 repertory grids. The application of the primary components analysis, PCA, suggests that three major factors are present. The Kaiser criterion (see Kaiser 1958, Fabrigar et al. 1999), as well as the *scree plot* and the *paran* technique (“parallel analysis”, see Horn, 1965, Dinno, 2009) confirm this outcome. These three factors comprise 95.1 % of the total variance; after *Varimax* rotation their percentage in the total variance is 52.9 (factor one), 30.5 (factor two) and 11.6 (factor three).

Loadings of the respective factors (after *Varimax* rotation, values over 0.7) are as follows:

	[,1]	[,2]	[,3]
[1,]	0.978		
[2,]	0.965		
[3,]	0.984		
[4,]	0.876		
[5,]	0.835		
[6,]	0.949		
[7,]	0.941		
[8,]	0.940		
[9,]	0.924		
[10,]	0.894		
[11,]	0.771		
[12,]	-0.968		
[13,]	0.781		
[14,]	0.781		
[15,]	-0.754		
[16,]	0.933		
[17,]	0.787		
[18,]	0.860		
[19,]	0.891		
[20,]	0.708		
[21,]	0.843		
[22,]	0.813		
[23,]	0.897		
[24,]	0.816		

[25,]	0.941			
[26,]	0.809			
		[,1]	[,2]	[,3]
SS loadings	13.764	7.938	3.029	
Proportion Var	0.529	0.305	0.116	
Cumulative Var	0.529	0.835	0.951	

The first factor (52.9 % of total variance) is made of following descriptors:

0.984	Good image
0.978	Good packaging
0.965	Nice label
0.949	Balance
0.941	Depth
0.94	Intensity
0.933	Aftertaste
0.897	I would like to drink it more often
0.891	Demanded world-wide
0.876	Popular
0.843	It's worth its money
0.813	You get what you pay for
0.787	Expensive
0.781	Fresh
0.781	Flowery.

We assign to the strongest factor the label “Prestige”. This is virtually the “overall score” respondents give to the respective wine.

The factor includes qualitative descriptors (*balance, depth, intensity, aftertaste, fresh, flowery*), as well as image perceptions (*good image, good packaging, I would like to drink it more often, demanded in the world, popular, it's worth its money, expensive*).

The second factor (30.5 of total variance) includes:

0.708	Can be found anywhere
0.771	Sweet
0.809	I buy in restaurants
0.816	I consume in pubs
0.835	Low price
0.86	Demanded in Bulgaria
0.924	Sour
0.941	I buy in grocery stores.

This factor comprises mainly descriptors linked to the buying decision. We could label it “Availability”. The factor is aimed

to reflect the real potential of respondents to consume the respective wine.

The third factor (11.6 % of total variance):

0.894 Light

-0.754 Rough

-0.968 Sharp (hot).

The third factor contains the most expressed tasting properties of the respective wine, we label it "Taste". Physical perceptions of the wine as "light" against "rough" and "sharp (hot)" are opposed.

The positions different wines have according to the most powerful factors are mapped on Figure 1. Right-most on the graph are French and Italian wines, indicating that the respondents consider these wines as the most prestigious ones. This is a logical outcome, given their centuries long reputation. Relatively close to them are Bulgarian wines. This can be explained by the fact that there are already numerous high quality Bulgarian wines on the market and Bulgarian consumers are well informed about them.

The rest of the wines are in the opposite part of the axis on this factor. Interestingly, "Big packages" form a separate cluster. They are set apart from all others.

Argentina, Chile, USA and New Zealand are not regarded by the customers as countries producing good wines. That is why their wines take the "non-prestigious" part of the graph. Furthermore these wines are considered expensive, which is indicated by their position in the lower part of the graph. This makes them practically "inaccessible".

And accordingly – wines in big packages are easily available to customers, despite the fact that they are "not prestigious".

The link "prestige-quality" can easily be tracked on the graph by the first and the third factor (Figure 2). White wines are regarded as rather "light", contrary to the red ones, and this is clearly visible from the graph. Interestingly, our respondents perceive wines in big packages as rather

heavy ones, their position is in the lower part of the graph.

Availability of the respective wine, and its probable demand clearly appear in the graph on "Availability" and "Taste" (Figure 3). Bulgarian wines, incl. big packages, are followed by French and Italian wines, and moreover, red wines seem to be more preferred in comparison to white wines.

This corresponds to the local stereotypes of wine consumption.

Conclusion

Bulgarian customers have received only recently the possibility to make a comparison between wines from different countries. Only two decades ago the choice was mainly among local wines. The long term established images also influence contemporary perceptions: French and Italian wines are classified as the most prestigious and with the best qualities, despite the fact that numerous wines from other countries, included in our study, occupy top positions in world rankings. We suppose that perhaps Bulgarian customers do not have enough experience with foreign wines.

Nevertheless, the largest share of consumption is formed by Bulgarian wines, while imported wines are evaluated mainly through traditional prejudices, not on the base of customers' personal experience.

For the time being there are no prospects that situation will change. Demand in Bulgaria shall be further directed mainly to local wines.

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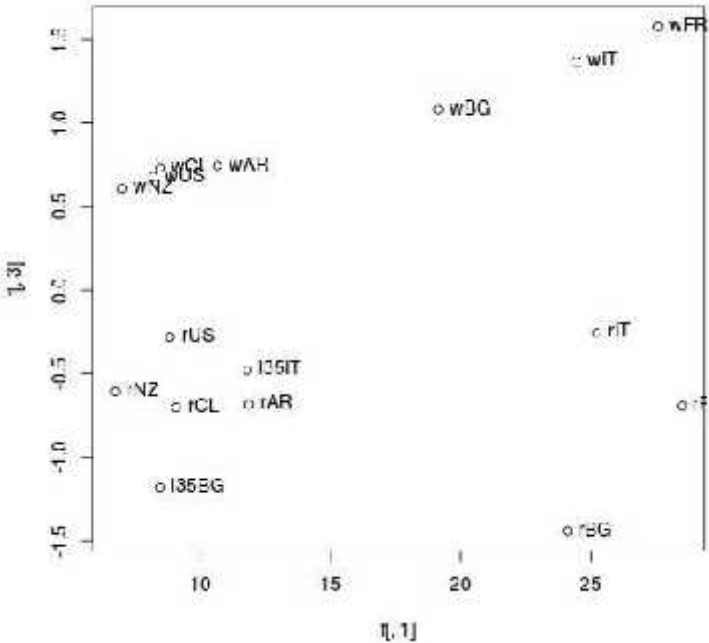


Figure No. 2 Wines by „Prestige” and „Taste”.

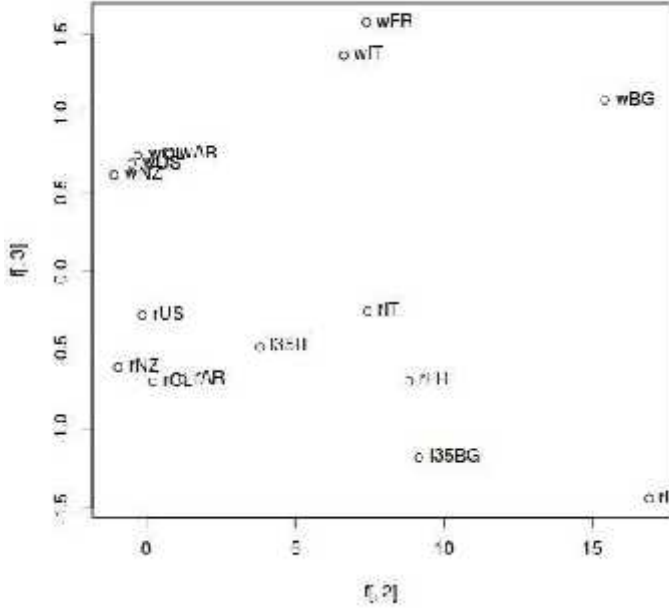


Figure No. 3 Wines by „Availability” and „Taste”.