A study of wine consumers in India if they perceive wine as a luxury drink

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Abstract

India is the second largest populated country with a population of 1.2 billion people and a large middle class of over 250 million people. We could be consuming about 250 million liters of wine annually if each person drank just 1 liter per year.

However, the annual consumption of wine averages about 7 million liters of Indian and about 1.5 million liters of Imported wines. This translates to less than 1 million cases of wine. This is in stark contrast to about 120 million Cases of hard liquor like Whiskey, rum and vodka being consumed every year and over 105 million cases of Beer.

This research paper analyses the wine consumption patterns in Pune City to determine if the wine consumers perceive wine as a luxury drink and their knowledge about wine. This research also seeks to understand the wine consumers' perceptions towards wine.

The review of the literature has shown the development of wine in India still at a nascent stage compare to the western countries and Europe. The impact the wine industry has on the Indian economy and its perception as a luxury product. Details of the major Indian wine manufacturers and the potential they have has been studied.

Information on Indian grapes and wine has been collated. Articles and studies on the perceptions that wine consumers have showed that there are still some myths and misconceptions surrounding wine.

The advantages and disadvantages faced by Indian wine manufacturers have been illustrated. Studies have shown the positive health benefits of moderate wine consumption

The Indian market is a very young market. Indian wine manufacturers are still coming to terms with a small but growing consumer base. Numerous foreign studies have shown that the India has a good potential for wine production and consumption.

Given the low levels of wine consumption, in comparison to Beer and Hard Liquor, this research identifies the wine consumers' perceptions and demographics. The research offers the wine manufacturers a target group on whom to focus their marketing strategies on.

It also evaluates the perceptions of the wine consumer in respect to wine being perceived as a luxury drink.

Introduction and Literature Review
Perceptions of wine consumption
Wine is a luxury

"An inessential, desirable item which is expensive or difficult to obtain" is the definition in the Oxford Dictionary of Luxury.

Simon Kemp, in his article "Perceiving Luxury and Necessity" in the Journal of Economic Psychology, Vol 19(5) Oct 1988 carried out a study where different goods were rated on a necessity-luxury scale. The Study showed that goods were regarded as more luxurious if it was the object of desire rather than if it relieved a state of discomfort.

The spending pattern of people falls into three categories. The first is Lifestyle

purchases or necessities. This includes goods required for the day to day living in accordance with their lifestyle and income range. The second avenue of spending is on investments. Purchase of goods with a primary goal of increasing wealth and to ensure future security falls in this category. The final category of spending is Luxury goods. These are goods which are neither essential or have an intrinsic investment value. They are purely consumed to fulfill an immediate desire.

In his Book "The idea of Luxury: A conceptual and Historical Investigation " Christopher Berry says that luxury inflames passion and desire encouraging their boundless satisfaction (ch.2).

He goes on to say that the paradigm of luxury is that goods may be regarded as socially non-necessary but may be "needed" by an individual because it is an object of desire (feeding a psychological necessity) or intense identification (like a cherished object).

A working paper from the Harvard Business School titled "The Devil wears Prada" studies the effect of exposure to luxury goods on decision-making. The test subjects in this study defined goods as non-luxury if they were "Everyday products that are necessities or fairly simple and functional looking" They described goods as being Luxury goods if they were "Glamorous, Glitzy, have designer labels and are expensive" or "goods at half the price would have the same functionality"

Is wine perceived as a luxury in India?

Vir Sanghvi wrote an article in the Hindustan Times (23 Sep, 2011) titled "Wine's cheat sheet" He compares the prices of the same brand of wine being sold across different restaurants. It was found that on bottles of wine the price disparity across restaurants for the same wine could be upto 50%. A bottle of Cloudy Bay Sauvignon Blanc is Rs. 4,700 at the Taj Palace and the same wine costs Rs 9,000 at the Imperial. His point in the article is that hotels, specially the 5 stars, have the option of importing wine duty free. They can import a bottle of Champagne at Rs 1,800 to Rs. 2,000 but sell it anywhere between Rs.6000 to Rs 9000.

His reason to write this article was when he found that a bottle of Motoun Rothschild cost Rs. 28,900 at the Taj and the Oberoi charged Rs. 100,500 for the same bottle. His contention is that the hotels are in a market where they can charge as much as they desire to maximize their profits. However, he feels that the Indian consumer is waking up and with them having a greater knowledge about wine, this practice cannot continue. Looking at the price lists of the wines in these restaurants can always create a perception that wine is a luxury product to be consumed by a minority of the populace.

Research Methodology

Geographical scope

It is only from the mid 70's that wine was manufactured locally in India. A few distilleries in Goa and Andhra Pradesh produced Port wine. Until the year 2000 there were hardly six wineries. Since 2000 there are close to 73 producing wineries and another 30 additional companies that have registered to become producers. There are a few major wineries that account for the bulk of domestic wine production. Typically, smaller wineries around that region produce for the larger ones, rather than market their own brand Maharashtra is also the largest wine producing state of India. This state accounts for over 90% of Domestic wine production. Further, out of the total 66 wineries in Maharashtra, 44 are in Nashik and Pune. They account for about 80% of the production in Maharashtra. Compared to Nasik, Pune is a larger and more metropolitan city. Given the proximity of Pune to Nashik, most of the wine manufacturers in the region hold wine fests and events in Pune city.

Pune has also become a hub for the Information Technology (IT) industry. There is a

large population of young and educated workforce with large disposable incomes. The awareness and consumption of wine in the Pune region is second only to Mumbai.

Given this, the population for this study was the wine consumers in Pune city (Pune Municipal Corporation Limits).

Analytical scope

Data collation and analysis was carried out using statistical software. The primary data collected was in a questionnaire form and the questions were close ended. This offered the researcher the ability to apply statistical techniques to analyse data and report findings. The data collected was Categorical data. The variables in the questionnaire were of Nominal, Dichotomous and Ordinal. Given this data the tests that were carried out were Cross-Tabulation and Mann-Whitney U test.

Rigorous testing of the data was carried out using the above mentioned test to evaluate and compare relationships between groups. Relationships between demographics and wine consumption patterns could be carried out. Validation of perceptions of wine consumers was also carried out.

The data offered the researcher a good scope for detailed statistical analysis and the ability to generate valuable findings and suggestions based on these findings.
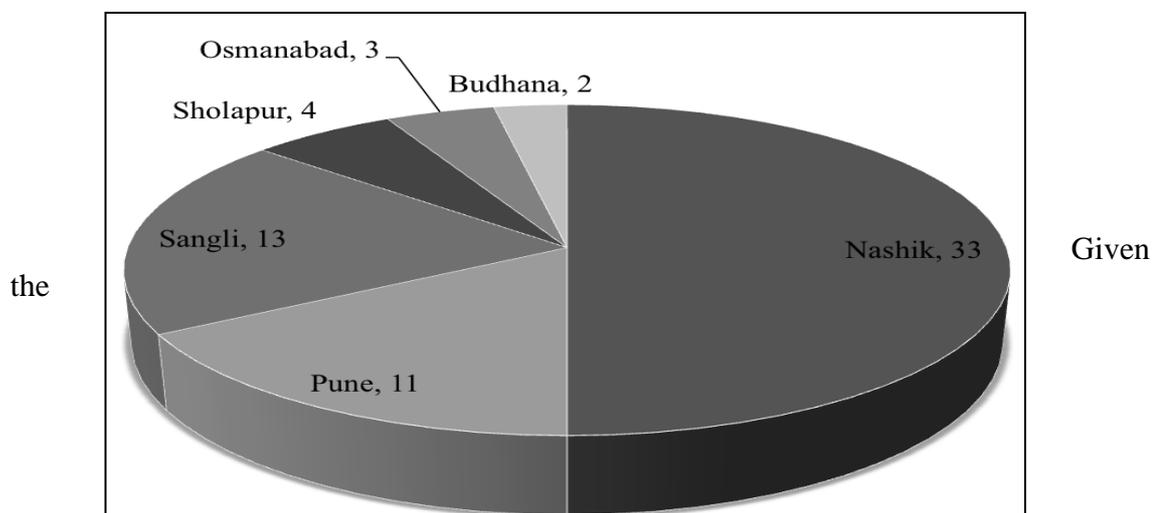
Objectives

The objectives of the study are to analyze if Wine consumers perceive wine as a luxury drink

Sampling

Population of concern

The population of Pune city was used as the target population for this study

Figure 1 Wineries in Maharashtra

Given the proximity of Pune to Nashik, most of the wine manufacturers in the region hold wine fests and events in Pune city.

The population for this study was the wine consumers in Pune city (Pune Municipal Corporation Limits).

Sampling method

A purposive sampling method was used for the research. This is one that is selected based on the knowledge of a population and the purpose of the study.

Homogeneous sampling is a purposive sampling technique that aims to achieve a homogeneous sample; that is, a sample whose respondents share similar characteristics or traits.

A homogeneous sample is often chosen when the research question that is being address is specific to the characteristics of the particular group of interest, which is subsequently examined in detail.

The subjects were selected based on the premise that they consume wine. Snapshot data collection was carried out at wine fests, restaurants serving wine and outlets that sell wine. This gave the researcher a high probability that the persons at these locations are wine consumers.

Sample size

According to the Census department and the tentative census figures for 2011[1], the Pune city Population is 31,15,431 comprising of 16,02,137 Males and 15,13,294 Females.

Table 1 Required sample size

Required Sample size				
	Confidence =		95%	
Population Size	**Degree of Accuracy/Margin of Error**			
	0.05	**0.035**	**0.025**	**0.01**
2,50,000	384	782	1527	9248
5,00,000	384	783	1532	9423
10,00,000	384	783	1534	9512
25,00,000	384	784	1536	9567
31,15,431	**384**	**784**	**1536**	**9574**
1,00,00,000	384	784	1536	9594
10,00,00,000	384	784	1537	9603

Source: Educational and psychological measurement 1970

Using the calculations provided by Krejcie & Morgan in their "Determining Sample Size for Research Activities"[2] (Table.1) the sample size for the population mentioned above shall be 384 at a Confidence Level of 95% with Margin of Error 5%.

Data collection

Data for the research was collected in two categories. The primary data was collected from wine consumers in Pune using the questionnaire method.

A questionnaire is a series of questions asked to individuals to obtain statistically useful information about a given topic[3]

The questionnaire was framed and a pilot study was carried out to check whether the questionnaire was understood well by the respondents. The researcher, to ensure accurate and valid data used, member check, or respondent validation. An interview was conducted and questions were explained to the subjects to ensure reliable responses..

To aid in statistical analysis of the data collected, most of the questions were close ended. The respondents' answers were limited to a fixed set of responses.

The secondary data consisted of books, periodicals, wine magazines and information

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[1] The Indian Census. Retrieved March 2013, from http://www.census2011.co.in:
http://www.census2011.co.in/census/city/375-pune.html
[2] Krejcie & Morgan 1970, "Determining Sample Size for Research Activities" (*Educational and Psychological Measurement*), 30, pp. 607-610
[3] Merriam-Webster. Retrieved April 2013, from http://www.merriam-webster.com/dictionary/questionnaire

and data from wineries.

Data validation
Data was collected at wine events, among known wine consumers, at restaurants that sell wine and at wine selling outlets in the city.

The responses of 411 persons were chosen for data analysis as they fulfilled all criteria required for the study.

The calculated required sample size for the population is 384 at a Confidence Level of 95% with Margin of Error 5%. (Table 1)

During the collation of data 269 respondents did not consume any form of alcohol. A further 235 respondents consumed alcohol but did not consume wine.

The data collected from these respondents was not used in the final analysis. Reference to this data was briefly made to identify reasons why they did not consume alcohol or wine.

Tools and techniques of analysis
Data collation and analysis was carried out using statistical software. The primary data collected was in a questionnaire form and the questions were close ended. This offered the researcher the ability to apply statistical techniques to analyse data and report findings.

The tools used for analysis were Microsoft Excel[4] and IBM SPSS Statistics[5].

Microsoft Excel was used for initial collation of data and was also used to generate the graphs and tables.

IBM SPSS Statistics was used to analyse data using the appropriate statistical techniques.

Statistical tests
Mann-Whitney U test
The Mann-Whitney U test is used to compare differences between two independent groups when the dependent variable is either ordinal or continuous.

The Mann Whitney U test is a non-parametric test that is useful for determining if the mean of two groups is different from each other. A typical use for the Mann-Whitney U test is to see if males and females (2 group independent variable) have a similar opinion about wine being a special drink for special occasions (dependent variable in a Likert scale).

Data Analysis and testing
Non-parametric tests were used to evaluate the attitudes and perceptions of the sample population.

Analysis of the data collected from wine consumers in Pune revealed the preferences of the consumers. The analysis also showed the perceptions the wine consumers have about wine

The source for all the following data analysis is from the Primary data, unless mentioned otherwise

Data Analysis.

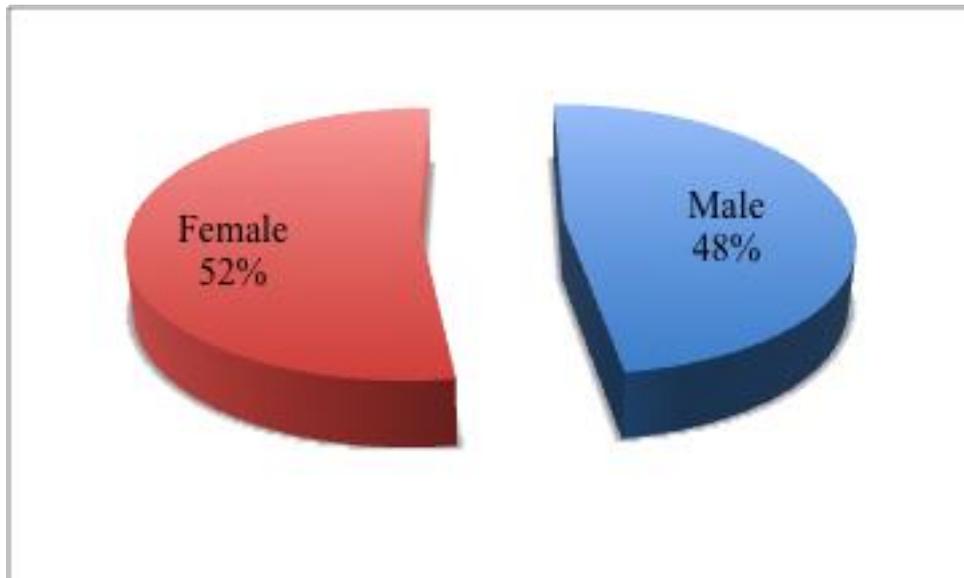[4] Microsoft Excel 2011 Version 14 © 2010 Microsoft corporation

[5] IBM SPSS Statistics Version 21© IBM Corporation and other(s) 1989,2012

The demography of the sample population.

Table 2: Gender distribution

		Frequency	Percent
Valid	Male	196	47.7
	Female	215	52.3
	Total	**411**	**100**

Figure 2 : Gender distribution

Pune city population has an almost equal distribution of males and females.[6] The city has a bourgeoning population if educated working professionals comprising of both genders.

As wine has lower alcohol content, both genders equally prefer it and an equal mix of both genders has been taken for the study.

Various wines complement and enhance the meal and wine is an ideal drink to be had along with a meal of the 411 people from whom data was collected, 48% were male and 52% female. (Figure 2).

**Age group breakup of the sampled population**

Table 3: Age group break-up

		Frequency	Percent
Valid	25-35	137	33.3
	35-45	112	27.3
	44-55	76	18.5
	55 and Above	86	20.9
	Total	**411**	**100**

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[6] The Indian Census. (n.d.) Retrieved March 2013, from http://www.census2011.co.in: http://www.census2011.co.in/census/city/375-pune.html

The wine consumers are fairly evenly distributed over all the age groups. (Table 3) Pune has a large working population. It is one of the most important Information Technology (I.T.) hubs in India and has a very high per capita income.

The younger age groups have more disposable income and tend to frequent bars and wine fest more often. The older age groups, retired, prefer not to go out so often.

Wine consumers are marginally more in the 25-35 age group followed by the 35-45 age group as seen in Figure 2.

Figure 3: Age group break-up
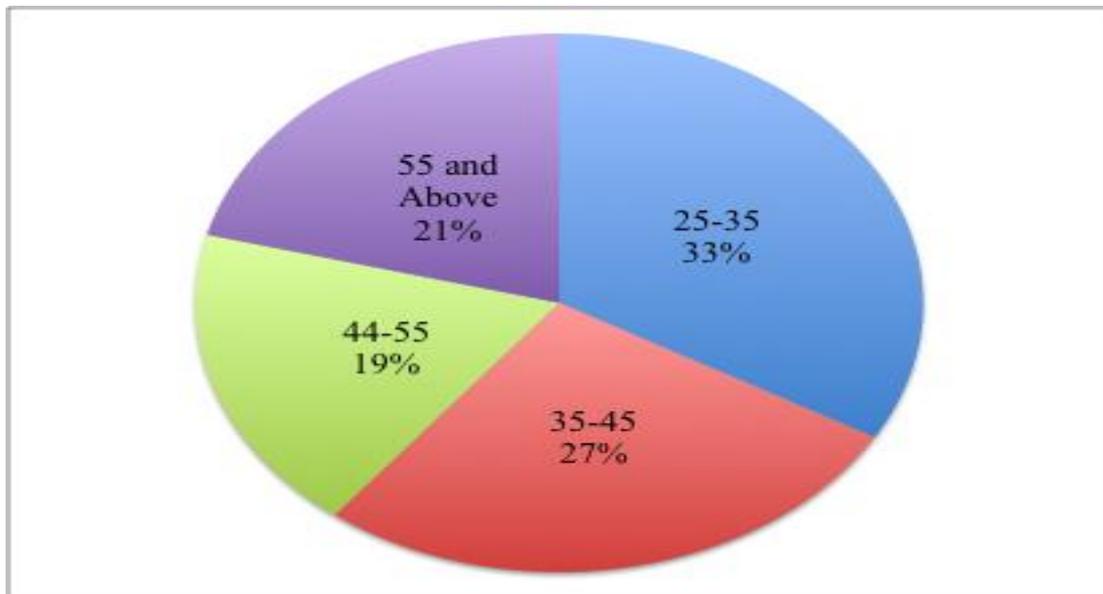
The young professional in Pune is a frequent foreign traveller, especially those working in the I.T. sector. They have a wide exposure to different cultures and are also akin to go out more frequently to lounges, restaurants and wine fests. The are ready to experiment with alcoholic beverages and various types of wine.

The 55 and above age group are the more sophisticated wine consumer. They have already developed a preference for a particular style and taste of wine. Respondents were all above the age of 25 and that is the legal drinking age in the state of Maharashtra[7].

Wine consumers' perceptions on general conceptions of wine.

Consumer perceptions

	Wine is :	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	**Total**
I	Special occasion drink	49	60	160	87	55	**411**
II	Luxury commodity	48	110	145	16	92	**411**
III	Imported is better than Indian	0	68	143	147	53	**411**
IV	More expensive is better	45	74	150	55	87	**411**
V	The older the tastier	48	72	172	57	62	**411**

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[7] Notification of amendment, dated 26th September, 2005 for Rule 70-D of the Bombay Foreign Liquor Rules, 1953.

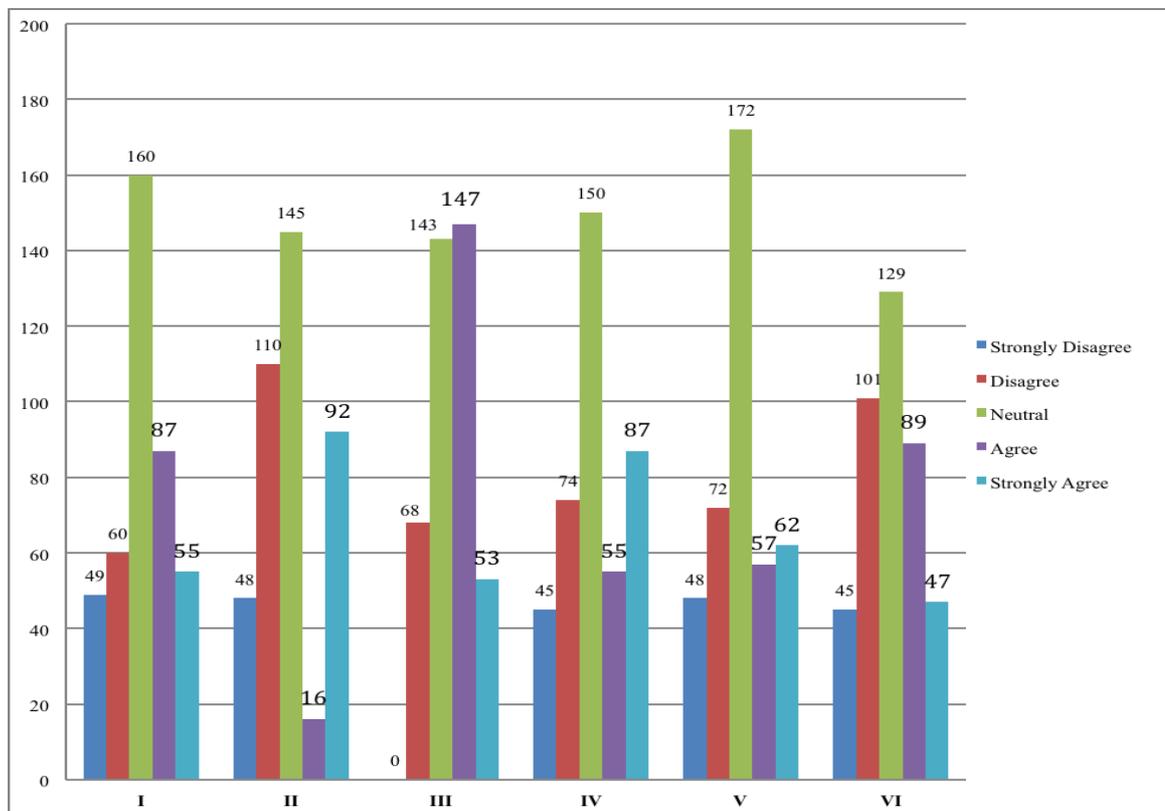| VI	Don't order if you don't know	45	101	129	89	47	**411**

Figure 4: Consumer perceptions

Figure 4 : shows the perceptions that Pune wine consumers have about wine.

I – Wine is a special drink for special occasions.
Wine is gaining acceptance as a drink complimenting food. A majority of the consumers are neutral or disagree with this statement that wine is only for special occasions.

II – Wine is a luxury commodity
The majority of consumers disagree with the statement. Though wine is relatively expensive when compared to other liquors, most wine consumers do still not consider it a Luxury item. Some may not consume it as frequently as other liquors, but it still rates as a regular drink and is not termed a Luxury item.

III – Imported wines are a better quality than Indian wines
A large number of consumers agree with this statement. Unlike Indian wines, imported wines have a grading classification and quality control. By reading the label of an imported wine the consumer can immediately identify the quality and know what to expect in terms of taste. With Indian wines, it is often a trial and error as far as selection of wines is concerned. Many consumers go on word of mouth suggestions and a few willingly opt for trying and testing to determine what wine to consume.
There are however a fair proportion of consumers who disagree with this as they have knowledge about Indian wines and are aware that not all imported wines are better.

IV – The more expensive the wine the better the wine
There are a large number of consumers that disagree with this, however, there were an equal number who also agreed with this.

V - The older the wine the tastier it is
The responses were fairly equal between agreement and disagreement.
The general perception is that wine can age and gets tastier. There are a lot of wines, available in the market, that are even 30 to 40 years old.

The oldest drinkable wine available today is the Rüdesheimer Apostelwein bottled in 1727. These kind wines are few and rare. Most wines available, especially Indian wines are to be consumed immediately.

VI – Unless you know about wine, you should not order it
The responses were fairly equal between agreement and disagreement.

Wine consumers perceive wine as a luxury drink
Table 4. Mann-Whitney U test

Hypothesis	Test	Sig.	Decision
The distribution of Luxury Drink is the same across categories of Gender	Independent Samples Mann-Whitney U test	0.495	Retain Hypothesis

The Mann-Whitney U test (Table 4) is used to compare differences between two independent groups when the dependent variable is either ordinal or continuous, but not normally distributed.
This test was used to determine if there was a difference in perception between gender groups. The Mann-Whitney U test indicates there is equal and similar opinion amongst the respondents towards wine being/not being luxury drink

Table 5 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Luxury Drink	411	1	5	2.99	1.293
Valid N (list wise)	411				

Further, testing the means of the responses of wine being a luxury drink gave the results as illustrated in Table 5

Table 6 Testing of means

Gender	Mean	N	Std. Deviation
Male	3.02	196	1.217
Female	2.96	215	1.361
Total	**2.99**	**411**	**1.293**

If we bifurcate the mean with respect to genders, the males have mean of 3.02 which is neutral, that is not luxury, while female responses have mean of 2.96 which is inclined towards disagreeing with the statement that wine is luxury drink.

Table 7 Binomial Test

		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
Luxury Drink	Group 1	<= 3	303	.74	.50	.000
	Group 2	> 3	108	.26		
	Total		411	1.00		

The binomial test is useful for determining if the proportion of people in one of two categories is different from a specified amount. In the Category selection, 3 is a neutral

response. Less than or equal to 3 shows participants disagreeing with the statement and values of greater than 3 shows participants agreeing with the statement.

The binomial test obtained with cut off of 3.0 (since a neutral response is 3.0) shows clearly that 303 (Table 7) responses are less than or equal to 3 (neutral).

The research hypothesis is rejected. Wine consumers do not consider wine to be a luxury drink.

Conclusion

- Wine is not considered a drink for special occasions
- Wine drinking compared to consumption of spirits is still at nascent stage.
- Wine consumption compliments the food being consumed.
- Male consumers are neutral and do not consider wine as a luxury drink.
- Female consumers disagree and do not consider wine as a luxury drink.
- Both the male and the female consumers equally held this perception.
- A large number of consumers perceive that imported wines are better quality than Indian wine and consistency in the quality.
- Consumers both male and female perceived wine not a luxury but majority feel the more expensive the wine the better quality.
- Wine consumer order wine even if they do not have knowledge of it as well as equal number of consumers are unable to order due to lack of knowledge.
- Many consumers believe that older the wine the better it is for all types of wine and thereby wine consumption is a niche market. Most wines in India are drunk young and thereby not as expensive and not considered a luxury.

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