Generation Y-Future of the Wine Industry?

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Consumer Insights and Product Innovation
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Outline

• Who are the Gen Y consumers?
  – Definition
  – Lifestyle, Attitudes, Values
• Gen Y wine consumers
  – Wine consumption habits
  – Tasting room behaviour
  – Perception of eco-friendly wines
• Conclusions and perspectives
Who are the Gen Y consumers?

• Millenials, Echo Boomers:
  – Follow Gen X
  – Children of Baby boomers

• Birth dates span varies:
  – 1982-2001 (Strauss and Howe, 2000)
  – Canada: 1976-1999 (11-34 y.o.)
  – Australia: 1982-1995 (14-27 y.o)
  – New Boomers: 1983-2001 (9-26 y.o)

• Our definition:
  – Generation Y, 19-34 years old;
  – Generation X, 35-45 years old
  – Baby Boomers, 46-65 years old
  – Traditionalists, 65+ years old

Source: wikipedia.org/Generation Y
Large cohort

- New Zealand in 2009

<table>
<thead>
<tr>
<th>Age</th>
<th>0-14 Years</th>
<th>15-39 Years</th>
<th>40-64 Years</th>
<th>65 Years and over</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total NZ</td>
<td>891200</td>
<td>1484600</td>
<td>1387400</td>
<td>552600</td>
<td>4315800</td>
</tr>
<tr>
<td>%</td>
<td>0.21</td>
<td>0.34</td>
<td>0.32</td>
<td>0.13</td>
<td>1</td>
</tr>
</tbody>
</table>

- USA (15-34 y.o.) : 27% population in June 2009

- Canada (15-34 y.o.) : 26 % population in 2006
Generational differences, New Zealand Management, Nov 1, 2007 by Ellen Read

<table>
<thead>
<tr>
<th>Baby Boomers: 46 to 67 year-olds</th>
<th>Gen X: 27 to 45 year-olds</th>
<th>Gen Y: 13 to 26 year-olds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>PC computers</td>
<td>Globalisation</td>
</tr>
<tr>
<td>Nixon</td>
<td>Crash of 1987</td>
<td>Global warming</td>
</tr>
<tr>
<td>Threat of nuclear war</td>
<td>Market economies</td>
<td>Islamic radicalism</td>
</tr>
<tr>
<td>Hippies and flower power</td>
<td>Loss of job security</td>
<td>Corporate greed</td>
</tr>
<tr>
<td>Feminism</td>
<td>Multiculturalism</td>
<td>Iraq</td>
</tr>
<tr>
<td>TV</td>
<td>Fall of communism</td>
<td>Consumerism</td>
</tr>
<tr>
<td>Drugs culture</td>
<td></td>
<td>Full employment</td>
</tr>
<tr>
<td>Civil rights</td>
<td></td>
<td>Student loans</td>
</tr>
<tr>
<td>Free tertiary education</td>
<td></td>
<td>Internet</td>
</tr>
</tbody>
</table>
Attitudes, Values, Lifestyles (Wright, 2006)

• Millennials are not only **environmentally** sensitive, **socially** aware, and **culturally** diverse, but they **expect to have a voice** in these issues. They support companies that embrace these same beliefs.

• Millennials are highly **influenced by their peers**, they respond to **playfulness and fun**.

• Millennials are **technologically savvy**. They want **instant gratification** and expect **information will be available wherever they are**, regardless of form.
Generation Y wine consumers

• Several studies conducted in the US
  – Thach (2005)
  – Wright (2006): attitudes, values, lifestyles
  – Thach and Olsen: wine preference
  – Olsen et al 2007: Generational differences in wine behaviour
  – Nielsen (2007): consumption habits
  – Henley (2009): packaging

• Getz and Carlsen (2008): Gen X-Y tourists in Australia

• Bruwer and Lesschaeve (2007): Tasting room visitation behaviour in Canada
# Introduction to wine

|---------------------------|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Olsen et al. 2007 on core US consumers | • Started by drinking dry red wines  
• Incentives to drink wine: influence of peer, family  
• Most likely to drink red wine now, seconded by whites  
• Wine imagery: sophistication | • Started by drinking wine coolers  
• Most likely to drink red wine now, seconded by whites  
• Wine imagery: sophistication | • Started by drinking sweet or fruit wines  
• Most likely to drink red wine now, seconded by whites  
Wine imagery: healthy | • Started by drinking dry red wines  
• Most likely to drink red wine now, seconded by whites  
Wine imagery: healthy |
Case study: Ontario residents
Bruwer and Lesschaeve (2007)

• Analyse wine tourist demographics and behaviours

• Conducted in summer 2007 in Niagara Peninsula
  – 3 large wineries, 2 small wineries
  – Self administered survey (47Q), random sampling

• N=996 total, n=599 Ontario residents
  – Gen Y: 179 – 29.9%
  – Gen X: 136 - 22.7%
  – Boomers: 253 - 42.2%
  – Traditionalists: 31 – 5.2%
## Demographics of visitors

Bruwer and Lesschaeve (2007)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Baby Boomers</th>
<th>Traditionalists</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>37.43</td>
<td>44.85</td>
<td>42.69</td>
<td>64.52</td>
</tr>
<tr>
<td>Female</td>
<td>62.01</td>
<td>55.15</td>
<td>57.31</td>
<td>35.48</td>
</tr>
<tr>
<td>19 - 24 years</td>
<td>13.97</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 - 28 years</td>
<td>40.78</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 - 34 years</td>
<td>45.25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35 - 40 years</td>
<td></td>
<td>47.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41 - 45 years</td>
<td></td>
<td>52.94</td>
<td></td>
<td></td>
</tr>
<tr>
<td>46 - 54 years</td>
<td></td>
<td></td>
<td>53.75</td>
<td></td>
</tr>
<tr>
<td>55 - 65 years</td>
<td></td>
<td></td>
<td>46.25</td>
<td></td>
</tr>
<tr>
<td>65+</td>
<td></td>
<td></td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Reason for visiting today</td>
<td>Millennial</td>
<td>Gen X</td>
<td>Baby Boomer</td>
<td>Traditionalist</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------------</td>
<td>-------</td>
<td>-------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Learn more about wine</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Rural setting</td>
<td>8</td>
<td>7</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Find information</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Experience the atmosphere</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Buy wine</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Entertain myself and/or others</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Taste wine</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Have a day out</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Eat at the winery’s restaurant</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Meet the winemaker</td>
<td>10</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Purchase this winery’s merchandise</td>
<td>9</td>
<td>6</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Find a unique wine</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Socialise with others</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Go on a winery tour</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Bruwer and Lesschaeve (2007)
Visitors wine habits
Lesschaeve, Neudorf, and Bruwer (2007)

How often wine is consumed (%)

Consumption by wine type
# US Gen Y consumers

## Study

<table>
<thead>
<tr>
<th>Study</th>
<th>Millennials 19-34 y.o.</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Nielsen, 2007 US consumers</td>
<td>• Prefer red wines (51%: Cabernet and Pinot Noir)</td>
</tr>
<tr>
<td></td>
<td>• Purchase higher share of Pinot Grigio, Sauvignon blanc, Rieslings</td>
</tr>
<tr>
<td></td>
<td>• Inclined to buy imported wines</td>
</tr>
<tr>
<td></td>
<td>• Imagery: Relaxing and sophisticated</td>
</tr>
<tr>
<td></td>
<td>• Purchase of choice for a formal night out</td>
</tr>
<tr>
<td></td>
<td>• 34% interested in learning more</td>
</tr>
<tr>
<td>Wine Market Council, 2007 consumer tracking study</td>
<td>• Inclined to experiment</td>
</tr>
<tr>
<td></td>
<td>• Loyal to imports</td>
</tr>
<tr>
<td>Thatch et al. 2008 on US consumers and sparkling wine</td>
<td>• Would purchase sparkling for casual occasions and Champagne for formal ones</td>
</tr>
</tbody>
</table>
Visitors wine habits
Bruwer and Lesschaeve (2007)

Purchase by outlet type %

Monthly household spend on wine ($CAD)

- Millennial
- Gen X
- Baby Boomer
- Traditionalist
### US Gen Y consumers

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</thead>
</table>
| Thatch and Olsen, 2006 on North California college students | • Main reason why they drink wine is the taste and food matching  
• Focus on value-for-money wines needed  
• Focus on taste enhancements and environmental emphasis needed  
• More innovative packaging needed  
• Need for wine advertising to this group utilising fun, social and related settings |
| Barber et al. 2008 on US consumers          | • Advertising should reflect on friends sharing wine  
• Ads should include people with diversity in race and gender                           |
Visitors' behaviors at tasting rooms

Bruwer and Lesschaeve (2007)

**Amount spent ($CAD)**

- How much spent on tasting fee or wine tour (not refunded)
- How much spent on food
- How much spent on merchandise
- How much spent in total at the tasting room (including wine)

**How many bottles of wine purchased**

- Mean
- Minimum
- Maximum

**How much spent on this wine ($CAD)**

- Millennial
- Gen X
- Baby Boomer
- Traditionalist
Visitors behaviours at tasting rooms
Bruwer and Lesschaeve (2007)

Source of information about this winery

- Millennial
- Gen X
- Baby Boomer
- Traditionalist
### Study | Millenials 19-34 y.o.
--- | ---
Nowak and Newton, 2008 On North California business students | • Inclined to use website for wine purchasing
Wine Market Council, 2007 consumer tracking study | • Computer savvy (20% bought wine on-line vs. 5% in 2006)
Visitors behaviours at tasting rooms
Bruwer and Lesschaeve (2007)

Information about this winery %

- more information about this winery in future?
- newsletter (hard copy)
- email
- website
- wine club

Millennial  | Gen X  | Baby Boomer  | Traditionalist
---|---|---|---

[Bar chart with percentages for each category and demographic group]
Gen Y and Eco-friendly wines
• Determine what makes a wine organic and if such practices are understood by the consumer
• Determine the differences between organic and biodynamic growing practices
• Is this a marketable avenue for Ontario wineries?
Online questionnaire administered between March and June 2010: N=202

Consisted of 26 questions:

- Demographic
- Wine knowledge
- Terminology: perception and knowledge of terms
- Motives behind purchasing behaviour

Focus on organic wines
Respondents’ Demographics

Generation spread

- Boomers: 43%
- Gen X: 18%
- Gen Y: 39%

Gunter, Vidal, Ziraldo, Lesschaeve (2010)
Respondents’ Demographics

- **Gender Distribution**
  - Male
  - Female

- **Marital Status Distribution**
  - Single
  - Married
  - Common Law
  - Divorced
  - Widowed

- **Income Level Distribution**
  - <$25,000
  - $25,001 - $50,000
  - $50,001 - $75,000
  - $75,001 - $100,000
  - $100,001 - $150,000
  - $150,000 and above

**Source:** Gunter, Vidal, Ziraldo, Lesschaeve (2010)
Organic wine purchase

- Most Gen Y and Boomers have never purchased organic wine

Gunter, Vidal, Ziraldo, Lesschaeve (2010)
Organic wine availability

• Availability might be an issue for low purchasing rate of organic wine

1=Strongly agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree

Gunter, Vidal, Ziraldo, Lesschaeve (2010)
Perception of organic wine quality (p=0.09)

1=Lesser Quality, 2=Equal quality to conventional wine, 3=High quality, 4=Indifferent

1=Strongly agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree

Gunter, Vidal, Ziraldo, Lesschaeve (2010)
Organic products monthly purchase

1= None, 2=1-3, 3=3-6, 4=> 6

Gunter, Vidal, Ziraldo, Lesschaeve (2010)
Organic products are healthy

- Millenials tend to think that organic is healthier

Gunter, Vidal, Ziraldo, Lesschaeve (2010)
Buying organic is trendy

- Both groups tend to think that organic is a trend

1=Strongly agree, 2=Agree, 3=Neutral, 4=Disagree, 5=Strongly Disagree

Gunter, Vidal, Ziraldo, Lesschaeve (2010)
• Green attitude of Gen Y does not translate into interest for organic wine or purchase
  – Is wine still perceived as a “natural product”?  
  – Is organic wine quality still an issue?  
  – Is “organic” a trend and “eco-friendly” here to stay? 
• No differences among generations on environmental responsibility statements 
• No difference between generation in associating eco-friendly with certain practices (Organic, Biodynamic, LEED certification, Use of alternative Energy Sources)
Gen Y-Future of the wine industry

• Interested in wine, to learn more about wine
  – Fun, social, and rewarding
  – Experimenters

• Need to adapt marketing strategy
  – From *sophistication* to *casual*
  – From *exclusive* to *accessible*
  – From print to digital communications → Web 2.0

• Green wines?
  – Maybe not → local wines
  – Sustainable: fuzzy concept → Eco-friendly
Acknowledgements

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- Collaborators:
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  - Erika Neudorf, Nicolas Mathieu, Amy Bowen
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