



AMERICAN ASSOCIATION OF WINE ECONOMISTS

AAWE WORKING PAPER

No. 47

Business

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ITALIAN WINERIES

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October 2009

www.wine-economics.org

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"Half the money I spend on advertising is wasted; the trouble is I don't know which half." (John Nelson Wanamaker)

Abstract

The promises of the Internet as a platform for reaching new outlets, markets of global dimensions, intimate customer relationships, low cost and streamlined distribution chains have largely been disappointing in the wine industry. This paper draws on an e-mail commercial survey to investigate web customer service offered by 300 wine companies across Italy. The overall feedback rate was 55%. The main problem of these firms was the inability to respond to customer inquiries in a timely and informative fashion. In particular, only 18% of these wineries responded within four hours, 37% responded within 12 hours. There are also significant differences in response rates by regional business location.

Keywords: Wine companies; Customer service; E-mail; Internet.

Introduction

Companies today clearly recognize that their offers to customers go well beyond the characteristics and attributes of the product they manufacture. Service has become an integral part of the offer (Grönroos, 1993), even in consumer goods, directly influencing customer satisfaction (Parasuraman *et al.*, 1985; Heskett *et al.*, 1997). A high service quality may improve company competitiveness, builds customer trust, supports a company's brand and other product attributes (Berry and Parasuraman, 1991). Initially, the advent of the Internet focused attention primarily on its potential for advertising and selling online (Stevens and Howson, 1997; Samiee, 1998), later on it has been realized the potential arising from the integration of this new technology in the discipline of marketing (Ainscough and Lockett, 1996; Hymers, 1996; Ashill *et al.*, 1997; Poon and Swatman, 1997). Customer service, nevertheless, is shown to play a fundamental role in producing customer loyalty. Once loyalty has precedents in consumer satisfaction, and considering satisfaction as a complex process combining several types of contacts between consumers and companies, customer service assumes a partial responsibility for overall satisfaction.

In this context customer care has become crucial for business success in heavily competitive environments. Since the web offers the possibility for immediate, inexpensive, two-way, and personalized customer communication many enterprises are implementing web-based systems to facilitate fast and direct online interaction with clients.

Although online retailing of wine has received attention from the beginning of the commercial use of the Internet, other significant functions of this instrument have not been entirely exploited by many firms. The promises of the Internet as a platform to reach new outlets, markets of global dimensions, virtually infinite product selections, intimate customer relationships, low cost and streamlined distribution chains (Mougayar, 1998) have largely been dissatisfied in the wine industry.

In particular, customer care services. Given that web customer care is rarely investigated in the food sector, an even larger lack of studies can be found in the wine marketing literature.

The current study exploring the capability of Italian wine firms to respond to commercial inquiries sent exclusively via e-mail aims to disclose a new avenue of research for academics, professionals and wine entrepreneurs.

The study, carried out during March-April 2009, was conducted on a random sample of 300 wine firms, located across Italy, that were contacted through their official e-mail address for the purpose of exploring: time and efficiency of the responses and the amount of additional information provided via electronic answering to a straightforward commercial enquiry. Moreover, the

current work investigates whether customer care service is truly perceived as a relevant issue for Italian wine companies that are actively on the web. The paper is organized as follows. First, we describe how Italian wine companies generally relate with the web. Second, the methods and results of an empirical analysis of email customer service are presented. Finally, the implications of the results are discussed.

1. Italian wine companies and the web

The wine industry is the second most important subdivision of the Italian agro-food system behind the milk and dairy sector and is known worldwide for its excellence and variety. Italy is also the world's second largest producer and consumer of wine.

However, in recent years the industry has changed dramatically: profound transformations have occurred in the wine distribution, technology and marketing.

Just from a quantitative point of view we should consider that the national production has decreased from 6.5 billion liters in the 1970s to the current 4.16 billion (ISTAT, 2007).

This reduction in production has been accompanied by the changes in national per-capita consumption; in fact, there has been a gradual transformation of wine as an everyday beverage to a more occasional drink (Cesaretti *et al.*, 2006). In fact, wine has played an important role in everyday culture for Italians, who used to drink at home during afternoon and evening meals. New consumption styles are currently emerging mainly linked to different interests and needs (Seghieri *et al.*, 2007). The traditional consumer has been sided by a new generation of consumers (usually young professionals of medium to high income). Italian wine companies, in addition, are facing significant competition from international markets. Specifically, the European markets are becoming increasingly liberalized and producers of non-European Union (E.U.) countries are implementing aggressive marketing strategies (De Blasi *et al.*, 2007). Nevertheless, in economic terms, despite the reduction of the volumes, the national wine industry develops a turnover of over 10 billion euro, of which around 3 billion from export (Nomisma, 2007).

In such a scenario, the development of competitive advantages and high performances appears to be increasingly linked to the improvement of market oriented strategies (Pomarici, 2006).

A great amount of researcher has shown the high potential of web marketing for food products, in particular for highly differentiated products (Sparkes and Thomas, 2001; Stricker *et al.*, 2003). Moreover, several studies have analyzed the diverse possibilities to implement Internet marketing in the wine sector stressing the many advantages that companies can gain from such

applications (Goodman, 2000) and classifying them in different macro-categories of possible competitive advantages that may derive from the reduction in the time required to search, acquire and circulate information, the improvement of internal and external relationships with the actors at the start and end of the supply chain.

Other empirical studies in various Italian regions (Sebastiani, 2001; Canavari *et al.*, 2005; Lo Giudice, 2006) have also given evidence that, although companies recognize that Internet increases their visibility in the world markets, they have yet to exploit Internet as a relational tool to truly increase competitiveness. A recent study conducted by winenews.it¹, an online communication agency, explains that only a small number of Italian wine companies view their website as a crucial part of their marketing strategy, whereas most producers see a website as a sort of online catalogue, which is frequently not updated. Additionally, a considerable number of small and medium producers still do not have a company website. Apparently the resistance to website adoption comes in the form of a lack of understanding of the available benefits, doubt about the profits a website could provide and the availability of the skills, costs, and time needed to set it up.

On the other hand, the proliferation of blogs, discussion forums and websites on wine testimony that many wine drinkers like to learn more about wine and the Internet is an ideal tool for publishing such information in a timely and inexpensive manner.

In addition, the web, as multiple examples from “New World” producing countries like Australia, Chile, United States and South Africa demonstrate, is an incredible source of information on wine consumer behavior; information that marketing-oriented businesses should thoroughly collect and creatively use (Kotler *et al.*, 2004).

Indeed in the recent past a limited number of Italian wine companies have started to experiment online marketing strategies with successful results that could lead other businesses to follow in its path.

2. Methods

In an effort to select an unbiased sample, 300 official e-mail addresses of Italian wine businesses were retrieved from the list of firms participating at the 2009 Vinitaly². All the addresses belonged to wine companies that had an operating web site. Recipients were randomly selected, while the number of companies chosen for each region was proportional to the total amount of

¹ winenews.it monitors and evaluates each year 2000 Italian wine companies and their websites.

² Vinitaly, held every year in Verona (Italy), is the world’s largest international wine and spirits exhibition with over 1800 participating wine businesses.

regional wineries exposing at the 2009 fair³. The final sample was composed by 43% of firms located in the North of Italy, 30% in the South and 27% in the Centre. Specifically, Piedmont, Tuscany and Veneto were the most represented regions with 40 inquiries each, followed by Lombardy and Sicily with 20.

Table 1. Wine businesses geographical distribution

Sample Composition	
North	130
Center	90
South	80
Total	300

The research was conducted during April, 2009. A test e-mail to ten wine firms, not included in the final sample, helped to understand the effectiveness of the online request. Every e-mail was sent individually to minimize information overload and spamming. In addition, to ensure similar experimental conditions, the e-mails were sent at 8 a.m. of Monday, April 6, 2009. To further reduce bias, two different senders' names and private e-mail addresses were expressly created and used. The email text was the following: "*Dear responsible, I would like to know in which shops of Rome your wines are sold. Thank you for your kind availability. Sincerely,..*" Rome was chosen as the market of senders' attention for its location and its relevant retail sales value.

3. Results

The total number of responses was 165, 55% of the whole sample. Of these, 55 wine companies (18.3%) answered the email query within four hours. Another 55 wine firms (18.3%) replied between four and twelve hours; 13 (4.3%) between thirteen and twenty-four hours; 18 (6%) between twenty-five and forty-eight hours; 24 (8%) more than two days later. In ten cases (3.3%) the official email bounced back. Of the 22 wine companies that replied to the email after more than two days 75% answered between the fifth and eighth working day.

³ The main reason we decided not to opt for a proportion with the regional production volumes is because the number and importance of wine businesses do not match with these volumes, as Figure 2 clearly shows. The proportion was roughly 1 regional enquiry for every 10 wineries participating at the 2009 fair.

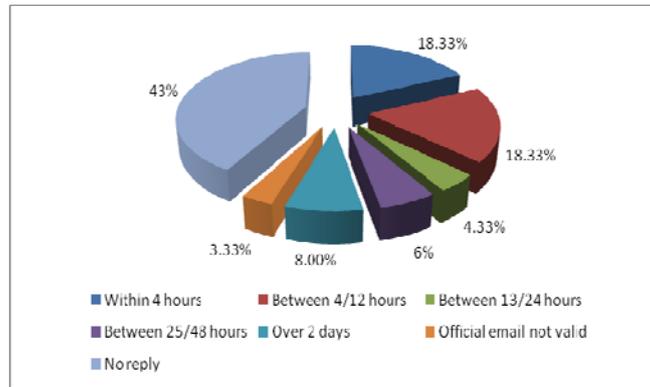


Figure 1. Breakdown of email replies

The amount and quality of the information given in the responses varied widely: the vast majority of the firms (145) replied with a simple list of sales points with their telephone and fax numbers; a minor number (15) of companies replied sending together with the list their direct-selling costs; some businesses (10) answered providing the contact numbers of their local sales agents. This lack of promotional and commercial information sent to a potential customer is a further demonstration of a widespread inability of using the Internet as a valuable marketing instrument.

Only 9% of the respondents (15 out of 165) sent in their email, through an attached file, additional information regarding the winery's product range, promotional activities, price list, touristic facilities or general news on the firm. The combination of low levels of answering, scarce quickness and poor additional information clearly point out a general distrust and/or indifference of Italian firms toward the web as a marketing instrument and support for customer care.

Although samples were numerically different, a purely qualitative evaluation among all Italian regions was conducted to enlighten the geographical diversities.

To add supplementary considerations on regional differences and make valuable comparisons we used the map structured by ISMEA (Figure 2), with the localization of the main Italian wine firms through colored spots that indicate average annual turnover. Particularly, the blue spot means a firm with an annual average turnover of over 40 million euro, the green spot a turnover between 7 and 40 million euro, the yellow spot a turnover between 1 and 7 million euro, and the red spot a turnover up to 1 million euro.

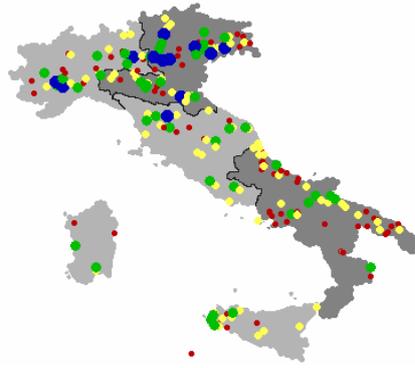


Figure 2. Location of Italian wine businesses based on annual turnover. Source: ISMEA, 2008.

The average regional response rate was 48.9%, distinctively the average was 46% in the North, 53% in the Center and 48% in the South.

Overall data show, quite surprisingly, that wine firms from Sardinia (80%) had the highest capacity in responding to web enquiries, followed jointly by Lombardy and Trentino-Alto Adige (70%).

Other important Italian wine regions such as Piedmont, Friuli and Abruzzi share lower capability (60%). The worst responding rates belonged to two Southern regions: Campania and Basilicata with 30%, followed by Calabria, Marche and Molise with 40%.

Breaking down the results and putting side by side the behaviors of wine firms in regions with similar production structures, several considerations can be drawn. For example, comparing the results of the three regions with the major number of key companies; we can clearly see how wine businesses located in Piedmont are much more comfortable in answering to consumers' email queries (60%), compared to the ones of Tuscany (50%) and of Veneto (42%).

Piedmont's wine firms' ability to reply promptly is also markedly superior, as shown in Figure 3.

Besides, it is interesting to remark that 10% of total replies coming from Tuscany arrived over a week after the inquiry.

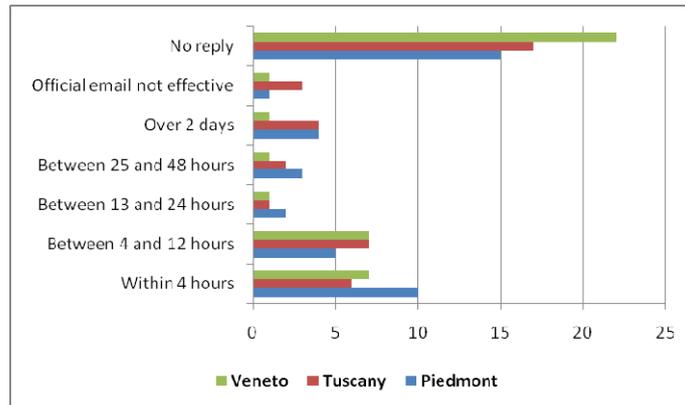


Figure 3. Comparison of response time among wine companies of Piedmont, Tuscany and Veneto

Furthermore, analyzing the responses received from wine firms of Lombardy and Sicily (Figure 4), respectively a Northern region and a Southern region, we can observe substantial differences: the percentage of replies from Lombardy is 70% compared to 55% of Sicilian wine companies; 50% of the total respondents from Lombardy answered within twelve hours, while this percentage drops to 35% for Sicily.

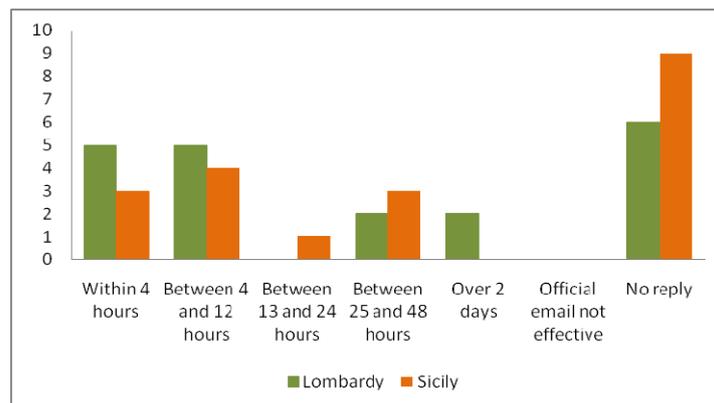


Figure 4. Comparison of response time among wine companies of Lombardy and Sicily

Discussion and Conclusions

In many industries, the development of effective customer relationships is progressively more recognized as an essential component of the marketing strategy (Bejou *et al.*, 1998; Lymperopoulos *et al.*, 2006). However, in the past, the marginal costs of developing a dialog with individual customers often exceeded the expected marginal benefits. The development of information and communication technologies has changed this picture

completely and offers businesses cost-efficient options to directly attract and keep customers.

Although the web is an increasingly popular topic in the food business press, little academic work has focused on online customer service. Moreover, despite the excitement about the web guiding in a new era of customer care, examples of bad service on the Internet are very easy to find. Analyzing the capacity of 300 Italian wine firms, holders of company websites, to reply to a commercial email enquiry; our findings demonstrate a very low overall response rate (55%) and a general trend to overly delay business-relevant email responses to customers. The amount of replies received within 12 hours, commonly considered the maximum time acceptable by the customer to be satisfied, were merely 110 (37%) of the total sample.

The results, in line with other studies on Italian wine companies' incapability to exploit the web (Annunziata *et al.*, 2008), also proof a scarce propensity to use emails as a valid instrument to create a connection with the customer or even to use email as an advertising support. The empirical analysis has demonstrated, quite surprisingly, that also firms located in leading regions, in terms of wine quality, sales and export (as Tuscany and Veneto), failed to provide promptly basic commercial information through electronic mail. On the other hand, we found slight differences between northern, central and southern wine businesses response rates, i.e., the response rate is higher in the North. Despite the fact that wineries in Northern Italy are larger than those in the South, smaller wineries tend to respond faster to email inquiries than do larger ones.

The data used in this work are limited; hence future research should include methods using a larger sample, more e-mail response variables and should correlate web customer care variables with the overall companies' web marketing strategies. Furthermore, it would be interesting to examine whether wine companies respond differently to corporate and private e-mail addresses and to fax inquiries. Another research avenue could be to repeat the same observations in other wine producing countries with analogous production structures (as France) or very diverse (as Australia or the U.S.).

Acknowledgments

The author would like to acknowledge the research support received from the Department of Agricultural and Resource Economics of the University of Maryland in College Park.

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