

Ithaca 2018 Abstract Submission

Title

The loyalty structure of Prosecco brand in Italy

I want to submit an abstract for:

Conference Presentation

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Keywords

Prosecco, brand choice, behavioral loyalty, Dirichlet model, brand performance measures

Research Question

- 1) Are consumers increasing their loyalty towards Prosecco and/or to companies and/or packaging formats?
- 2) Are any market segmentation for brand loyalty?

Methods

The Dirichlet is used to estimate the traditional performance measures (BPMs) such as the market share, the purchase frequency, the share of category requirements, the repeat purchase rate

Results

First results seems to confirm that loyalty to Prosecco is increasing while the loyalty to company brands is limited to big and old ones

Abstract

The Prosecco consumption has dramatically grown the last decade. In 2017 the production is estimated around 500 millions bottle while in the 2007 was 170 millions bottles. So far, the Prosecco industry accounts more that 13,800 wine growers, at least 1.600 wineries and almost 600 big Prosecco companies.

The Prosecco wine has conquered both consumers and suppliers generating a virtuous circle. In particular, the distributors have increased the presence of Prosecco on the market while consumers have discovered new opportunities for consumption (eg. Prosecco drunk as cocktail, before/after or during meals), and for purchases, even as a gift. The positive response of the consumers has further stimulated the interest of the worldwide distribution, which has further increased the availability of the product.

The consumer's image of Prosecco is clear to consumers because it does not overlap with directly competing products on both international (eg. Cava, Champagne) or domestic market (Franciacorta, Asti). However, the strong market increase has been coupled by a dramatic growth in brand, price range and external cues (eg.

packaging) in order to catch consumer attention. The total number of Prosecco wine brands can be hardly calculated since many sparkling companies create special and short life brands (eg. to satisfy supermarket demand for discounted wines). The private brands (wine and/or company brands) are actually associated to three appellations or collective brands such as the well-known Conegliano-Valdobbiadene Prosecco Superior Docg (the oldest Prosecco appellation), the Asolo Prosecco Docg (the smallest Prosecco appellation) and the Prosecco Doc (the newest and biggest appellation of this wine). Within the Conegliano-Valdobbiadene Prosecco there are some cuveé such as Cartizze and Rive "sub-appellation". In other words, the wide variety of private brands is amplified by three collective brands, by cuveè as well as the quality classification (eg. for sugar contain such as brut, extra dry, dry) and an almost endless array of prices and packaging features.

In this market, the consumer brand loyalty may be strong for Prosecco as brand which image and identity is quite clear in the consumer's mind while many small company brands or appellations are vague and interchangeable in the minds of consumers.

The aim of this paper is to provide a deeper understanding of loyalty Prosecco structure through the brand performance measures considering the Prosecco branding's process and repertoire respect to other wines as well as wine cues forming the image on the Prosecco in the consumer's mind. The main research questions are: "are consumers increasing their loyalty towards Prosecco?" and "are consumers increasing their loyalty towards brand Prosecco companies and/or packaging formats?" and "Are any market segmentation among consumers' covariates respect to Prosecco brand loyalty?".

According to Uncles, Dowling & Hammond (2003), there are three main concepts of loyalty: the behavioral loyalty, when buyers show a repeated preference for one brand over the others or the "propensity for repurchase a brand or product" (Jarvis et al., 2007); attitudinal loyalty, if the consumer expresses the intention or wish to be loyal towards a brand; differentiation loyalty, when the consumer remains loyal to the brand for a long period of time. In this paper, we approach the behavioral and attitudinal loyalty since they can identify main purchasing behaviors such as: loyalty to a one brand only (very rare, especially for wines), loyalty to several brands (multiple loyalty), unstable loyalty (changes from a brand to the other), no loyalty at all.

Literature on wine brand loyalty has shown that consumers are usually loyal to several brands or to a brand repertoire which is extended to both red, white and sparkling wines (Coehn et al., 2012; Krystallis and Chrysochou, 2010), i.e., often consumers perceive some brands as replaceable and purchase them interchangeably.

Methodologically, the well-known stocastic model, namely Dirichlet model, has been preferred respect to rational ones such as the multinomial logit model. Stochastic choice models can better describe decision-making processes in which the prevailing elements are the consumer's instinct and conditions at the point of sale. They are, therefore, useful for modeling purchases of experience products such as wines, in which the hedonistic component often prevails one the production cost.

The Dirichlet model belongs to the class of stochastic models, known with the name of integrated brand choice purchase incidence models, which at the same time they estimate the probabilities of choice between brands and the frequency of purchases over a period of time.

The Dirichlet model (Goodhard, Ehrenberg and Chatfield, 1984) is employed in marketing to provide the probability distribution for repeated purchases, made by purchasers over a period of time, of brands competing within a product category. The data are multivariate, as they are taken into account different brands. The Dirichlet model specifies probabilistically how many purchases makes each buyer and which brands are purchased at each purchase. Thus, it combines the elements concerning the frequency of purchase and the choice between brands in a single model. In marketing, the Dirichlet multinomial distribution (DMD) is a multivariate averaging of brand choice that concludes consumer behavior is predictably and inextricably bound to brand size. The Dirichlet model allows us to estimate the traditional performance measures (BPMs) such as the market share (MS), the purchase frequency (PF), the share of category requirements (SCRs) and repeat purchase rate (ρ) as well as the polarization index (ϕ). The "polarization" reflects patterns of consumer loyalty by comparing consumers' repurchasing behavior towards individual brands to average loyalty levels for the overall brand (Rungie and Goodhardt, 2004).

The data used in this study have been extracted from the AC Nielsen Italy Consumer Panel database for the years 2015 and 2016. The sample size consisted of 8,327 households and 167,200 wine purchases which account 9,152 wine brands.

So far, results seems to confirm that loyalty to Prosecco is increasing while the loyalty to company brands is

limited to big and old ones while results about the loyalty to each appellation is found on specific consumers' segments.

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The loyalty structure of Prosecco brand in Italy

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The Prosecco consumption has dramatically grown the last decade. In 2017 the production is estimated around 500 millions bottle while in the 2007 was 170 millions bottles. So far, the Prosecco industry accounts more that 13,800 wine growers, at least 1.600 wineries and almost 600 big Prosecco companies.

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According to Uncles, Dowling & Hammond (2003), there are three main concepts of loyalty: the behavioral loyalty, when buyers show a repeated preference for one brand

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