The Application of the Best:Worst Method and the Latent Class Analysis for a Segmentation of the Italian Wine Market

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ABSTRACT

This study applies the Best:Worst (BW) Method to the Latent Class Analysis (LCA) in order to (a) identify the degree of importance the sample gives to a certain number of choice factors when one chooses the wine to be purchased for a dinner at home with friends and (b) create homogeneous sub-groups of the population in respect to the preferences shown towards these attributes. The main advantage of the BW method, compared to other methodologies utilized to study the behaviour of consumers so far, is the higher discriminatory power in measuring the importance people give to choice factors. Secondly, this study witnesses the capability of the BW method of giving clear and simple answers on what respondents rate as the most and least important choice attributes, also for those who are not expert in econometrics. Finally, the application of LCA to BW scores offers several theoretical and practical advantages compared to a priori segmentation techniques. The joint usage of the BW method with a LCA allows reaching a deeper data analysis level, thus giving more punctual and precise information on how heterogeneous the behaviour of consumers are when judging the attributes under analysis.

A general overview of BW scores shows that interviewees firstly tend to select a wine they previously tried. If one has already drunk a wine or if it pairs particularly well to the food, the probability that a product will be chosen is higher. The second most important attribute is matching the wine with food. On the other side, there seems to be scarce concern about promotional displays in store. Another interesting aspect to underline from these results is that having an attractive front label does not seem to be
an important element for the choice of a wine. This result, in fact, is in contrast with what several other researchers found.

Through segmentation analysis, it has been then possible to identify three specific market segments in relation to the structure of the decisional process. The first group strongly relies on the experience with a wine, either personal or that of a friend. As a consequence, once kept, these individuals represent a secure and solid base for the following sales, as it is very difficult to modify their choices. Conversely, the second segment seems to prefer the information one can find in the shop and let it easily convince to purchase those products supported by commercial activities. Consumers, who look after promotional activities and are not influenced by the judgments expressed by wine guides or professional magazines, belong to this group. Finally, the third group is represented by consumers, who do not only buy according to what previously satisfied them, but who also look after specific information on food-wine pairings, grape varieties, regions of origin, recognitions awarded, etc., to be collected either in a pre-purchase phase or on the back label.