Customer Satisfaction Drivers and Performance in Wine Tasting Rooms: The Finger Lakes and Long Island

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Supported with a Grant of the Total Quality Focus & Sustainability Program, New York Wine and Grape Foundation

Presented at Viticulture 2010 and 39th Annual Wine Industry Workshop, February 17, 2010
Today’s Agenda

• Why is customer satisfaction important?

• Cornell Study in the Finger Lakes and Long Island regions
  ✓ Drivers of Customer Satisfaction in tasting rooms
  ✓ Does increased customer satisfaction leads to increased sales?

• Results in a nutshell
  ✓ Substantial differences between the regions
  ✓ Tasting protocol and service are the main drivers of customer satisfaction
  ✓ Increased customer satisfaction leads to higher probability of purchase and increased sales

• Concluding comments and future research
Why care about Customer Satisfaction?

Reasons for Satisfying Customers:

- Cost of attracting a new customer is 5 times the cost of retaining one
- Average company loses 10% customers a year
- Reductions in customer defection increases profits
- Customer profitability tends to increase over time

Source: Kamakura et al. "Producing Profitable Customer Satisfaction and Retention"
Why Customer Satisfaction in Tasting Rooms?

• The tasting room experience is more complex than simply customers’ perceptions of wine quality and prices

• It is influenced by other factors, for example
  ✓ Tasting room design
  ✓ Tasting room experience
  ✓ Assortment of ancillary services provided…. and many more

• Little is known about drivers of customer satisfaction and sales performance in tasting rooms
Conceptual Framework

Customer Tasting Room Experience
  Attribute 1
  Attribute 2
  ...
  Attribute N

Overall Customer Satisfaction

Tasting Room Sales Performance
Research Plan: Analysis

• Conduct a Factor Analysis to identify drivers (or factors) of Customer Satisfaction (CS) in tasting rooms

\[ \text{Overall Customer Satisfaction} = F (\text{Driver 1, Driver 2, …}) \]

\[ \text{Sales Performance} = G (\text{Overall CS, Tasting Room Characteristics, Customer Demographics}) \]

\[ (\text{Re}) \text{ Purchase Intentions} = H (\text{Overall CS, Tasting Room Characteristics, Customer Demographics}) \]
Data Collection

• Customer Satisfaction Survey in 9 tasting rooms in the Finger Lakes Region and 7 tasting rooms in Long Island

• Data collected from June/2009 through October/2009

• About 450 responses in the Finger Lakes; and 200 in Long Island

• Visitors provided information on
  • Scores of their tasting room experience (1 is low; 5 is high)
  • Purchases and re-purchase intentions
  • Reasons for visiting the winery
  • Demographics
<table>
<thead>
<tr>
<th>Question</th>
<th>Poor (1)</th>
<th>Fair (2)</th>
<th>Good (3)</th>
<th>Very Good (4)</th>
<th>Excellent (5)</th>
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<tbody>
<tr>
<td>Overall tasting room cleanliness</td>
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<td>Impression of the grounds/view</td>
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<td>Ambience of the tasting room</td>
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<td>Lighting in the tasting room</td>
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<td>Sounds in the tasting room</td>
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<td>Friendliness of Pourer</td>
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<td>Wine knowledge of Pourer</td>
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<td>Appearance/Presentation of Pourer</td>
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<td>Flexibility in the choice of wines tasted</td>
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<td>Space (elbow room) available for tasting</td>
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<td>Waiting time for tasting to start</td>
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<td>Waiting time between samples</td>
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<td>Availability of wine for purchasing</td>
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<td>Presentation/Display of wine for purchasing</td>
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<tr>
<td>Quality of wine</td>
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<td>Wine prices</td>
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<td>Discounts available for wine purchase</td>
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<td>Helpfulness of tasting room staff</td>
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<td>Availability of non-wine gift items</td>
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</tbody>
</table>
Results: Descriptive Analysis
Customer Reasons for Stopping at the Winery

- Have fun
- Taste wine
- Learn about wine
- Purchase wine
- Experience wine setting

Finger Lakes - Long Island

Cornell University
Other Customer Reasons for Stopping at the Winery

- Recommendation
- Wine reviews
- Wine awards
- Saw a sign
- Self-guided wine tour
- Websites and brochures

Finger Lakes
Long Island
Customer Satisfaction with Tasting Room Ambience

- Cleanliness: Finger Lakes 4.8, Long Island 4.7
- Grounds/View: Finger Lakes 4.6, Long Island 4.6
- Ambience: Finger Lakes 4.5, Long Island 4.7
- Lighting: Finger Lakes 4.4, Long Island 4.5
- Sounds: Finger Lakes 4.2, Long Island 4.3

Legend:
- Finger Lakes
- Long Island
Customer Satisfaction with Tasting Room Staff

- Friendliness
- Wine Knowledge
- Appearance
- Helpfulness

Finger Lakes
Long Island

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Customer Satisfaction with Tasting Protocol

- Variety of wines tasted
- Amount of wine served
- Cost of the tasting
- Number of wines tasted

Finger Lakes | Long Island
---|---

Cornell University
Customer Satisfaction with Tasting Experience

- Flexibility of samples
- Elbow Room
- Waiting time to start
- Waiting time between samples

Finger Lakes, Long Island

Cornell University
Customer Satisfaction with Retail Execution

- Availability of wine for sale
- Wine Display
- Quality of wine
- Wine Prices
- Wine discounts
- Non-wine gift displays
- Ease of finding winery

Finger Lakes vs. Long Island

Cornell University
# Overall CS, Purchases and Re-purchase Intentions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Finger Lakes</th>
<th>Long Island</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Overall Customer Satisfaction</td>
<td>4.55</td>
<td>4.37</td>
</tr>
<tr>
<td>Planning to purchase wine</td>
<td>83.5%</td>
<td>67.8%</td>
</tr>
<tr>
<td>Average bottles purchased</td>
<td>4.77</td>
<td>4.2</td>
</tr>
<tr>
<td>Average amount spent</td>
<td>$58.89</td>
<td>$66.38</td>
</tr>
</tbody>
</table>
Results: Statistical Analysis
## Findings: 5 Customer Satisfaction Drivers

| Factor 1: Ambience | • Overall tasting room cleanliness  
|                    | • Impression of the grounds/view  
|                    | • Ambience of the tasting room  
|                    | • Lighting in the tasting room  
|                    | • Sounds in the tasting room  
| Factor 2: Service  | • Friendliness of Pourer  
|                    | • Wine knowledge of Pourer  
|                    | • Appearance/Presentation of Pourer  
|                    | • Helpfulness of tasting room staff  
| Factor 3: Tasting Protocol | • Variety of the wines tasted  
|                        | • Amount of wine served  
|                        | • Cost of the tasting  
|                        | • Number of wines tasted  

## Findings: 5 Customer Satisfaction Drivers

| Factor 4: Tasting Experience | • Flexibility in the choice of wines tasted  
|                            | • Space (elbow room) available for tasting  
|                            | • Waiting time for tasting to start  
|                            | • Waiting time between samples  |

| Factor 5: Retail Execution  | • Availability of wine for purchasing  
|                            | • Presentation/Display of wine for purchasing  
|                            | • Quality of wine  
|                            | • Wine prices  
|                            | • Discounts available for wine purchase  
|                            | • Availability of non-wine gift items  
|                            | • Ease of finding the winery due to signage |
Customer Satisfaction Drivers, Finger Lakes

Change in Overall Customer Satisfaction Resulting from a 1-point Increase in a Satisfaction Factor

- Tasting Protocol: 0.3
- Service: 0.25
- Atmosphere: 0.15
- Retail Exec.: 0.13
- Tasting Exp.: 0.03
Customer Satisfaction Drivers, Long Island

Change in Overall Customer Satisfaction Resulting from a 1-point Increase in a Given Factor
CS Impacts on Purchase Intentions

Plan to Purchase Wine After Tasting vs. Overall Consumer Satisfaction

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CS Impacts on Purchase Intentions and Tasting Room Sales

![Data visualization](image-url)
CS Impacts on Purchase Intentions and Tasting Room Sales Performance

Impact of converting a visitor from “Satisfied” (score = 4) to “Highly Satisfied (score = 5)….

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Winery Averages</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probability of purchase</td>
<td>70%</td>
<td>93%</td>
</tr>
<tr>
<td>Average number of bottles purchased</td>
<td>4.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Average amount of purchase ($)</td>
<td>$62</td>
<td>$72</td>
</tr>
<tr>
<td>Probability of re-purchase</td>
<td>88%</td>
<td>90%</td>
</tr>
</tbody>
</table>
Lift in Number of Bottles Sold given a 1-point Increase in Rating

Customer Ratings (1 is low, 5 is high)
Conclusions and Future Research

- Strong links between Customer Satisfaction and Tasting Room Performance

- Five drivers of customer satisfaction in tasting rooms (tasting protocol, service, atmosphere, tasting experience, retail execution)

- Significant differences on performance and drivers of CS between wine regions

- Systematic monitoring/analysis of CS and sales provide information for tactical and strategic decisions

- Future research must look at dynamic aspects of the CS-sales performance links
Thank You!

Questions or Comments?

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