



# Viticulture, enology and marketing for cold-hardy grapes



## The Tasting Room Experience and Winery Customer Satisfaction

*Miguel I. Gómez and Erin M. Kelley*

*Dyson School of Applied Economics and Management, Cornell University*

**Background and Rationale:** Customer satisfaction is especially important for the cold climate wineries in New York and Iowa that are the focus of this study. This emerging industry relies on visitors (regional customers and tourists) for an important share of total sales. Ensuring that customers have a satisfactory experience when visiting the winery can create customer loyalty and positive press as clients recommend the establishment to their friends, colleagues and family.

### **Treatments:**

- A total of six wineries participated in the study, two of which were located in New York State and four in Iowa.
- The Wineries were first contacted by Cornell University to ascertain their desire to participate in the study.
- The primary researcher on the project (Professor Miguel Gomez) then travelled to each of the Wineries to speak directly with the tasting room managers.
- During the meetings he specifically reviewed a detailed protocol for conducting the data collection process.

**Methods:** We developed and tested the survey instrument based on earlier work by Gómez (2010) and Gómez, McLaughlin and Wittink (2004), along with advice from a few winery operators in cold climate wine regions. The survey was divided into three sections. The first section asked tasting room visitors to rate their perception of twenty-four customer satisfaction attributes related to their tasting room experience. Customers were asked to rate the winery performance of these attributes from 1 (poor) to 5 (excellent). The second section pertained to on-site wine sales and asked customers whether or not they purchased wine, the amount purchased (bottles and dollars), intention to purchase in the future, and willingness to recommend the winery to others in the future. The final section collected demographic information on the survey respondent. We collected over 400 responses. Once the surveys were compiled and organized into a database, we developed statistical methods (factor analysis and multiple regression) to focus on two research questions: what drives customer satisfaction, and does customer satisfaction lead to greater sales? For this part of the analysis, the data from each of the wineries was pooled together to make for a larger sample size and more significant results.

### **Results:**

#### **What Drives Customer Satisfaction?**

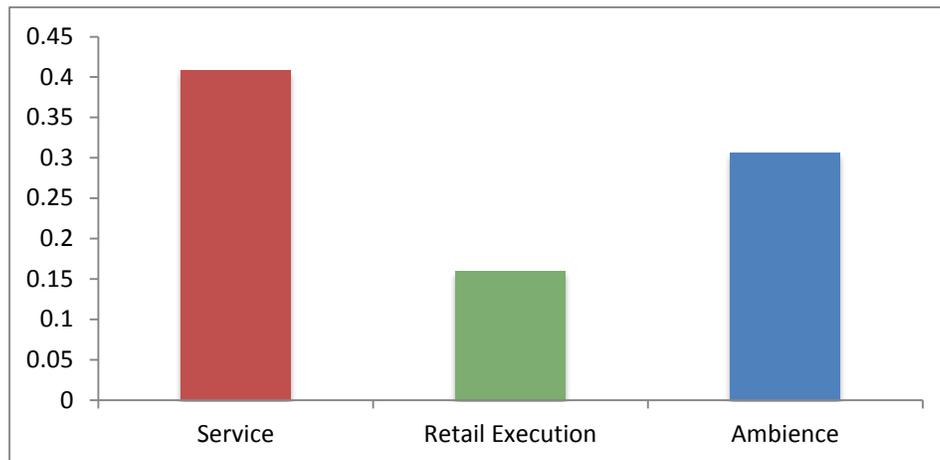
In this study, customers were asked to rate 24 specific attributes of the tasting experience on a scale of 1 to 5. These attributes included: overall tasting room cleanliness, appearance of grounds/view, wine knowledge of pourer, variety of wines available for tasting, availability of food/snack items, and availability of wine for

purchasing, among others. These 24 attributes could be grouped under three main categories (which we will call factors): Retail Execution, Service and Ambience.

Factor 1= SERVICE	<ul style="list-style-type: none"> <li>- Wine knowledge of pourer</li> <li>- Appearance/presentation of pourer</li> <li>- Friendliness of pourer</li> <li>- Flexibility in choice of wines tasted</li> <li>- Helpfulness of tasting room staff</li> <li>- Hospitality and personalized attention of staff (including the owner)</li> <li>- Space (elbow room) for tasting</li> <li>- Waiting time for tasting to start</li> </ul>
Factor 2= RETAIL EXECUTION	<ul style="list-style-type: none"> <li>- Availability of non-wine gift items</li> <li>- Availability of food/snack items</li> <li>- Presentation/display of wines</li> <li>- Discounts for volume purchases</li> <li>- Availability of wine for purchasing</li> <li>- Speed of check-out</li> </ul>
Factor 3= AMBIENCE	<ul style="list-style-type: none"> <li>- Appearance of grounds/view</li> <li>- Overall tasting room cleanliness</li> <li>- Lighting in the tasting room</li> <li>- Sounds in the tasting room</li> </ul>

These three factors each contribute to overall customer satisfaction. Nevertheless, some matter more than others. Of utmost importance is the service provided by the winery, then the ambience created, and finally the retail execution (*Figure 1*). We found that customers were 40% more likely to rank their overall experience a 5/5 (instead of a 4/5) if they were highly satisfied with the service provided by the winery. Furthermore, customers were 30% more likely to rate their experience a 5/5 instead of a 4/5 if they were highly satisfied with the ambience provided by the winery. Finally, we found that customers were 16% more likely to rate their experience a 5/5 instead of a 4/5 if they were highly satisfied with the retail execution.

**Figure 1: Effect of increasing each factor score by 1-point (from 4 to 5) on the probability that the overall customer satisfaction score equals 5/5**



**Relationship between Customer Satisfaction and Sales Performance**

Figure 2 shows that higher levels of customer satisfaction are associated with greater sales (as measured by the number of bottles purchased). For example: customers who ranked their overall tasting experience a 4/5 purchased 2.8 bottles on average, while customers who ranked their overall tasting experience a 5/5 purchased 4 bottles on average. This shows that the biggest gains to be made are from moving a customer from “satisfied” (ranking his or her experience 4/5) to “very satisfied” (ranking his or her experience a 5/5).

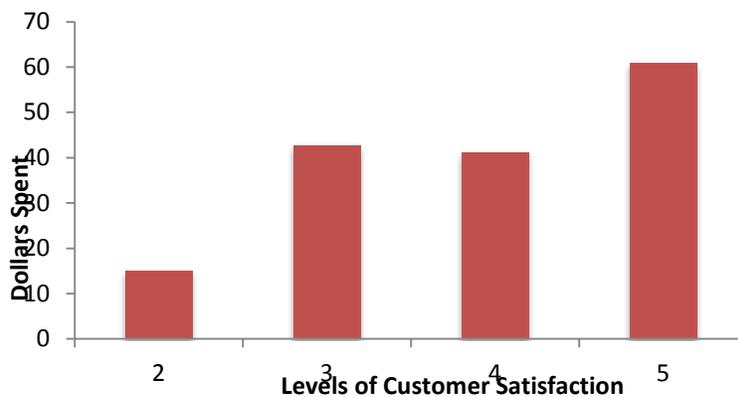
**Figure 2: Number of Bottles Purchased for Each Level of Customer Satisfaction**



We then conducted further statistical analysis, which allowed us conclude with certainty that a one unit increase in customer satisfaction leads to approximately one more bottle being purchased. This says that on average, increasing customers’ overall experience by 1 unit from ‘2’ to a ‘3’, or a ‘3’ to a ‘4’ or a ‘4’ to a ‘5’ increases sales by 1 bottle per customer.

A similar relationship is detected when we plot the total amount spent (in dollars) for each level of customer satisfaction (Figure 3). Customers that rate their experience a 4/5 purchase 40\$ on average while those who rank it a 5/5 spend just over 60\$ on average. Again, we see that a more highly satisfied customer will spend more money after a tasting. More specifically, the greatest gains will be made from moving a customer from “satisfied” to “very satisfied”.

**Figure 3: Number of Dollars Spent for Each Level of Customer Satisfaction**



We then conducted further statistical analysis, which demonstrated that a one unit increase in customer satisfaction leads to approximately 10 more dollars being spent (which is just a little less than the cost of a

bottle). This says that on average, increasing customers' overall experience by 1 unit from '2' to a '3', or a '3' to a '4' or a '4' to a '5' increases sales by 10 dollars per customer.

### **What the results mean:**

This report can shed light on the following issues relevant to wine tasting room managers:

- To gain a better understanding of the type of customer that the wineries are servicing. The data we collected during June-November 12 *suggests* that the average visitor has some post-secondary education; is approximately 40-49 years old; and drinks wine on a regular basis
- To identify attributes in which the tasting room was performing well *at the time of the survey*, and other attributes in which further improvements could be made.
  - The three attributes which customers appreciated most were the following: the overall tasting room cleanliness, the friendliness of the pourer, the helpfulness of the tasting room staff, and the hospitality of the tasting room staff.
  - The three attributes that customers appreciated the least were: winery signage and directions, availability of food/snack items, and discounts for volume purchases.
- To distinguish the most important drivers of customer satisfaction:
  - Service (Most Important)
  - Ambience (Second Most Important)
  - Retail Execution (Third Most Important)
- To illustrate that higher levels of customer satisfaction leads to greater sales.
  - The biggest gains to be made come from moving customer satisfaction from a 4 ('satisfied') to a 5 ('highly satisfied'). This means that Wineries must fine-tune every aspect of the tasting to ensure a premium experience.