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A COMPARATIVE STUDY OF TASTES AND PREFERENCES FOR LOCAL AND FOREIGN WINES IN BULGARIA

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Abstract:
On the base of semantic differential instrument we assess the main factors in wine demand attitudes of Bulgarian customers. We aim to find out whether specific marketing techniques could alter the demand for such a traditional product as wine in Bulgaria. Given the fact that Bulgarian customers only recently received the possibility to taste imported wines, we find that foreign wines are evaluated mainly through the prejudice of past knowledge, not linked to the actual product. Most likely the demand for wine in Bulgaria will continue to be focused on local products. Furthermore we examine how the region of origin determines tastes and preferences for consuming a specific type of wine and the price the consumer is ready to pay.

Keywords: demand for wine, Bulgarian wine, regional varieties of wine

1. BULGARIAN WINE SECTOR DEVELOPMENT

After Bulgaria joined the EU there has been an obvious deepening of the trend to restructure the vineyard and wine sector in the country, which had started in the pre-accession period. The change was necessitated by several key factors:

- Outdated variety structure of the vines, mainly consistent with the old markets in Eastern Europe and Russia
- Increasing export opportunities for the European Common Market in an environment of strong competition
- The emergence of a considerable number of private farms and small wineries oriented towards production and export of high-quality wines
- Funding opportunities for restructuring in the sector through EU funds

Bulgaria managed to preserve its traditions in the wine industry despite the economically difficult transition. After 2004 there has been a significant reduction in the vine growing potential of the country. Of approximately 130,000 hectares in 2004, today the vineyards have diminished almost twofold to 63,000 hectares, but in terms of average yields there has been a noticeable increase due to the modernization of the structure of the vineyards and the optimization of the methods and techniques of cultivation.[1] The volume of wine production for that period has also been in decline, but according to data on Bulgaria, the wine market in Bulgaria for the period 2005-2015 has experienced growth in terms of the variety and quality of the products.[2] After 2011, a weak but steady growth in exports of wine from Bulgaria has been noted, combined with an increase in the average export prices by around 10%. In an interview published in the Bulgarian press, the Chairman of the Executive Agency for Vine and Wine said that despite the difficult economic and weather conditions, several positive trends had been observed in the last year: investments in expanding the vineyards with more than 3,000 Ha, the construction of 21 new wineries and an increased interest of foreign investors in the wine sector in Bulgaria. This would lead to greater competition, better quality wines and expansion of the foreign markets.[3]

Bulgaria has world class specialists, which is reflected in the medals won by local wines at renowned international wine competitions. The awards show that we are comparable to the best in the sector and that the country has huge potential for development in the sector, but in order to repeat the boom of the 80's and to place the Bulgarian wines in the prestigious price categories, we need good marketing and advertising.

As regards the structure of the wine trade, most important are the countries of the European Common Market. Russia and Poland remain strategic export markets for our country with approximately 40% of total exports. There is a positive trend of increasing exports to Japan, China and the Baltic countries.

In the period after the entry of Bulgaria in the EU there has been a trend of increasing the imports of wines. This trend was reversed in the last two years. Thus, in 2013 and 2014, according to statistics there has been a relative decline in imports by about 8% annually, the only increasing imports being those of bottled wines.[4]

For us this is an interesting issue to which we tried to find an answer in a series of surveys. The facts and results received show that the main reason for the interest in imported wines is due to the willingness of local consumers to get familiar with quality imported wines and varieties, non-typical of Bulgaria, and at competitive prices. But the diversification of the assortment structure of consumption is not expected to cause permanent preference to imported wines. This thesis is proved by the recent empirical studies.

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[1] According to data of the Ministry of Agriculture and Food published in Agrarian Report 2014

[2] Boshnakova, M., Huynh, H .. USDA Foreign Agricultural Service. Bulgaria Wine Sector Update. GAIN Report Number BU2016

[3] Interview with the Chaiman of EAVW K. Kolev in the newspaper "24 Hours", number 43 of 14.02.2015.

[4] The increase in imports of bottled wines is by 35%, but if you add the volumes of imported bulk wines for the period, the result is reduction of imports as a whole.

2. TASTES AND PREFERENCES FOR WINE CONSUMPTION IN BULGARIA

Although wine production in Bulgaria has strong traditions from the past, the modern market is quite new and consumers are still developing their culture and habits for consuming wines from the old and new world.

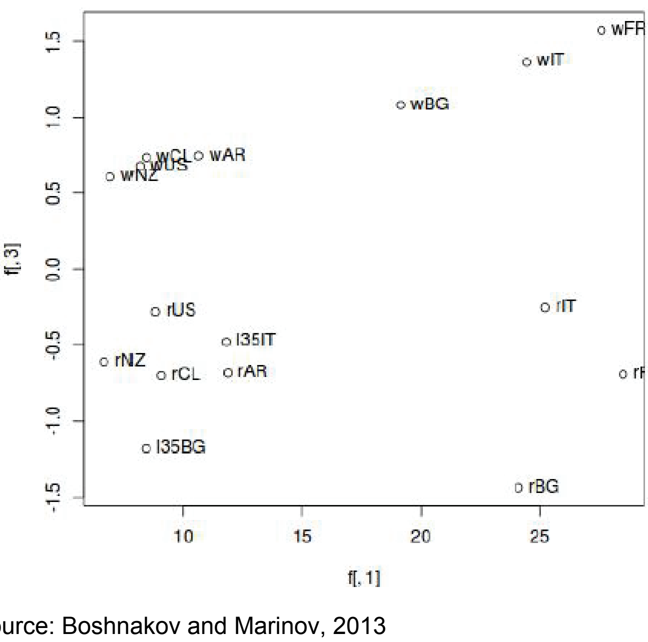
In our previous study[5] among 368 Bulgarian citizens we tried to reveal the basic indicators which influence and determine the consumers' demand for wines. On the one hand we tried to assess how the elements of the marketing mix (price, image, brand, package, vision) affect the ordinary consumer demand in selecting a wine. On the other hand, we were interested whether essential indicators of wine quality as depth, aroma, sourness, intensity, according to which wines are scored during tasting events, are relevant to the ordinary customer and are linked to the elements of the marketing mix.

A last group of indicators would show where wine lovers and ordinary customers would most likely consume the product. A standard hypothesis was that ordinary customers buy in grocery shops, they are influenced by the price and application of marketing techniques, and do not give priority to quality indicators. Real wine lovers however are likely to buy in specialized shops and restaurants, and are less influenced by price and basic indicators.

We applied an instrument in the form of repertory grid, making use of an approach in which the semantic space where the perceptions of the respondents lie is reconstructed. The concept of semantic differential is suggested by C. Osgood (Osgood et al., 1957); for the purposes of the experiments it is complemented by the personal constructs concept of G. Kelly (Kelly, 1963). A classical text for applying the approach is Petrenko (2010). In recent years semantic studies in marketing are not uncommon, they are quite popular, our study extends the empirical literature on that topic.

As our main idea was to assess the place Bulgarian wines occupy in the consciousness of Bulgarian customers, we compare local wines with wines that could be their major competitors. In the last years wine market in Bulgaria widened significantly, through the introduction of wines from the Western hemisphere. The rise of living standards in Bulgaria (at least before 2008) provides certain possibilities to extend the demand also towards some more expensive, but also considered more prestigious wines as French and Italian ones. The sample of countries widely reflects the structure of the wine market today.

Figure 1. The semantic connection for wines according to "Prestige" (F1) and "Taste" (F3) factors.



Source: Boshnakov and Marinov, 2013

5 Boshnakov and Marinov, 2013.

In conclusion we found that although Bulgarian customers have received only recently the possibility to make a comparison between wines from different countries this does not change their preferences too much. Only two decades ago the choice was mainly among local wines. The long term established images also influence contemporary perceptions: French and Italian wines are classified as the most prestigious and with the best qualities, despite the fact that numerous wines from other countries, included in our study, occupy top positions in world rankings.

For the time being there are no prospects that the situation will change. Demand in Bulgaria will be further directed mainly to local wines.[6]

Furthermore we made additional study to discover the preferences and tastes of wine consumption in the country among 131 people in the period March – May 2014 to examine in detail factors and habits that influence consumption of one of the favorite drinks for Bulgarians.

2.1. General attitudes towards wine

The study showed that a significant trend is being formed among young people – one in five Bulgarians aged between 25 and 30 drinks wine only on a special occasion, and this age group forms 1/3 of the wine market in Bulgaria (37.4%). Youth consumption is associated with the introduction of new western manners of wine consumption. As expected, the red wine is the most popular type among them (43%). It is followed by white wine and rosé. The different types of wine have seasonal peaks in consumption – 20% of young people define their preferences depending on the season. Among the wine varieties most popular with this age group are: Chardonnay (15%), Merlot (10.91%), Cabernet Sauvignon (10%) and Mavroud (10%).

Wine is also very popular among people aged between 45 and 60 (35.11%). Every third Bulgarian in this age group drinks wine several times a week. The most preferred type of wine is red wine, its share being 38.9%, followed by white wine with 27.8%, and 26% of the respondents define their preferences depending on the season. The most popular wine varieties are Merlot (13.19%), Mavrud (12.64%) and Cabernet Sauvignon (11.54%).

In the middle age group (30 – 45 years) wine has the lowest prevalence rates – 27%, and it is noteworthy that 30.6% of the respondents drink wine several times a month. The popularity of white and red wine is equal – 28% for both types of wine, and there is a heightened interest in rosé – 14% of the respondents prefer it. The most popular wine varieties are Chardonnay (13.99%), Merlot (12.59%) and Sauvignon Blanc (11.54%).

The main consumer preferences are for dry and aromatic wines – 26.13% and 22.52% of the respondents, respectively. The proportion of consumers to whom the type of wine does not matter as long as it is of good quality is not negligible. Relatively less preferred are blended and liqueur wines (see Table 1).

Table 1: Consumers' preferences according to the wine type.

What kind of wine do you prefer?	Consumer preferences (%)
Dry	26.13
Aromatic	22.52
Doesn't matter, as long as they are of good quality	17.57
Semi-dry	15.32
Varietal	14.41
Blended	3.15
Liqueur	0.90

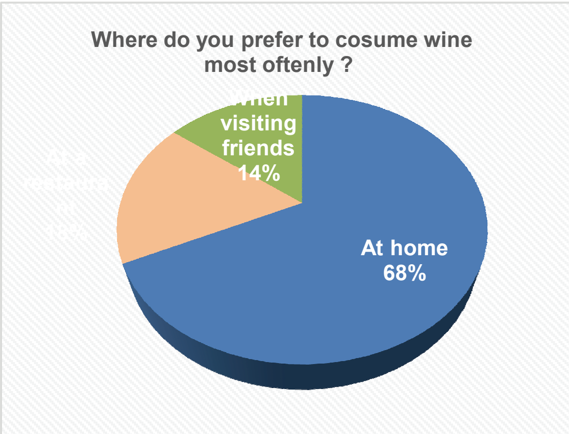
Source: Calculations based on author's survey

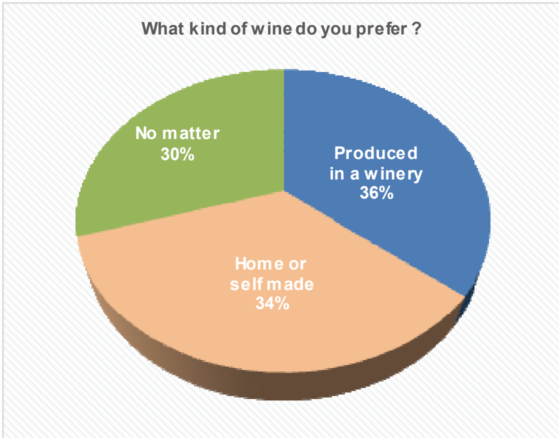
Among consumers of wine there is a clear tendency for consumption at home – 68% of all respondents express such preferences (see Figure 2). Almost 18% indicated that they drink wine in

[6] Detailed information about the technique of the survey and the experiment is described in Boshnakov and Marinov, 2013.

restaurants. The restaurants have been showing a good trend for some time – there has been a demand for quality wines and the margins have decreased significantly. The trend of shrinking the margins began with the economic crisis, but it was not the only reason. The crisis helped restaurateurs realize that offering good quality wine at a reasonable price attracts other types of customers – those willing to pay more for good food. The proportion of consumers who prefer wines produced in wineries is the largest, constituting 35.88% of the respondents, but of almost the same size is the proportion of those preferring home-produced wine (34.35%), as this is associated with the traditional way of wine making. An interesting trend is that a third of the respondents would drink any wine (see Figure 2).

Figure 2: Results from survey regarding consumers' habits.





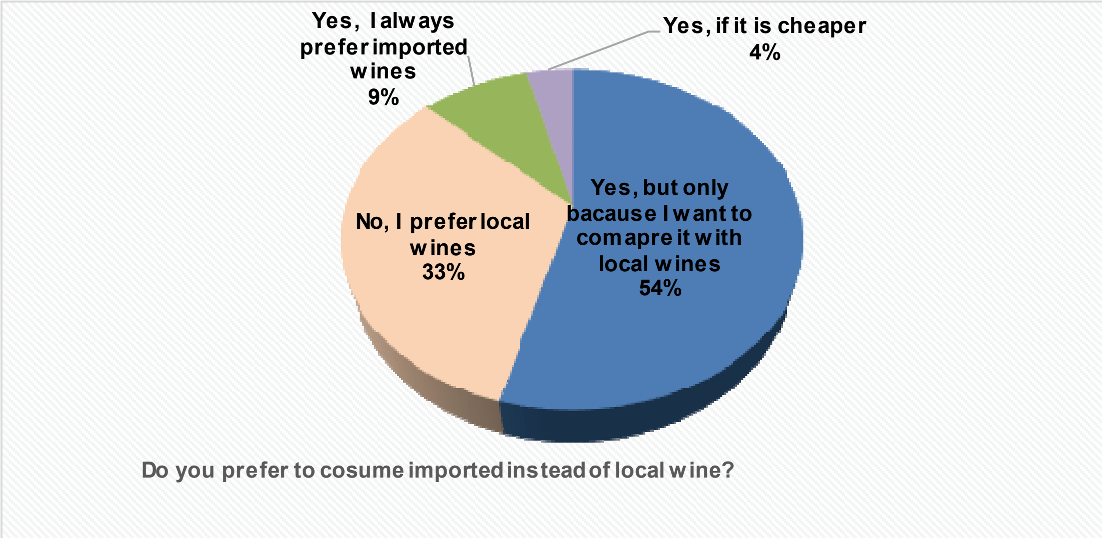
Source: Author's calculation based on survey results.

2.2. Purchase of wine

For Bulgarians buying wine has become a real challenge. The market offers imported wines in different price segments and wines from large local traditional wine producers, but also more and more products made in small boutique wineries. This diversity causes the appearance of consumer preferences. When buying wine 34.52% of wine consumers buy it from supermarkets. It is important to note that supermarkets remain the territory of the large mass producers, importers and distributors who can offer sufficiently large quantities and meet the many requirements set by the chain stores and especially the high fees, which are almost prohibitive for small wineries. The next most popular places to buy wine are the specialty shops whose share is 22.63%. It is precisely the small wineries that report good sales primarily in specialty shops. However, a trend stands out here, namely that 24.40% of consumers produce the wine themselves. This is understandable in time of crisis. Home production is associated with a lower cost and with certainty of the origin of the grapes. No small part of consumers (10.71%) purchase wine directly from wineries. The confidence in the large traditional producers can be shaken if the consumers are disappointed with the quality or if the producer offers wine varieties that are not associated with the region of production.

The choice of wine is largely determined by the region and country of production. Almost 55% of the respondents consider the region of production highly important. A vivid proof of this is that 76.34% of wine consumers agree with the statement that each variety should be grown in a certain region or country in order to produce quality wines. This fact is complemented by the view of the majority of the respondents (75.57%) that the price they would pay for a bottle of wine depends on the region of origin of the bottled wine. The willingness of consumers to pay a higher price for varietal wine from a specific region is clear – 77.86% of the respondents gave answers in this sense. However, this is not the case with the categories of domestic and imported wines. The regular average consumer does not consider a given wine as being of better quality just because it was produced in another country. Here the opinion of the consumers is overwhelming, namely 77.86% of the respondents do not regard imported wines as better. Accordingly, wine drinkers are not willing to pay a higher price to consume imported wine. Every second consumer admits that they would consume imported wine, but only to compare it with the local. Quite small is the proportion of consumers who state they always would prefer imported to local wine, namely 9.16% of the respondents (see Figure 3). The result proves the hypothesis that we stated in the very beginning of this paper and confirms the result from our previous study.

Figure 3: Consumers' preferences according to the origin of wine.



Source: Author's calculation based on survey results.

The main criterion for choosing wine still used by many Bulgarians is its price. More specifically – the lowest price available. Despite everything, it is a fact that the number of people looking for good wine is increasing, and the lowest price is not the leading factor for their choice. Every third consumer is willing to pay from 12 to 18 BGN to acquire a bottle of wine. Quite a few of the consumers would pay from 5 to 9 BGN, namely 24.43% of the respondents. Almost the same is the proportion of consumers (23.66%) willing to spend between 9 and 12 BGN for a bottle of wine. However, 15% of the respondents are prepared to allocate a larger part of their budget for this product (over 18 BGN).

In order to establish in detail the sensitivity of consumers to the price of wine, it is appropriate to deepen the analysis with the study of the relationship between the disposable monthly income of the respondents and the price they are willing to pay for a bottle of wine. Based on the conducted surveys, the following results can be summarized. Consumers who have income between 500 and 1000 BGN are 44% of all respondents and 36% of them are willing to pay from 12 to 18 BGN for a bottle of wine; 22% are willing to pay from 5 to 9 BGN, again 22% are those willing to pay from 9 to 12 BGN and only 10% are connoisseurs who to enrich their wine culture and would spend over 18 BGN for a bottle of wine. Consumers with income up to 500 BGN are almost 31% of all respondents, and 35% of them are willing to pay from 5 to 9 BGN for a bottle of wine, but not a small proportion would pay higher prices, namely 55% would buy a bottle of wine in the price ranges 9 to 12 BGN and 12 to 18 BGN. The consumers with higher income (1000 – 2000 BGN) constitute 13% of the respondents and they prefer to buy wines in the range of 12 to 18 BGN.

2.3. Wine consumption

Wine consumption means communication and creating positive emotions, so it is preferred both at family and friendly gatherings and on romantic and business occasions. It wouldn't be wrong to say that wine is a universal drink – suitable for any occasion. However, this does not apply to the packaging of the wine. Despite the differences in the preferences as regards packaging, the 750 ml bottle remains the most preferred packaging – 84.73% of people who buy their wine take it most often in the standard bottle. 12.21% of the respondents prefer consuming bulk wine. Carton box remains far behind with a mere 3.05%.

3. CONSLUSION

In conclusion, the increasing wine consumption in Bulgaria and the importance of the local market should be noted in the first place. Alongside with this, however, earning the confidence of consumers is a key challenge for retailers and producers. The years of transition and the distrust in Bulgarian production did not pass over the wine sector. It is obviously on the rise now, but in order to continue this trend, a proactive policy to inform and attract new consumers is required.

Survey results prove that Bulgarian consumers still prefer local wines instead of foreign wines. The reasons are in the traditions for consuming homemade wine and the preferences toward some local varieties of grape. A positive trend for local producers is that local wines are accepted as quality wines, although not so prestigious as Italian and French one. We should note that there is a growing curiosity for imported wine tasting in order to improve the culture of wine tasting in the country.

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