

# Analyses of Consumer Behavior and Wine Market in Kosovo

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## Summary

This survey is part of the project “Marketing Support of Food Products in Kosovo”, financed by the European Agency for Reconstruction (EAR). The main purpose of the project was to support the producers of food products in Kosovo with data for absorbing opportunities of wine market, according to the demographic and socioeconomic features of wine customers. As a basis of this research 1214 respondents were interviewed in Kosovo during the period May-June 2007. Chi-Square test of variable analysis shows that 48.8 % of the total number purchase wine and out of this 4.1 % buy it everyday, 11.4 % twice a week, 27.4 % once a week and 57.1 % twice a month. The rest of the interviewed respondents 52.2 % (634) point out that they don't purchase wine. The researching results show that number of men (55.4 %) who consume wine is higher than the number of women (37.4 %). One of the current difficulties that the wine sector in Kosovo is facing with is the lack of their profile according to the market demands.

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## Key words

Wine Market, customer behavior, variable analysis, Chi-Square test

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Received: March 23, 2009 | Accepted: December 21, 2009

## ACKNOWLEDGEMENTS

The authors are thankful to the Project “Marketing Support of Food Products in Kosovo” and especially to European Agency for Reconstruction (EAR) that financed the research and made the data access possible. Special thanks deserve students of Agro Economic Department, Faculty of Agriculture and Veterinary in Prishtina, who helped in executing the research.

## Introduction

Grape vine cultivation and wine production in Kosovo and in the other Ilirian-Albanian territories has a long history of thousand years. Historic data, different topographies and archeological discoveries are the best evidence for this. There is evidence of the ancient Ilirian-Albanian vine tradition and culture. In the cadastral documents of XI-XV centuries there are 57 villages mentioned in Vushtri and other Kosovo territories as grape cultivators.

Wine industry development in Kosovo is dated from the beginning of 60s. In the 80s this production reached to several million liters of wine in Rahovec and Suhareka winery. The statistics coming from the Kosovo Agriculture and Rural Development Plan (2007) show that there was produced 25.03 ton of wine in Kosovo in year 2006. Over 80 % of the cultivated grapes in Kosovo grape wines were manufactured in the wine industry whereas the left part remained on the farm uncollected. From the native wine varieties the Black and White Game are dominant. Domestic wine is mainly sold on the local market and some inconsiderable quantities are exported. Native wine continues to be of unverified quality and very little known abroad. The annual export of Kosovo wine doesn't exceed one million liters whereas the import is about three million liters. The average annual wine consumption per capita in Kosovo doesn't exceed two liters at the same time when in France and Italy it is more than 50 liters per capita as Castaldi et al. (2006) points out. Lately, wine production and consumption in Kosovo is indicating a tendency to increase.

Stagnancies in the wine sector in Kosovo are happening because of the delayed reforms in Kosovo agriculture, poor treatment of vine surfaces, the inactivity of enterprises after the privatization process, unfair competition in the region, lack of "national" barcode to sell in the EU countries, low quality, lack of marketing, and difficulties in distributing and selling. It is estimated that every year millions of liters of wine are not sold in Kosovo (The marketing of wine plant propagating material regulations of Kosovo, 2002). Hardly any of the wine producers in Kosovo has made a market research plan and marketing, or even has any knowledge of what the wine customers prefer. Regardless of these circumstances, production of grape and wine manufacturing was and it remains as an important economic activity for many farmers in Kosovo. Vine sector perspective in Kosovo reckons on its heritage, favorable climatic and land conditions, population and good labor that works in agriculture, as well as future expected investments.

This survey provides much information for wine market, very little known until now. Having more information available for the market of who and what prefers to purchase and of what price, Kosovar producers will have it easier to make the right decisions about what kind of wine they should produce, what quantity and how to sell. The wide presence of imported wine in the domestic market, most frequently with high prices and unverified quality, imposes the question, why

customers in Kosovo behave in such a way, why are imported products often more preferred to native ones, what are the main reasons for this?. This survey represents an effort to give an answer to these questions.

Customer profile and the role of marketing in their behavior were studied in a wide literature and from different authors. In their study, Moutinho and Goode (1995), Tzimitra-Kalogianni et al. (1999) and Malorgio et al. (2007) point out the biological, social and psychological factors, and the manner of family living, including the genetic origin as determinant in customer buying habits. Their studies focus in searching models to satisfy customer needs and factors that influence their behavior when they buy or don't buy wine.

Customers often use the image and economic development of a country as indicator for the product features that are very hard to be evaluated visually. According to Kaynak (2000), the psychological factor influences customer behavior. It was noticed that products originating from developed countries have higher performance and are considered as safer products in the customer psychology compared to products originating from countries less developed. Producing-marketing link not being able to function represents a serious limitation in the sustainable development of economic sectors. This characteristic parting for the wine sector in Kosovo was negatively manifested in consolidating the wine sector in Kosovo and distribution and selling remained the weakest points of it. In the most specific way we find the wine customer behavior study in a several number of studies and relevant literature. Authors like Galloway et al. (2001) approached the comparing study of age, gender socioeconomic variables, level of education, personal income and family characteristics as factors influencing customer behavior and the wine market segment. According to them price is not crucial when customers decide to purchase wine, not excluding the significance of price when choosing the wine.

Researching results show that families with many family members consume notably less wine than families of two or three members. Men and women continue to have attitudes that differs them with regard to their behavior when buying wine. According to Fotopoulos et al. (2002) such an occurrence reflects "the loss of wine function as a daily meal component in places that had wine consuming traditions". Even though in general, wine is perceived from the customers as women product, women are in a considerably lower level of consuming wine than men are. This is also supported from the research results of wine customer profile in Kosovo according to the gender. According to the actual tendencies, female wine consumers are increasing more rapidly compared to male wine customers. The manner of customers behavior when purchasing or not purchasing wine comes as a result of interaction between many factors as physical, social and psychological, and the geographical location (rural or urban). Such an attitude is supported also from these research results where differences are noticed in customer wine drinking preferences and inhabitation place.

In many wine and its customer researches and studies it is pointed out that except socioeconomic and demographic factors, sensory characteristics as quality, production brand, package, trust, origin, and other information influence customer decisions to purchase wine. According to Quester and Smart (1998) 'wine with its numerous tangible and intangible attributes clearly allows consumers to utilize numerous attributes in their decision making'. Whereas Lockshin and Rhodus (1993) point out that customers use intrinsic features and extrinsic ones as a basis to evaluate wine quality. According to Gluckman (1990) when dealing with evaluation of product (wine) quality except the intrinsic and extrinsic features, the origin is a significant factor which influences customer selection and decision making to purchase wine. Many customers use the product origin as indicator to signal product quality. According to Wall et al. (1991) information related to product origin show a higher influence in customer behavior when product quality evaluation is concerned, compared to price and production brand. In the range of wine intangible features trust and safety on quality have a significant influence in customer preferences and selection.

This survey has two main objectives. First objective was identification of customer behavior when purchasing or not purchasing wine. Second objective was based on data resulting from this research to identify wine customer profile in Kosovo with its characteristic demographic and socioeconomic features, respectively identification of factors which influence customer habits in purchasing wine in Kosovo.

### Research methodology

The survey is based on the data analysis collected through a direct questionnaire with respondents. The interviews were done by students of Agriculture Department, Faculty of Agriculture in Prishtina. The generating data was analyzed through statistical software SPSS (Statistical Program Social Science; Field, 2006). For the significance evaluation of variables included in the analysis of purchasing habits of customers Chi-Square Test has been used, Asymp.Sig(2 sided) and Cramer's V. The research has been undertaken during April and May 2007 and all the regions of Kosovo have been included. In the survey we have tested the main hypotheses for the independence between demographic and socioeco-

nomical features of customers and their purchasing habits. We have researched accurately whether wine consumption is determined by the manner of family living and customers, segmented according to the age, gender, profession, level of income and manner of habitation, working status, size of family, etc. The reflected results suggest significant dependence between purchasing habits of wine customers and several variables such as gender, level of income, working status, habitation, regional location, increase of expenses if income increases, then press as information media, as well as quality, wine import prices and packaging, and insignificant dependence with other variables such as age groups, number of family members, television and radio as information media and local wine prices. Gained results suggest the necessity to expand the analysis further because dependence seems significant whereas the other variables are not worth to be further analyzed.

### Results

In this part of survey the main results from the study of customer behavior in Kosovar wine market are reflected. Customers can have access on significant indicators and also on the results of the statistical analysis. To determine the role of parameters which influence behavior of wine customers in Kosovo we have used Chi-Square test, Asymp. Sig (2 sided) and Cramer's. The analysis has shown good results in identifying variables with influence that determine customer behavior when purchasing or not purchasing wine. Some of the variable values suggest for statically significant changes in purchasing habits of wine customers in Kosovo as presented in Table 1.

Results of Chi-Square test indicates that there is dependence of statistical significance between the two categorical variables (gender and wine purchasing frequency).

For 3 grades of ease and 5 % grade of significance the value of the charted Chi-Square test is 7.815, whereas the calculated one is 13.118 and that favors the hypotheses that variables are dependent.

This hypotheses is supported also by the value of  $P = 0.04 < 0.05$  (significant) that indicates that wine purchasing frequency depends on the gender. The evaluation from the cross

Table 1. Significance level of socio-demographic influence variable in wine purchasing frequency

Variables	Calculated Pearson Chi-square	Tabulated Pearson Chi-square	Df	Asymp. Sig (2 sided)	Cramer's V	Accept
According to gender	13.118	7.815	3	0.04<0.05	0.150	Accept H1
According to age group	13.012	16.919	9	0.162 (NS)	0.086	Accept H0
According to the level of income	23.360	16.919	9	0.005<0.05	0.116	Accept H1
According to the working status	17.079	7.815	3	0.001<0.05	0.172	Accept H1
According to the number of family members	10.837	16.92	9	0.287 (NS)	0.079	Accept H0
According to the habitation of respondents	8.339	7.815	3	0.04<0.05	0.120	Accept H1
According to the regional location	44.192	28.873	18	0.001<0.05	0.159	Accept H1
Increase of expenses if incomes increase	13.496	7.815	3	0.004<0.05	0.153	Accept H1

S = Significance for level  $P < 0.05$ ; NS = No significance for level  $P > 0.05$ .

**Table 2.** Significance level of the effect of informing media on the frequency of wine purchasing

Variables	Calculated Pearson Chi-square	Tabulated Pearson Chi-square	Df	Asymp. Sig (2 sided)	Cramer's V	Accept
Evaluation of press	26.029	16.92	9	0.002<0.05	0.135	Accept H1
Evaluation of television	8.888	16.918	9	0.448 (NS)	0.076	Accept H0
Evaluation of radio	6.781	16.918	9	0.660 (NS)	0.073	Accept H0

S = Significance for level  $P < 0.05$ ; NS = No significance for level  $P > 0.05$ .

**Table3.** Significance level of the effect of wine characteristics in the frequency of wine purchasing

Variables	Calculated Pearson Chi-square	Tabulated Pearson Chi-square	Df	Asymp. Sig (2 sided)	Cramer's V	Accept
Price of local wine	16.715	16.918	9	0.053(NS)	0.098	Accept H0
Price of imported wine	18.603	16.918	9	0.029<0.05	0.105	Accept H1
Production brand	31.186	21.031	12	0.002<0.05	0.097	Accept H1
Packaging	23.652	16.92	9	0.005<0.05	0.084	Accept H1
Quality	26.351	16.92	9	0.002<0.05	0.087	Accept H1

S = Significance for level  $P < 0.05$ ; NS = No significance for level  $P > 0.05$ .

chart, created in SPSS, indicates that from 580 (47.8 %) of respondents who claim that they purchase wine 387 or 66.7 % of them are men and 193 or 33.3 % are women. 4.7% of men and 3.1% women purchase wine everyday while 14.5% of men and 5.2 % of women purchase wine twice a week. Once a week purchase wine 91.7 % of women and 80.9 % of men.

From the interviewed respondents who purchase wine 6.4 % of them are aged 20, 40.2 % aged 21-35, 30.8 % aged 36-50 and 22.6 % aged over 50. The values of tests Chi-Square 13.012 and P-value 0.162  $> 0.05$  indicate that there is no significant dependency between these two variables. The observed frequencies indicate dependency between those who purchase or don't purchase wine and the level of income they attain. Out of the interviewed number, wine is purchased by 39.3 % with income to 200 €, 44.9 % with income of 201-300 €, 56.4 % with income of 301-400 € and 62.7 % with income over 400 €. In the group with lower income than 200 € there is more women (42.1 %) than men (35.5 %). In contrary, in the group with income over 400€ is more men (21.1%) than women (15.2 %). High difference of the value of Chi-square test 23.360 from that in the chart 16.919 and the very low value of  $P = 0.005 < 0.05$  show very significant dependency in the frequency of wine purchasing and the level of incomes. The significant dependency is shown between the working status of respondents and the frequency of wine purchasing. Observed frequency indicates that 72 % of employed respondents purchase wine and 28 % of the unemployed ones. The very low value of  $P = 0.001$  shows a high significant dependency between these two variables.

Statistical Chi-square test shows that there is no dependency of statistical importance between the two categorical variables (size of family and frequency of wine purchasing). For nine grades of ease and 5 % grades of significance the value of charted Chi-square test is 10.837, whereas the one observed is 16.918. This hypotheses is also supported from the value of  $P = 0.287 > 0.05$  (not significant), which indicates that the frequency of wine purchasing doesn't depend on the

size of family. Traditional family structure in Kosovo of 5-6 members, parents and three to four children, doesn't influence customer behavior when purchasing wine. Out of the interviewed respondents who purchase wine, there are 71.4 % with one family member, 56.8 % with two to three family members, 50.4 % with four to five members, 48.0% with six to seven members and 44.3 % with more than seven members.

The results of the analysis according to the inhabiting place and frequency of wine purchasing indicate a slight significant dependency between the two categorical variables. This is also indicated by the value of Chi-square test 8.339 and P-value 0.04  $< 0.05$ . From the interviewed respondents who purchase wine there are 45.1 % in rural zones and 48.8 % in urban zones. Regional location seems to be an influencing factor in the frequency of wine purchasing. This was also indicated by the research results. The very low value of  $P = 0.001$  shows a very significant difference whereas regions as Gjakova (28.8 %) and Peja (918.8 %) mostly contribute to the high value of Chi-square test 44.192.

There was shown great willingness by the interviewed respondents to increase the expenses on wine purchasing if their income increases, without any differences in gender and age. Based on the research results, 87 % of the respondents who purchase wine claim that with the increase of income they would be able to increase expenses in buying food products. As it was expected, more willingness to increase expenses was shown by respondents with lower income. The very low value of  $P = 0.004$  shows high significant dependency on the frequency of wine purchasing with the increase of incomes. This willingness was shown by 95.9 % of respondents with income to 200 €, 94.7 % with income 201-300 €, 85.4 % with income 301-400 € and 72.3 % with income over 400 €.

Beside the necessary data e.g. age, gender, level of income, size of family, habitation, etc. this research had in focus also the study of using media by the customers, where they get information for the product.

To achieve the aim of domestic wine promotion companies should have access on trustful data that would provide information for customer preferences, characteristics for marketing and how the channels work for wine distributing. The research aims to profile typical Kosovar customers of wine and also their specific behavior during purchasing, the way they percept media, to enable Kosovar producers to develop targeted plans for marketing. The results are presented on Table 2.

Research results show important statistical dependency between the frequency of wine purchasing and informing through press. The value of statistical Chi-square test 26.029 and P-value  $0.002 < 0.05$  shows that press as an informing media influences the frequency of wine purchasing. But there wasn't shown any dependency between the frequency of purchasing wine by the customers and television and radio perception as informing media of where they could purchase wine. Customer studies so far have been followed by sociographic approaches rather than psycho-graphical approaches, therefore for this reason studies done before are not suitable for marketing purposes. Customer research is not possible without having in target the perception of customers for the main wine characteristics, the price, quality, package, etc. The results are presented on Table 3.

Slight significant dependency was shown between the income and the price of imported wine. Chi-square test value was 18.603 and  $P=0.09$ . Significant statistical dependency was shown with production brand. Chi-square test value was 31.186 and  $P = 0.053$ . Slight significant dependency was shown with package. Chi-square test value was 23.652 and  $P=0.005$ . Considerable dependency was shown between the frequency of wine purchasing and perception of wine quality. Chi-square test value was 26.351 and  $P = 0.002$ . There was no dependency between the frequency of wine purchasing and the local price of wine (Chi-square value = 16.715 and  $P = 0.053$ ).

## Discussions

Wine as product belongs in the product category that fulfills a higher necessity in the hierarchy of human needs. This is a characteristic for countries with lower level of economic development such as Kosovo. As stated by Bytyqi et al. (2008) the Kosovar customer as an individual, group or family makes efforts to select the products that fulfill their primary needs, but on the other hand they are limited with their financial possibilities, respectively because of their low income.

The analysis of the research results (significance of socio-demographic and economic factors) has brought us to this point regarding customer behavior when purchasing or not purchasing wine:

1. in Kosovo less then the half (48.8 %) of customers purchase wine;
2. more than the half of the customers (57.1 %) purchase wine twice a month and an insignificant number (4.1 %) every day;

3. the acquired results from the dependency of wine purchasing frequency with some of the factors included in the analysis are statistically significant, such as gender, level of income, work status, habitation, regional location, increase of consumption if income increases, then press as informing media, quality, price of wine import and package, whereas insignificant dependency was shown with the other variables, such as age group, number of family members, television and radio as informing medias and also local prices of wine. Similar results were found in the study done by Guirao et al. (2001) where the most frequent consumers were from the men category of the older ages. The results of research factor influencing wine sector suggest the necessity to expand the analysis of some of these factors that influence future development of this sector and also to overpass the factors that didn't indicate any significant influence;
4. high willingness to increase expenses in wine purchasing if the income increases shows that the very low financial basis is one of the main limiting factors for high wine consumption from the customers.

Main difficulties that the Kosovar wine sector is facing are the run of poor marketing, lack of development policies and poor administration of these resources, and in a lower scale lack of sector potentials or low level of product competitors. Comparing advantages of Kosovar wine were lost for many years because of the lack of institutional support for this sector, difficulties in distributing and selling and also abuse of quality.

Research results show that the differences in purchasing habits of customers are gradually decreasing according to many characteristics. To further decrease these differences we should eliminate the causes inflicting them, through improving macroeconomic and social indicators in the Kosovar society, changing the tendency to wait for the customers to the tendency to gain them and to keep them as close as possible. Clear promoting messages for customers can improve the actual situation returning the lost profits for many years in producers' account.

Considering the offer and demand for Kosovar wine, producers have not spent even the approximate selling possibilities. Considering the data that only 48.8 % of Kosovo citizens purchase wine where consumption per capita is very low and 90 % of them are willing to increase wine purchasing if their income increase, there is expected a continuous increase of wine consumption in Kosovo. This positive progress on the demand of domestic wine imposes new forms of organization to the wine sector, building new competitive strategies to sell, modern forms and new marketing techniques, use of attractive package and also well designed and more informative docketts. This means functioning link of wine producer-marketing-customer having the customer in the center of this economic activity. Because of the fact that according to the research results press is used as informing media more than the local radios and televisions then we should extend

printed materials and leaflets. We should extend the research with new forms of informing, such as internet, specialized magazines and other literature as opportunities to communicate with actual and potential customers of domestic wine. Economical advertisement highlighting that wine is important for human health, would stimulate customers to start or increase wine consumption. Selection of informing media should fit customer structure and their ability to absorb and interpret in the right way.

### Conclusions

Considering the above mentioned, organizations and agencies researching marketing would help producers and exporting marketing of domestic wine to be implied in the competition with known countries. This knowledge and organizational form of marketing is absent in Kosovo, especially exporting and international marketing. Institutional assistance of the government of Kosovo through sector policies should be headed in this direction. Kosovo has wine tradition and we should use that.

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