

A Comparison of X, Y, and Boomer Generation Wine Consumers in California

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This research shows that the wine market in the California is segmented by age. The wine-consumption behavior of the California wine consumer differs between the Generation X consumer and those in Generation Y and Baby Boomers. There are differences in demographics, purchasing attitudes, and purchasing behaviors among wine consumers from different generations. The findings from this research demonstrate that it is increasingly important to develop marketing strategies that are segmented for the target wine consumer. Generation Y are young wine consumers who are especially important for the industry because they offer an opportunity for growth—these younger generations are developing tastes now that are likely to last as they age.

California wine is the leading finished agricultural product in California. The full economic impact of the wine industry on the State of California totals \$33 billion, including revenues to the wine industry and allied industries and direct, indirect, and induced economic benefits (Wine Institute 2001). California's wine industry generated an estimated \$12.3 billion in retail sales in the U.S. in 1998 by selling more than 450 million gallons of wine. The California wine market has increased, but the number of producers competing for a share in the market is also increasing. Therefore, it has become more important for producers, both small and large, to understand the needs of the wine consumer. The challenge, however, may actually be more daunting than it seems because it appears that wine-consumer behavior and needs are segmented by age. Three generational cohorts consume wine. The Baby-Boomer generation consists of consumers born between 1945 and 1964, Generation X consists of consumers born between 1965 and 1976, and the youngest of the generations, Generation Y consists of consumers born between 1977 and 2000. Past research has already shown that there are differences among the three generations.

“Generational Theory” is a widely accepted theory that discusses the differences between “generational attitudes.” Generational Theory is a theory of social history that describes and explains changes in public attitudes over time. It was first systematically described by Neil Howe and William Strauss in their 1991 book *Generations* and

further developed in the follow-up, *The Fourth Turning* (1999).

The theory maintains that the era in which a person was born shapes their early life and creates in them a worldview, which affects the way they perceive and interact with the world around them. This worldview or value system is largely affected by environmental conditions when the person is a child. It follows, then, that as people grow up in different eras, we can expect their value systems to differ according to when they were born. This theory is not intended to replace all other approaches to segmenting the population, but it does add a different and very useful perspective (Howe and Strauss 1991). The Baby Boomer generation, especially the 45-to-54-year-olds, is important to the wine industry because they not only make up about one-third of the total U.S. population, but they also have the highest income levels and highest spending patterns of all age groups. This generation has been making its presence felt in the premium wine industry as more of them continually define the profile of the core wine consumer (Wine Institute 2001).

The core wine-consuming population, estimated at 15.7 million, is relatively small compared to the total adult U.S. population ages 21 to 59 of 142.6 million. The Wine Market Council (WMC) defines core wine consumers as individuals who drink wine at least once per week. As the smallest segment of wine consumers (11 percent), core wine consumers drink approximately 88 percent of wine. In the U.S., adults over 40 years of age make up approximately 63 percent of the core wine-consumer market. (Wine Institute 2000) Since Generation X and Y consumers are the new markets for wine, it is important to understand the factors that drive their

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purchases of wine. The purpose of this research is to examine the factors that impact wine consumption for the three generational cohorts.

Methodology

This research uses a survey instrument that was administered through the use of a personal interview during February of 2002 in the United States. The random sample of 416 alcohol consumers was collected in San Luis Obispo County, California. San Luis Obispo County was designated the best test market in the United States by *Demographics*

Daily (Thomas 2001); it was found to be the best of 3,141 counties to represent a microcosm of the United States based on 33 statistical indicators.

Results

Demographics

Since the three groups are defined based on the age demographic, it is not surprising that there are differences between other demographic measures (Table 1). Baby-Boomer Generation consumers are typically married/cohabitating with children

Table 1. Demographics.

N=416	Baby Boomers	X	Y	P-Value
Gender				
Female	45.6%	48.7%	50.7%	.738
Male	54.4%	51.3%	49.3%	
Marital Status				
Married/Co-habitating	73.4%	48.7%	20.9%	.000**
Single	20.3%	50.8%	79.1%	
Widowed	6.3%	.5%	.0%	
Education				
Some High School	.0	1.6%	1.5%	.143
High School Graduate	10.8%	7.9%	7.5%	
Some College	32.3%	35.6%	31.3%	
College Graduate	36.1%	38.2%	52.2%	
Post Graduate Work	20.9%	16.8%	7.5%	
Employment				
Full-time	69.0%	68.6%	58.2%	.170
Part-time	21.5%	18.8%	31.3%	
Not Employed/Retired	9.5%	12.0%	9.0%	
Income				
Less Than \$20,000	1.3%	9.9%	32.8%	.000**
\$21,000–24,999	5.1%	7.9%	6.0%	
\$25,000–29,999	.6%	2.6%	10.4%	
\$30,000–34,999	7.0%	9.4%	4.5%	
\$35,000–39,999	7.6%	11.5%	11.9%	
\$40,000–49,999	8.2%	13.1%	16.4%	
\$50,000–59,999	19.0%	12.6%	9.0%	
\$60,000–69,999	15.8%	15.2%	6.0%	
\$70,000 or more	35.4%	17.8%	3.0%	
Children				
Yes	51.3%	45.5%	20.9%	.000**
No	48.7%	54.5%	79.1%	

* Significant at .10 level

** Significant at .05 level

and earn more than \$60,000 dollars. Generation Y consumers, on the other hand, are more likely to be single and have no children. Generation Y earns less than both Generation X and Baby Boomers, with 32.8% of Generation Y earning \$20,000 or less (McDermott 2000).

Desirability of Wine Characteristics

A successful product positioning is based on the factors that motivate consumers to purchase one product versus other products. In order to develop a successful positioning for a wine product, Clancy and Shulman (1991) indicate that the characteristics that are desirable to consumers when they shop for wine must be identified. The characteristics that consumers want when they purchase wine are examined by desirability ratings. The most desirable characteristics should be used in the development of a product positioning, since those are the most important to consumers when they purchase a new product. The product positioning should also stress the characteristics that the consumers perceive the

product to have relative to the competition. Furthermore, in new product development, producers should develop products with the highly desirable attributes.

Consumers were asked to rate the desirability of fourteen characteristics of wine when they make a decision to purchase wine (Table 2). They were asked the following question:

“The following list shows features people may look for when they purchase wine. Please indicate the desirability of each feature by giving me a number from one to five. Five means the feature is extremely desirable, three means it is somewhat desirable, and one means the feature is not desirable at all to you when you purchase food. If no single answer captures your feelings completely, please indicate the closest number. Please try to use all the numbers in the scale.”

Analysis of the mean ratings of the interval data in Table 2 indicates that the characteristics examined are perceived to fall into three groups:

Table 2. Desirability Ratings of Wine Characteristics.

N = 416	Baby Boomers N=158	X N=191	Y N=67	F
Very Desirable				
Good Value	4.16 ¹	3.82 ²	4.08 ¹	4.600**
Premium Quality	3.61 ²	3.87 ¹	3.64 ²	2.910*
A complement to food	3.66	3.64	3.55	.231
Reasonably Priced	3.45	3.56	3.71	1.351
Prestigious Brand	3.45 ¹	3.52 ¹	3.11 ²	3.765**
Somewhat Desirable				
Made in California	3.26	3.35	3.17	.814
Attractive Label	3.08	3.29	3.11	1.708
Inexpensive	2.98	2.97	3.10	.333
High Wine Spectator Rating	3.00	3.01	3.04	.024
Slightly to Somewhat Desirable				
Aged in Oak Barrels	2.82	2.84	2.82	.012
Imported	2.75 ¹	2.67 ¹	2.37 ²	2.520*
Natural	2.67 ¹	2.70 ¹	2.22 ²	3.862**
Available through wine club	2.60 ¹	2.11 ²	2.47 ¹	6.409**
Organic	2.29 ¹	2.19 ²	1.68 ²	6.835**

* Significant at .10 level

** Significant at .05 level

very desirable, somewhat desirable, and slightly desirable. The very desirable attributes of wine are good value, premium quality, a complement to food, reasonably priced, and prestigious brand. The somewhat-desirable characteristics of wine are made in California, attractive label, inexpensive, and high *Wine Spectator* Rating. The slightly-to-somewhat-desirable characteristics of wine are aged in oak barrels, imported, natural, available through wine club, and organic.

There are differences in the importance of individual characteristics to wine consumers in the Baby Boomers, and Generations X and Y. The superscripts show the ranking of the mean rating between generations for the attribute listed if there is a significant difference identified by the Tukey post-hoc test. The same superscript for two generations indicates there is no difference in the mean rating of the attribute between the two generations.

Good value is the most important factor to Generation Y consumers and Baby Boomers. Furthermore, good value is more important to consumers in the Baby-Boomer and Y generations than to those in the X generation; Generation X consumers rate premium quality as the most desirable characteristic of wine. All groups indicate that complement to food, reasonably priced, and prestigious brand are very desirable characteristics of wine. However, the prestige of the brand is more important to the Baby Boomers and Generation X wine consumers. Thus it appears that the newest groups of wine consumers

differ in the factors that are important in their wine purchasing decision. Consumers in Generation Y are concerned with price and getting a good value, while Generation X is more focused on high quality and brand name.

Purchasing Behavior

Table 3 shows that Generation X is more likely to purchase wine from France and Italy, which are considered Old World wines, while Generation Y consumers were more likely to have purchased New World wines from Australia and New Zealand that represent good values.

Red wine has more than a 50% share of consumption for all generations, followed by white wine with a 25% share. All generations indicate they will purchase the same number of bottles in the next 3 months. However, there is a difference in the price range paid per bottle between the generations (Table 4). Generation Y is more likely to purchase a bottle of wine between \$5.00 and \$9.00 dollars. This is consistent with the importance of the inexpensive and good-value characteristics when purchasing wine for Generation Y consumers.

Wine Perceptions

Respondents were asked to rate the quality of wine from different countries on a five-point scale where 1 = poor, 2 = not very good, 3 = good, 4 = very good,

Table 3 Regions From Which Wine Was Purchased in the Past Two Years.

N=416	Baby Boomers	X	Y	P-Value
Napa Valley	80.4%	79.6%	83.6%	.259
Sonoma County	70.9%	62.3%	71.6%	.376
Central Coast, CA	77.2%	83.7%	83.6%	.373
France	46.8%	49.2%	31.3%	.023*
Argentina	22.8%	15.7%	22.4%	.215
Australia/New Zealand	29.7%	32.5%	53.7%	.001**
South Africa	5.1%	3.1%	6.0%	.567
Italy	32.3%	53.4%	41.8%	.000**
Chile	31.6%	29.3%	31.3%	.884
Other U.S. Region	16.5%	15.2%	11.9%	.688
Other Country	10.1%	13.8%	16.4%	.475

* Significant at .10 level

** Significant at .05 level

and 5 = excellent. Table 5 shows the mean ratings that are evaluated using a one-way analysis of variance and a Tukey post-hoc test. The superscripts show the ranking of the mean rating between countries for quality. Generation Y consumers perceive the quality of California wine higher than both the Baby Boomers and Generation Xers. All generations agree on the quality of wine from France and Chile. Generation Y, however, rated New World wines from Argentina, Australia, and Chile higher than did Generation X and Baby Boomers.

Each generation was also asked to rate how they perceive the price of wine from the different countries. The following rating scale was used to evaluate how each generation perceived the price: 1 = very inexpensive, 2 = inexpensive, 3 = moderately priced, 4 = expensive, 5 = very expensive. All generations agree that wine from California is moderately priced and wine from France is expensive (Table 6). The Baby Boomers perceive wine from Australia, Argentina, and Chile to be lower-priced than do the other groups.

Table 4. Price of Last Five Bottles.

N=416	Baby Boomers N=158	X N=191	Y N=67	F
\$0.00–4.99	.265	.293	.447	.908
\$5.00–9.99	1.354 ³	.979 ²	1.641 ¹	4.617*
\$10.00–14.99	1.506	1.858	1.522	2.157
\$15.00–19.00	1.512	.926	.626	2.511
\$20.00	.664	.900	.761	10.089

* Significant at .10 level

** Significant at .05 level

Table 5. Perceived Wine Quality, by Region.

N=416	Baby Boomers N=158	X N=191	Y N=67	F
California	4.28	4.32	4.59	2.862*
France	4.07	4.09	4.29	1.090
Australia	3.41 ²	3.51 ²	3.76 ¹	3.737**
Chile	3.04	3.07	3.08	.085
Argentina	2.84 ²	2.93 ²	3.18 ¹	3.111**

* Significant at .10 level

** Significant at .05 level

Table 6. Wine Price, by Region.

N=416	Baby Boomers N=158	X N=191	Y N=67	F
France	4.02	3.88	3.92	1.171
California	3.29	3.30	3.19	.501
Australia	2.64 ²	2.89 ¹	2.77 ¹	3.038**
Argentina	2.20 ²	2.48 ¹	2.30 ¹	2.683*
Chile	2.24 ²	2.30 ¹	2.56 ¹	2.634*

* Significant at .10 level

** Significant at .05 level

Summary

This research shows that age segmentation is an appropriate marketing strategy for the wine industry. Generation Y consumers want inexpensive wines that they believe represent a good value, in the \$5.00-to-\$9.00 dollar range. Generation X wine consumers care more about brand name and quality and will typically spend more money to purchase it. Generation X and Y consumers perceive New World wines to be less expensive than do Baby Boomers. Furthermore, Generation Y consumers perceive the New World wines to be of higher quality than do consumers from the other generations. Thus California wine producers have competition from the other New World wines. Generation Y are young wine consumers and are especially important for the industry because they offer an opportunity for growth—these younger generations are developing tastes now that are likely to last as they age.

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