



RESEARCH FOCUS

Increasing Customer Satisfaction Improves Tasting Room Sales

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Our study of tasting room attributes in 12 Finger Lakes wineries showed that customer satisfaction is directly tied to increased sales. Attention to the details of the tasting room experience can convert a "satisfied" customer to a "highly satisfied" customer who will buy on average one additional bottle of wine, spend an additional ten dollars, and is highly likely (92% probable) to become a repeat customer.



Tasting room attributes drive customer satisfaction, and have a huge impact on sales performance at wineries.



Introduction. Customer satisfaction is critical to the success of any business. There is agreement among wine marketers and managers that tasting room experiences have a strong influence on customer satisfaction, repurchase intentions, tasting room sales and, ultimately, on winery profits. The tasting room experience is much more complex than simply customers' perceptions of wine quality and prices. Their experience is also influenced by such important factors as the design of the tasting room, the characteristics and attitudes of wine pourers, the ancillary services provided by the winery, and the attitudes of tasting room employees, among many other others.

Recent research in wine regions of Europe and California has underscored the importance of tasting room experiences, but these studies often draw conclusions from anecdotal evidence or simple, non-quantitative observations. In fact, very little is known about which attributes of the tasting room

KEY CONCEPTS

- Tasting room managers should focus on five areas to improve customer satisfaction and sales: service, atmosphere, tasting experience, retail execution and tasting protocol (rules pre-established by the winery such as cost of tasting and variety and number of wines tasted).
- Among all drivers of customer satisfaction, excellent service and a suitable tasting room protocol have the largest positive impacts.
- Converting a visitor from 'satisfied' to 'highly satisfied' pays off: she (or he) is likely to spend an additional \$10 buying an extra bottle of wine (with a probability of 93%), and to re-purchase wine in the future (92% probability).
- Systematic monitoring and analysis of customer satisfaction and sales can be a powerful marketing tool for tasting room managers.

experience contribute to increased customer satisfaction and to higher winery sales and profits. Identifying such attributes can help winery owners and managers make decisions about their tasting rooms to maximize profits, from building remodeling to employee selection and training to product assortment.

Establishing the links between customer satisfaction and sales performance is particularly important for the New York state wine industry in general and for the Finger Lakes region in particular. New York wine entrepreneurs have made substantial investments in their tasting rooms and rely on winery visitors for a large portion of their total sales. In addition, a positive experience in the tasting room can contribute to a stronger customer relationship with in- and out-of-state visitors as restrictions to interstate direct sales of wine are relaxed. Consequently, we conducted a study in collaboration with a sample of wineries in the Finger Lakes to identify the drivers of customer satisfaction, to measure the impact of these drivers on overall satisfaction of tasting room visitors, and to determine the links between customer satisfaction and tasting room sales performance.

Why is Customer Satisfaction important?

Satisfying customers is critical to a business's success. Firms that cannot satisfy their customers are likely to lose market share to rivals who offer better products and service at lower prices. In "The Science of Satisfaction," Dr. Claes Fornell describes satisfied customers as perhaps "the most consequential of all economic assets; indeed, they may be proxies for all other economic assets combined" (Fornell, 2001). More broadly, customers are a key stakeholder group affecting the legitimacy and long-term survival of the firm. The importance of customer satisfaction to firm performance is illustrated by the following general findings from marketing researchers:

The cost of attracting a new customer is about five times the cost of retaining an existing one because of the effort required to induce customers to switch.

- The average company in the United States loses nearly 10 % of its customers a year.
- It has been shown that reducing customer defection increases sales and profits.

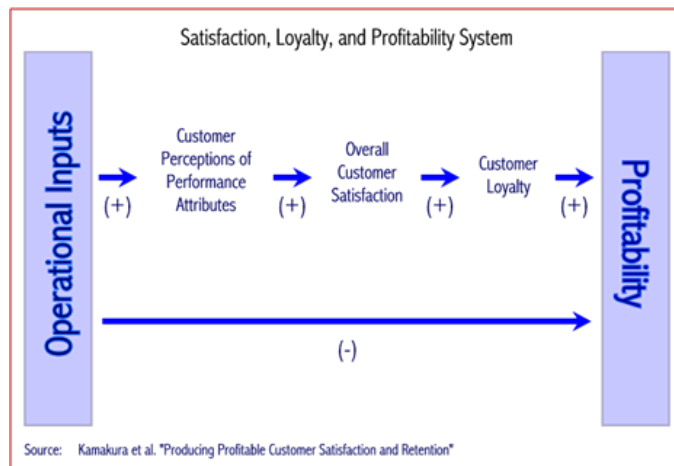


Figure 1: Customer satisfaction-performance links

- Customer profitability tends to increase over time, as customers become loyal to a brand or a firm.

Understanding the customer satisfaction-performance relationships requires a conceptual framework that describes the causes and consequences of customer satisfaction. We show the customer satisfaction-performance chain in Figure 1 (Gómez, McLaughlin and Wittink 2004; Kamakura 2001).

First, it is possible to identify various specific and measurable attributes expected to influence satisfaction. These specific attributes, in turn, give shape to a set of product or service variables—the satisfaction drivers—that lead to overall satisfaction.

It follows directly that improving upon these satisfaction factors, in turn, increases overall customer satisfaction. Increased customer satisfaction should lead to greater customer retention. Satisfied customers are more likely to become repeat purchasers and provide favorable 'word of mouth' to friends and acquaintances. Finally, higher customer retention and word of mouth are predicted to increase the business's performance.

Why should the New York small winery industry focus on customer satisfaction?

A recent study by Stonebridge Research (2010) illustrates the importance of tasting room sales for winemakers in New York state. In 2008, there were 240 operating wineries in New York and 37,000 vineyard bearing acres in the state on more than 1,400 farms. On average, nearly 60% of New York wine sales are made in tasting rooms, as the industry has strong ties to tourism activities. In fact, over 4.98 million wine-related tourists provided more

than \$376.5 million in tourism expenditures in 2008. The number of tourists increased by 20.2% in comparison to 2004, with a parallel 20.6% increase in wine-related tourism expenditures, a 20% increase in tourism related jobs, and a 19.9% increase in tourism-related wages.

These statistics attest to the strategic role that tasting rooms play in the overall business and marketing strategies of wineries in the state. The tasting rooms are, in many cases, the first point of contact between the winery and a customer that, ideally, would become loyal to New York state wines after her visit.

The Cornell Study

Given the key role of tasting rooms for wineries in the state, Cornell University conducted an initial study in collaboration with a group of wineries in the Finger Lakes. The overall objective was to examine the links between customer satisfaction and sales performance in the region’s tasting rooms. The specific objectives of the study were as follows:

1. Identify what attributes of the tasting room design and of the customer’s tasting room experience lead to higher overall customer satisfaction.
2. Measure the relative importance of these attributes in terms of their impact on overall customer satisfaction and re-purchase intentions.
3. Measure the impact of overall customer satisfaction on tasting room sales performance.

To collect data for this study, we relied on tasting room managers at 12 wineries in the Finger Lakes, who worked with customers to complete about 600 surveys from between June 2009 and November 2009. The surveys were given out to customers of the winery tasting rooms following a pre-established protocol in coordination with the tasting room managers. The sur-

vey asked tasting room visitors to rate their perception of 25 customer satisfaction attributes, overall satisfaction, and purchases. In addition, the survey collected relevant demographic information, such as age, education, as well as other relevant characteristics of the visit (e.g., whether the respondent was part of a wine tour).

Customer satisfaction attributes. In the surveys, customers rated their visit to the tasting room from 1 (poor) to 5 (excellent) on 28 questions about attributes of the tasting room that might influence customer satisfaction (Table 1). The questions included ratings of such attributes as overall tasting room cleanliness, ambience of the tasting room, friendliness of the pourer, variety of wines tasted, quality and price of wine, and availability of wine for purchasing, among others. To calculate the score for a given factor, we averaged the scores for the attributes underlying it. For example, we calculated

Table 1: Customer satisfaction factors

Factor 1: Ambience	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Friendliness of Pourer • Wine knowledge of Pourer • Appearance/Presentation of Pourer • Helpfulness of tasting room staff
Factor 3: Tasting Protocol	<ul style="list-style-type: none"> • Variety of the wines tasted • Amount of wine served • Cost of the tasting • Number of wines tasted
Factor 4: Tasting Experience	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

the score for the 'Service' factor as the average of the scores of the four attributes associated with it—friendliness of the pourer, knowledge of the pourer, appearance/presentation of the pourer, and helpfulness of tasting room staff.

Customer satisfaction. We also asked customers to rate their overall customer satisfaction with the tasting room experience from 1 (poor) to 5 (excellent). This is a critical measure and is expected to be correlated with the 25 attributes described in Table 2.

Sales performance measures. We measured sales performance in four ways. Customers were asked if they planned to purchase wine during their visit to establish their purchase intentions. In addition, if the visitor was planning to buy, we asked how many bottles and how much money they planned to spend in that particular visit. Finally, to measure re-purchase intentions, they were asked if they planned to buy wine from this winery in the future and, if so, the source of this purchase.

Other attributes or controls. Customers were asked a series of questions to understand the context of their visit. For instance, they were asked how many people were in the tasting room, if this was a return visit, if they intend to visit another winery, and their reasons for coming to the winery. Specific questions were asked regarding whether they came to the winery due to a recommendation and, if so, the source of the recommendation. Customers were also asked questions on demographics including gender, age, residence zip code and education level.

What did the study find?

The study identified the main drivers of customer satisfaction in the Finger Lakes region, how they influence overall customer satisfaction, and how they affect tasting room sales.

Customer Satisfaction Drivers. Our analysis suggests there are five important factors driving customer satisfaction, which are presented in Table 2. We call the first factor "Ambience," as it relates to the overall atmosphere of the tasting room facilities. Thus, this factor includes such attributes as tasting room cleanliness, impression of the grounds and view, and the ambient lighting and sounds in the tasting room. The second factor, "Service," focuses on the interaction between tasting room personnel and customers. It comprises attributes such as friendliness and knowledge of the pourer, appearance

and presentation of the pourer, and helpfulness of tasting room staff. The third factor is called "Tasting Protocol," which includes rules pre-established by the winery such as the variety and number of the wines tasted, the cost, and the amount of wine served. The fourth closely related factor targets the customer personal experience of the tasting beyond the tasting protocol. We call this "Tasting Experience," which includes flexibility in the choice of wines tasted, having enough elbow space (does the tasting room feel crowded?), and waiting time.

Finally, the fifth factor, called "Retail Execution," includes such attributes as availability of wine for purchasing, merchandising, and customer perceptions about quality and price.

Customer Satisfaction Drivers

Figure 2 summarizes our analysis of the influence of the five factors (Ambience, Service, Tasting Protocol, Tasting Experience and Retail Execution) on overall customer satisfaction. The figure indicates the estimated impact on Overall Customer Satisfaction resulting from a one-point increase in each satisfaction factor. Our statistical analysis indicates that the factors "Tasting Protocol" and "Service" are the primary drivers of customer satisfaction. A one-point increase in "Tasting Protocol" score leads to a 0.26-point increase in overall satisfaction score. Likewise, the results suggest that a one point increase in "Service" score leads to a 0.19-point increase in overall satisfaction score. The factors "Ambience" and "Retail Execution" follow in importance, as a one-point increase in their scores results in a 0.13-point increase in overall satisfaction. "Tasting Experience" appears to have moderate impact on customer satisfaction.

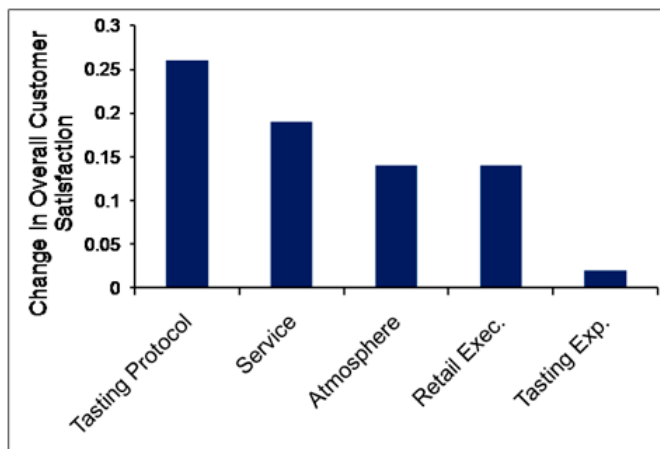


Figure 2. Drivers of customer satisfaction

Impact on Sales

The estimated links between overall customer satisfaction and various measures of performance are summarized in Table 2. Our measures of performance include whether or not the customer purchased wine, the amount purchased (bottles and dollars), and the intention to purchase in the future. The first measure indicates intentions, the second and third measure customer behavior following the tasting room experience, and the fourth is a measure of loyalty building. The second column in Table 3 includes the sample average values of the four performance measures. That is, 70% of visitors intended to purchase wine; those who decided to buy, on average purchased 4.5 bottles and spent \$62 during their visit; and 88% of respondents stated that they will buy in the future. The third column in Table 2 measures the impact of a one-point increase in overall customer satisfaction on the four performance measures. These results provide strong support for a positive relationship between customer satisfaction and performance of

Table 2: *Impact of Customer Satisfaction on Sales Performance*

Performance Measure	Winery Averages	IMPACT
Probability of purchase	70%	93%
Average number of bottles purchased	4.5	5.5
Average amount of purchase (\$)	\$62	\$72
Probability of re-purchase	88%	90%

the tasting room. The probability of purchase for customer with a satisfaction score one point above the sample mean is 93%, which is substantially higher than that the 70% estimated for the sample mean. Higher customer satisfaction scores also have substantial impacts on behavior: the highly satisfied customer (i.e., with a satisfaction score one point above the mean) is likely to buy one more bottle (5.5 versus 4.5) and spend additional \$10 (\$72 versus \$62) during his/her visit. Finally, the study finds a modest impact of increased satisfaction on re-purchase intentions, which is not surprising, given that the probability of buying again is already high at 88%.

Conclusions

Tasting rooms are often the first point of contact between a winery and a potential customer, especially in regions such as the Finger Lakes, where the share of tasting room sales in total sales is large. The study provides strong evidence that visits to tasting rooms are important to the development of a loyal customer base, in particular because of the strong links between customer satisfaction and sales performance. The results suggest that tasting room managers should focus on five drivers of customer satisfaction: tasting protocol, service, atmosphere, tasting experience and retail execution. Among these factors, service and tasting room protocol appear to have the strongest impact on customer satisfaction. These five factors should be an integral part of the tasting room marketing strategy. In addition, systematic monitoring and analysis of customer satisfaction and sales can be a powerful marketing tool and may provide valuable information for tactical and strategic decisions.

What makes a good tasting room protocol?

Since “tasting room protocol” is the most important driver of customer satisfaction, what are the characteristics that make up a successful tasting room protocol?

- Waive the tasting fee when customers decide to purchase your wine.
- Be generous in the amount of wine served.
- Allow for flexibility in the wines tasted to accommodate preferences of the customer.
- Offer five to six wines for tasting. Anything less than five leaves customers unsatisfied; more than six can create confusion—particularly with less wine savvy customers
- There is no general rule regarding the variety of wines included—but make sure that the wines offered reflect the unique characteristics and products of your winery.

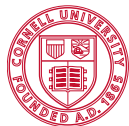
Acknowledgements

The author thanks participating Finger Lakes wineries for their assistance in this study. We also thank Annemarie Morse, Adam Bloomberg, Sarah Brown and Joanna Upton for their contributions to this study.

This project was funded by the Total Quality Focus and Sustainability Program of the New York Wine and Grape Foundation.

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