HOW TO SOLVE THE FUTURE OF THE WINE INDUSTRY: AN ANALYSIS OF THE WINE INDUSTRIES PACKAGING OPTIONS WHEN TARGETING THE MILLENNIAL AND GEN-Z DEMOGRAPHICS

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TITLE: How to Solve the Future of the Wine Industry:
An Analysis of the Wine Industries Packaging
Options When Targeting The Millennial and
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ABSTRACT

How to Solve the Future of the Wine Industry: An Analysis of the Wine Industries Packaging Options When Targeting The Millennial and Gen-Z Demographics

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The United States wine industry is currently undergoing a consumer reset, in which every winery is evaluating their practices to discover how they can better market and sell wine. According to Rob McMillan, EVP and founder of Silicon Valley Bank’s Wine Division and author of the State of the wine industry report, boomers are no longer the target market for wine growth given most are retiring in the next decade with wine consumption dwindling. In order for the wine industry to grow and excel, the wineries must solve the dilemma of how to engage the likes of the young, Millennial and Gen-Z consumers. This paper argues that canned packaging in the wine industry is successful at targeting the Millennial and Gen-z demographics because of benefits such as portability, recyclability and single-serve options.

My research findings and interviews with Union Wine Company indicate that wineries that have adopted can packaging are increasing output and reaching higher levels of growth than those wineries that are solely focused on glass bottle packaging. By researching the relationship between wine packaging type and target demographic consumption, it becomes fairly evident that the industry as a whole needs to adapt in order to continue sustained levels of growth.

Canned versus bottled wines will continue to be a significant talking point in the wine industry over the next decade. Innovative technologies and changing consumer values are leading to the modernization of the wine industry’s packaging choices. My research reflects the notion that the adoption and implementation of canned packaging will lead to increased consumption by both the Millennial and Gen-Z cohorts and increased sales for the wineries themselves.
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1.0 INTRODUCTION

The modern world is constantly evolving and developing into a global system of trade and interaction. Commodities are produced daily and traded across boundaries in order to be consumed by the end-user. The wine industry is no exception; it has evolved throughout history as part of culture, religion, and diet. Although its origins trace back to an era Before Christ in modern day Europe, I will be focusing my research on the wine industry and packaging value chain within the United States. Specifically, my analysis will focus on the state of the wine industry and how aluminum canned wine packaging is a solution for wineries to market to the vital younger generation of consumers.

The packaging value chain of wine has undergone numerous changes and innovations throughout its history. In nearly 4100 BC, the first wineries were discovered in Armenia. Along with this discovery was the finding of the first known material used to store the wine, earthenware or clay containers. By the third century AD, the Romans had adopted wine from the Gauls in France and used wooden barrels instead of ceramic vessels because of their prior experience with beer stored in barrels. Glass, as a means of packaging, began to be used in the 17th century to store wine. By roughly the early 1800s, glass wine bottles began to resemble the traditional 750 milliliter wine bottle that we see today. One of the biggest nuances with wine is the spoilage,
and bottles were able to utilize cork as a means of strongly limiting the amount of oxygen sneaking into the bottle. The 21st century has brought about one of the biggest revelations in the history of wine storage and transport. Plastic, a light and cheap material, is being used to create new wine bottles. Boxed wine, or wine that is packaged in a plastic bladder with an air-tight seal emerging from a larger cardboard box, is another innovation that is currently gathering steam. However, the most innovative and norm challenging form of packaging to hit the wine industry is wine produced in 350 milliliter aluminum cans.

1.1 THE PROBLEM
The biggest obstacle for the future success of the wine industry in the 21st century is the shift in consumer ideology between the Baby Boomer and Millennial generations. The introduction of cans into the wine industry packaging space has given the young consumers a reason to try out wine as their alcoholic beverage of choice. Millennials are driven by sustainable, yet cheap consumer behavior and the wine industry needs to modernize their processes in order to succeed for generations to come.

1.2 THE STUDY
In this study, the modernization of wine is closely analyzed with respect to the choice of packaging between standard 750 milliliter glass bottles and the innovative 350 milliliter aluminum can. Surveys were conducted on two unique fronts. First, data was gathered from one of the largest and most notable wineries in the United States that utilizes production of both aluminum cans and glass bottles. Questions about packaging choices and associated costs with those
choices were asked to gather insights into market decision making. Furthermore, data was gathered from approximately 275 consumers via social media outreach to get consumer preferences on ideas such as sustainability, innovation, cost, and user experiences in wine consumption. After data collection, analysis was performed to develop an understanding on how consumers of specific age groups view different forms of packaging for wine. Analysis was also performed on the wine industry production industry to further evaluate the production costs and benefits of aluminum and glass packaging.
2. LITERATURE REVIEW

2.1 A BRIEF HISTORY OF WINE

A brief history of the wine industry and its modernization is required in order to establish both context and rationale for this thesis. Wine is a commodity that has been produced for thousands of years. The first winery dates back to ancient Armenia around the year 4100 BC, with ancient Greece following shortly after around 2500 BC. Greek civilization is credited with being one of the first peoples to plant, produce and export quality wine across the Mediterranean. The ancient Greeks worshipped Dionysus, the god of the grape-harvest and winemaking. According to Greek historian Thucydides, “the peoples of the Mediterranean began to emerge from barbarism when they learnt to cultivate the olive and the vine” [11]. The Romans followed the Greek affection of wine by adopting it as their own. As the Roman Empire began to expand across what we know today as the Old World, they brought their main industries of olive oil and wine with them. Vineyards across the globe including in France, Italy and Spain owe their history to the Romans and their innate love of wine.

Religion and the Church itself were seen as vital factors in the viticulture movement. Wine in Medieval Europe was dominated by the Church and the monks. During the dark ages, garden and crop production became an extremely important part of a Monasteries daily work. The monks were one of the first peoples to understand and plant the groundwork to viticulture; monks learned about differences in soils, success of crops in a given area, grape varieties and temperature ranges. One of the most notable factors about the rise of the Church
and viticulture was that Monks were able to read and write, which meant that information was being recorded on viticulture for the first time ever for future generations to learn and improve on.

For the sake of this specific paper, the transition of a European-dominated wine industry shifting to the United States was critical. The 19th century brought an unfortunate strain of Phylloxera, an insect, that nearly destroyed all of Europe’s vineyards. In order to preserve the wine varietals, Europeans decided to graft the European vine species onto American rootstock which had developed a natural resistance to the ill-fated side effects of the insect. While this was easily the hardest challenge the wine industry has ever had to face, it opened the wine industry to a rapidly expanding market of wine consumers. Over the last 50 years, supermarkets have gained the luxury of being able to carry and stock wine. This has allowed the average house-hold consumer to purchase wine on a consistent basis. However, it wasn’t until the 1970s that United States wineries gained international recognition. The Judgement of Paris was a blind wine tasting event organized in Paris in 1976 where French judges carried out blind taste tests of French and California Chardonnays and red wines. California wines rated best in both of the categories, shocking both the Judges and the wine connoisseurs of the era. This judgement allowed the United States to enter the global competition of best wine producers.
2.2 THE CURRENT STATE OF THE WINE INDUSTRY IN THE U.S.

The wine industry has been revolutionized into a modern day science and art. Operations such as varietal choice, refrigeration, packaging, brand logo, are a few of the things that are separating one winery from another. The Silicon Valley Bank Wine Division creates an annual State of the US Wine Industry, in which Executive Vice President Rob McMillan and his team analyzes their 2019 hypotheses and look forward to 2020 predictions and observations. According to Mr. McMillan, the 1990s was dominated by wine taste, the 2000s was dominated by evolved sales channels, and the 2020s will be dominated by efficiencies [1]. He believes that you will not only need to make superb wine and have accelerated sales channels, but also need to make operation and marketing choices to run your businesses as efficiently as possible in order to have the highest possible economic margins. This report also discusses the biggest problems that the wine industry will face in the future. The review states that the largest obstacle for the wine industry's growth is the retiring of the baby boomer generation and the influx of spirits-dominated millennials and Gen-Z individuals that consume less alcohol than previous generations. The question for wineries in 2020 and beyond is how to attract and market to the young consumers while maintaining business operations as efficiently as possible. “The winners tomorrow will be intrepid and willing to try new approaches and change the status quo” [1].
The current state of the wine industry does not provide a promising outlook for the future without significant change. An oversupply of wine across the United States throughout 2019 is being combined with a decrease in overall growth of volume over the past two years. Figure 1 demonstrates how wine growth has a negative trajectory throughout 2019 and by the speed of the decline, it is safe to say that the trend will continue into 2020.

![Wine Growth by Volume](Figure 1. Wine Growth by Volume [5])

Even though the industry as a whole is declining, there are certain packaging options within the industry that are actually increasing in value. According to Figure 2, which analyzes the growth rate and share of formats within the many different packaged wine options, the 375 milliliter option is growing at the highest
percent. The 375 milliliter format is very popular amongst younger consumers who are consuming less alcohol overall and want that alcohol at a lower price. Opening up and enjoying a 750 ml glass bottle of wine is no longer becoming the go-to option for wine consumption. The younger generation is craving an option that is portable, cheaper, and ideally single-serve. The two most affordable, environmentally-friendly and single-serve containers in 375 milliliter and 500 milliliter formats are wine that is served via box or can.

Figure 2. Growth Rate and Share of Formats [5]

The key for both of these packaging options remains whether or not they can gather a larger share of the packaging format. As well, 750 milliliter bottles are seeing a decline in growth rate even though they still remain as the most popular
option amongst wine packagers. Researchers have also discovered that the 750 ml bottle is a lot to drink for a 60 year old consumer and that there will be roughly 130% more mature consumers who, through divorce or death of a spouse, will be living in a single-person household by the year 2030 [1]. Therefore, it is more than likely that those consumers resort to consuming wine via the single-serve options of 375 ml or 500 ml.

2.3 THE KEYS TO SUCCESS

The key to success in marketing to millennials and the new generation of potential wine drinkers is recognizing what is important to them and leveraging those same values in brand or marketing campaigns. Millennials are skeptical about the divide between rich and poor and could care less about a family or fancy name on the bottle. In contrast, they care about ingredients, sustainability and how the brand or company is making the world a better place. Social responsibility is a key factor that is innately embedded in purchase decisions for this generation.

![Perceived Quality + Experience = Value](image)

**Figure 3. Consumer Value**
If wineries are able to solve the consumer value crisis, the wine industry will gain a growing class of peoples that will see the industry succeed as a whole. The Millennial value can be broken down into quality, experience and price. Quality is associated with sustainable practices and tasty varietals. Although the wine experience is typically perceived by tasting rooms at wineries, millennials care about consuming wine on the go and experiencing their single-serve wines across a plethora of locations around the globe. Lastly, price is a vital component because the younger generation is seen as frugal and would rather spend small amounts of money on single-serve cans than on larger bottles that will last longer periods of time.

If wineries want to solve the crisis of the younger generation and see the industry flourish, they need to modernize in order to get more intact with the values associated with the younger generations. This is where the current state of the wine industry stands; an overabundance of wine in the market and a new generation of consumers who have yet to be convinced why they should spend their hard earned income on wine.
3. PROCEDURE

In order to better understand the problems associated with the current state of the wine industry, two unique surveys were created. The first survey was targeted at 275 wine consumers in order to gain data about wine preferences and preferred packaging types. The second questionnaire was aimed at discovering what wineries are doing today in order to adjust to the changing market and better grasp the new target demographic. The combination of these two surveys will provide research and data into what values consumers are currently prioritizing in their alcoholic beverage purchases and how wineries can adjust and market to these same consumers.

3.1 Consumer Survey

The first survey was performed via a Google forms questionnaire that was shared across social media platforms including but not limited to Facebook, LinkedIn, Instagram and Twitter. The questionnaire was also sent and distributed via text message, which allows it to be shared to third parties and complete strangers. The survey contained a series of 16 questions ranging from background questions such as age and gender to preferences on wine packaging formats. The format of survey is included below:

1. How old are you?
2. What is your gender?
3. Personality Test: Are you more traditional or innovative?
4. Do you prefer drinking beverages via glass bottle or aluminum can?
5. Are you a wine drinker?
6. If yes, how often do you drink wine?
7. If you do not drink wine, what do you drink?
8. If you are going to drink wine, what do you value most?
9. How important is price in your wine purchase?
10. How important is sustainability in your consumer preferences?
11. Have you ever seen wine packaged in cans?
12. Have you ever purchased wine in cans?
13. Would you ever purchase wine in cans?
14. Do either of these (the aluminum can or glass bottle) appeal to you more than the other?
15. According to Nielsen data 2019, sales data for wines sold in cans has grown 67% over the past year. Why do you believe that is?
16. Would you purchase wine in cans knowing that they are a much more portable and environmentally-friendly option without sacrificing the taste of the wine itself?

3.2 UNION WINE COMPANY SURVEY

The second questionnaire was directed at gathering an understanding of how businesses are modernizing by incorporating aluminum cans in 375 ml packaging as options for consumers. Union Wine Company, an Oregon-based wine producer, is at the forefront of the modernization of the industry. Union has three distinct brands that operate under its roof including Underwood, Kings Ridge and Alchemist. Both Kings Ridge and Alchemist are Willamette Valley produced wines packaged in traditional 750 ml glass bottles. The separation of
these two brands is mainly in price; Kings Ridge wines fall in the $14 to $18 range, while Alchemist wines sell for $28 respectively. The final brand, Underwood, is a diverse Oregon vineyard that will be the focus of this survey. The very unique aspect to Underwood is that they sell their wines in two different packaging options. The first is in a traditional 750 ml glass bottle and the second is in a 375 ml aluminum can. As one of the first and most successful brands to bring 375 ml aluminium wine coolers to market, it was imperative to understand their unique business decisions and why they are choosing to create wines in this new packaging trend. As such, a series of 11 questions were asked to Amy Carr, Logistics and CCS supervisor of Union Wine Company. She was able to spread the survey to different members of the organization in order to get a better understanding of their business choices. The format for this survey is also included below:

1. What is your primary method for packaging wine?
2. What are the costs associated with your packaging choice?
3. What are you currently selling your bottles or cans for?
4. What is your target demographic?
5. Why is that your target demographic?
6. What is your motivation for the design of your packaging - is it designed to influence your target demographic?
7. Did you consider ease of use when choosing your packaging option or did you follow traditional norms?
8. Do you consider your packaging choice as environmentally friendly?
9. What is your target sales number?

10. What is your rate of growth from 2017-2018 and 2018-2019?

11. According to The State of the Wine Industry Report 2020, “Baby boomers are moving into retirement and declining in both their numbers and per capita consumption, while Millennials aren’t yet embracing wine consumption, choosing to stick with spirits or abstain altogether.” Why do you believe Millennials aren’t yet embracing wine consumption and do you believe that wine in cans is the solution?

These two surveys are critical in the fundamental understanding of how consumers view the future of the wine industry. The ability to speak directly to a winery that has already decided to embrace the change with one of their three in-home brands speaks volumes about what type of change is needed in order for success.
4. RESULTS AND ANALYSIS

4.1 CONSUMER SURVEY

Because the procedure is broken down into two distinct surveys, I will deliver and analyze the results accordingly. The first survey was proposed to 275 distinct consumers across a wide variety of age groups of both male and female origin.

![Figure 4. Age](image)

Although over 50% of the survey was responded to by an age group of consumers ranging from 21-30, another 36.1% was answered by the Baby Boomer and Gen-x cohorts. Therefore, there is a diverse range of participants in the survey that mainly make up the Baby Boomer and Millennial demographic cohorts.
Women make up slightly less than \( \frac{2}{3} \) or 62.2\% of the participants in the study. I do not believe that this has any significant meaning due to the fact that in 2018, men were higher than women in terms of total alcohol consumption and wine consumption [14].
Over ⅔ of participants responded that based on their own personality, they would consider themselves more innovative than traditional. This background question is vital to questions further along in the survey because it is critical to get an understanding from the participant if they feel that they are open to change. 30.9% of people asked still prefer to keep things as they are in a more traditional manner.
Although a single person decided to abstain from voting, an overwhelming majority of people prefer to drink beverages out of a glass bottle versus an aluminum can. In fact, 89.8% or nearly 9 out of every 10 partakers prefer bottles over cans. It is very difficult to create glass bottle packaging in 375 ml options and this data seems to state that innately, an outstanding majority of beverage consumers in the market prefer glass bottles over aluminum cans. This type of information is critical in understanding a hesitancy in the market for both producers to make beverage packaging in cans and consumers to purchase those products.
Figure 8. Wine Drinking Participants

The most fundamental question in this entire first questionnaire is demonstrated in Figure 8. Out of the 275 people questioned, 245 participants responded that they do in fact drink wine. Even though the questionnaire was marketed as a consumer wine survey, there are bound to be participants who engage in the survey and do not actually drink nor enjoy wine. Still, nearly 9 out of every 10 participants do drink wine, which means that data and analysis is still valid for research.
Figure 9. Wine Consumption Frequency

74.9% of people ingest wine daily, weekly or every two weeks. That is a remarkably high number of consistent wine drinkers in the market. This demonstrates that regardless of age, there is a demand for wine in the market and that consumption is happening at rapid rates.
It seems that 180 of the 275 responders also enjoy drinking other alcoholic beverages and 4 of those 180 completely abstain from alcoholic beverages in general. The most common alcoholic beverage options are beer, in either cans or bottles, and hard liquor. The rise of hard seltzers and ciders follows closely behind. It is important to note that all of these three categories are the ones that
are stealing the young consumer cohort away from drinking wine, especially hard liquor.

Figure 11 demonstrates how over the past two years, wines consumed either in-restaurant or in-home have seen a steady decrease in growth rate. Young consumers believe that spirits and beers are much simpler options than wine. Millennials are either renting apartments or beginning to own homes and being able to store wine properly can be very troublesome in 750 ml bottles. A cocktail bar or room in a fridge for a 12-pack of beer seems much more suitable for the lives of young consumers. Once again, the question for wine’s future success seems to come down to how do you make wine more convenient for young consumers to enjoy.
As mentioned before, it is essential to understand the values of a typical consumer in the market. As with most commodities and products, taste and cost were the highest variable factors. Tradition, sustainability and convenience were valued very low in comparison to taste and cost. It is important to note the layout of this question when dissecting the data. The question only allows for the consumer to choose what he or she values most. Therefore, this does not mean that consumers do not value items such as sustainability or convenience for example, but rather that taste is far more important in deciding whether they are going to purchase the wine or not.
Figures 13 and 14 follow very similar trends, following Figure 12’s evaluation of consumer values. Both price and sustainability are rated 3’s on a scale of 1-5 in importance on consumer preferences. This is very intriguing data due to the fact that Figure 12 showed that price was the second highest consumer value. However, it was most popularly rated in the following question a 3 out of 5 in importance. Sustainability, another option on the list of values in Figure 12, was only given 3 out of 275 votes. However, it was most popularly rated in a 3 out of 5 in importance with a more even distribution across the other numbers compared to price. As mentioned above, just because sustainability is not the most important value in consumer preferences does not mean that consumers will not pick the more sustainable brand over the other if price and taste are similar.

Figure 15. Consumer Attention

In order to fully evaluate consumer preferences, it is imperative to take a step back and see how a consumer views the product. It is even more imperative to
see if the consumer actually does view the product. 177 of the 275 of the contributors to this study confirm that they have actually taken notice of wine packaged in cans, while the other 36.1% say that they have actually never seen it. This statistic could be because grocery stores place wine in cans along with the other canned beverages that are not beer including hard seltzers and ciders. When a consumer goes into a store to purchase wine, it is very unlikely that they will go out of the wine aisle of the store filled with bottles to find the wine in different packaging forms. In order to get a higher number of consumers purchasing wine in 375 ml cans, grocery and liquor stores must be convinced to place them in the wine section along with the other glass bottles. It will be fundamental for wineries to be able to get consumers to either make planned purchases of canned wine via marketing campaigns or to get them to make impulse decisions by viewing this new alternative in store.

One of the most common ways to analyze the consumer decision making process is the five stage model proposed by Cox. et al (1983) [16]. The five stages are made up of problem recognition, information search, evaluation of alternatives, purchase decision and post-purchase evaluation. All five stages make up how a consumer makes a purchasing decision. The fourth or purchase decision stage is known to be the most important stage. The reasoning behind it being the most important is because the consumer in this stage has reviewed all alternatives and come to a final purchase decision. Purchased further can be classified into three different types: planned purchase, partially purchase, and impulse purchase [15]. Planned purchasing requires a combination of rational
decision making with time-consuming research for a certain product. Partially purchase is a mixture of both planned and impulse where research is done to investigate a certain commodity, but impulses to purchase a similar product are also valid. An impulse purchase however requires a sudden and very strong urge to purchase a product when he or she sees it without prior knowledge or investigation.

Figure 16. Canned Wine Purchases

Although 63.9% of attendees, or almost ⅔, have seen wine in store, only 25.3 or ¼ of them have actually purchased the product. This means that wine brands that are creating wine in cans are losing roughly 38.3% of the market that have actually identified 375 ml wine cans and decided for whatever reason that they did not want to make the purchase.
Figure 17. Canned Wine Decision Making

Figure 17 is central to the belief and hypothesis that wineries need to change and adapt to the younger generation in order to get their business. Although 42.6% of participants confirm that they are open to purchasing wine in cans, nearly 36.5% are not convinced on why they should purchase wine in cans. This means that there is a large section of the market that simply does not understand the environmental, cost, and portability benefits of canned versus glass packaging. In order to grab a larger section of the market and the environmentally-conscious Millennial cohort, brands need to re-market in order to better understand the values of the Millennial. If brands are able to convince the “unsure” group of contests to purchase canned wine, the market share of potential customers nearly doubles from 42.6% to 79.1%.
There is a social stigma that glass bottles are optically better than aluminum cans. This hypothesis is confirmed in Figure 18 where most people, regardless of
beverage, prefer the visual appeal of glass bottles over aluminum cans. Even though aluminum cans are one of the biggest driving forces to get the younger generation to partake in wine consumption, the visual appeal of glass bottles is a meaningful distraction for consumers to continue with traditional packaging methods.

Figure 20 attempts to get consumer feedback on why wines sold in cans has grown 67% over the past year. The two most contested answers to the question are the portability of 375 ml cans and the fact that they can are single serve
containers, which allows a consumer to have multiple varieties or types of wine in one sitting. In order to sell to a younger generation that is constantly moving, the portability of aluminum cans versus glass bottles remains the single-most defining factor.

Figure 21. Final Question

The final question in the survey was given intentionally with bias in order to see if the phrasing and choice of words could persuade consumers to change their minds about wine in cans. Figure 17 and Figure 20 are the same question, however Figure 20 gives additional reasons as to some of the benefits of wine in cans. Interestingly enough, the results are outstanding. By mentioning that wines are more portable and environmentally-friendly without sacrificing the actual taste, the percentage of people willing to purchase wine went up drastically. When given the reasons, the number of people willing to purchase wine in cans
went up by 26.4%, the number of people still not sold on wine in cans went down by 14.1% and the number of people who said they would not purchase it at all went down by 12.2%. This data is integral in understanding why the Millennial and younger generations are not currently purchasing wine at the rate of the older generations. The environmental and cost benefits of 375 ml canned wine would resonate outstandingly to the values and beliefs of the younger generations and brands need to start or continue with marketing campaigns to make sure the Millennial cohort is informed of the added benefits of wine packaged in cans.

4.2 UNDERWOOD SURVEY

The modernization of the wine industry involves different companies willingness to adapt to new trends and values of consumers. With a market-wide desire for a more affordable and portable option, Union Wine Company is at the forefront of the movement to give consumers the option of a traditional 750 ml glass bottle or a 375 ml aluminum can with their Underwood brand. As one of the most notable brands that offers both bottle and canned wine options, it was imperative to get their perspective on their current business model and where they believe the future of the industry lies.

The first question involved asking Union what their primary method for packaging is for their Underwood brand. Their response was that they now produce more canned than bottled wines at roughly a two-to-one ratio. Figure 21 demonstrates on a visible scale how much Union Wine Company values aluminum cans and
where they see the market is trending towards. At nearly ⅔ of their packaging production for Underwood, aluminum cans seem to be dominating their market as a new and innovative approach to wine packaging.

![Primary Method for Packaging Wine](image)

**Figure 22. Primary Packaging**

The second and third question involved Union Wine Company's costs to produce their packaging as well as what they sell it for. Cans are less expensive to produce than glass by about 30% says their management. There are still numerous costs associated with wine packaging including the price of the can or
bottle itself and subsidiary costs such as cardboard cases and overhead or inventory. The benefit of the cost in production for cans is also reflected upon the consumer. The retail price for an Underwood wine is $7 per can and $14 per bottle, a 100% increase in price. The decrease in production costs is passed onto the consumer as they now only pay half price for a serving of wine in canned packaging versus bottled.

The following three questions are references to the target demographic of the Underwood brand and why Underwood chooses both canned and bottled packaging. The target demographic for Underwood wines are people 21-45 years of age, or the Y and Z Generations. They are specifically targeting the consumers whose interests range from the outdoors, van life culture, young parents, extreme sports, creative and foodies [20] – coinciding with a lot of the same values that the younger cohorts generate. As well, Underwood is attempting to specifically focus on females with mid-range incomes. The introduction and rise of young females in the workplace creates a new consumer group with disposable income that the alcoholic beverage industry has yet to take advantage of. The nature of canned wine is perfect for peoples whose lifestyles revolve around being active in the outdoors. The two most adverse aspects of bottled wine are that they weigh quite a lot compared to other beverages and that most bottles require a bottle opener to get the cork out. Canned wine is extremely portable and lightweight, as well as has an easy flip tab opening. The price point of the wine is also much more approachable for younger consumers
and keeps it simple for the many new Millennials who do not have a vast knowledge on varieties, tastes and price points of different wines. In their own research and development, Underwood has discovered that females do the majority of grocery shopping and wine buying in households. Because Underwood is mainly sold through grocery stores, larger wine shops and liquor stores, the main consumers tend to be females.

Union Wine company was the first winery to put the same quality wine that they put in bottles into cans and therefore believe that the container the wine comes in is not as important as the wine itself. This belief directly relates to a study that WIC Research tested and reported on in 2019. They conducted a blind taste of 86 wine consumers aged 21-74 in order to gauge consumer preference between bottled and canned wines [7]. The study used four identical wines from the same winery that were produced in both bottle and canned packaging. The varietals tested including dry chardonnay, Riesling, Rose and a sparkling sweet moscato and the wines were poured into a cup for the test. The results were outstanding as 48.5% preferred the bottled wine, 45.3% preferred the canned wine, and 5.8% had no real preference between the two. Another interesting fact about the test subjects is that 57% or 49 out of 86 participants considered themselves as having an above-normal wine knowledge or IQ.

With this type of knowledge, there were numerous reasons, including economic and sustainability benefits, to try different forms of packaging and canned wine seemed like a great idea for the company to try out. The packaging form has
been widely accepted and desired by their target demographic and that is the reason Underwood now produces cans at double the rate they produce bottles.

Another extremely important aspect of the Underwood brands is the simplicity in the design. They do this to attract consumers who enjoy simplicity as an aesthetic. Even though females make up their main purchasing group, the Underwood brand is very gender neutral to attract both males and females. Underwood has a very strong brand identity and their simple aesthetic and logo play a critical role. The simple and neutral design also allows the company to create custom can designs around the main brand identity and logo for season or special release wines. Figure 22 displays four unique wines that Underwood produces. The first two are gender-neutral cans with silver and black design and typography. The other two cans in the figure are pink and floral, which resonate more with the female purchasing group. As such, they allow numerous visual design options for all different types of consumer groups. However, new color releases such as the strawberry cooler, on the far right of Figure 22, still maintain brand awareness with the inclusion of the square Underwood logo with the wine type, Oregon location, ABV, and size of the container. Underwood continues to drive and market their mission of creating an everyday, approachable drinking wine.
Questions 7 and 8 were created in direct relation to the consumer survey. Both of these questions were in correspondence of the ideas of innovation versus traditional methods and packaging choices being sustainable. Underwood creates their wines in can packaging so that their consumers can enjoy wines in any way they choose or desire. Wine is a commodity that has no boundaries on how or where it has to be consumed and can packaging allows consumers to enjoy Underwood wines anywhere and anyway they choose to. They also intentionally chose the 375 milliliter can design, so that it is exactly half of the size of their glass bottle options. This option allows consumers to spend less and carry a smaller beverage container. Interestingly enough, Figures 6 and 20 in the consumer survey ask whether the consumers consider themselves innovative or traditional and if they would purchase wine in cans given reasoning. The data
shows that 69.1% of people asked consider themselves innovative in Figure 6 and then 69% of people asked would purchase wine in cans in Figure 20. These numbers are nearly identical, which means that given a new innovative form of packaging and marketing as to its benefits, consumers are more than willing to give that new packaging a chance. The following question asks whether the innovation of canned packaging stems from the desire to be more environmentally friendly. The simple answer to the question is yes. Canned packaging is the number one recycled beverage container in the world and is infinitely recyclable. It only takes 60 days from the time a can goes into recycling for it to be back on the shelf [18]. Naturally, cans are lighter, smaller and use less cardboard to pack and ship. According to Underwood, Glass bottles put twice the amount of trucks on the road to ship the exact same amount of wine [20]. A huge aspect of millennial values is the product's relation to sustainability. The younger generation is much more in touch with how products affect the Earth than the Baby Boomers. The introduction of canned wine is a packaging option that has the environmental benefits that the younger cohort desires from the wine industry.

It is not pivotal to the information in this survey to disclose specific sales numbers, but the following questions were meant to get a better understanding of how a winery that is producing both canned and wine packaging is doing in comparison to the industry average. According to the SVB Peer Group Analysis Database depicted in Figure 23, the 2019 sales growth rate for family wineries
varied greatly, but reached a maximum growth of 22.34% in the fourth quartile. Underwood’s wine growth increased over 5% in 2018-2019 to over 30%, which gives them greater than a 7% increase in growth versus the industry average. Underwood believes that this growth coincides with the recent surge of consumers willing to consume wine in cans.

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quartile 1</td>
<td>-7.82%</td>
</tr>
<tr>
<td>Quartile 2</td>
<td>3.59%</td>
</tr>
<tr>
<td>Quartile 3</td>
<td>11.29%</td>
</tr>
<tr>
<td>Quartile 4</td>
<td>22.34%</td>
</tr>
</tbody>
</table>

Source: SVB Peer Group Analysis Database

Figure 24. Sales Growth Rate of Wineries 2019 [5]

The final question in the survey to Union Wine Company was in relation to a statement in the State of the Wine Industry Report for 2020. The statement, “Baby boomers are moving into retirement and declining in both their numbers and per capita consumption, while Millennials aren’t yet embracing wine consumption, choosing to stick with spirits or abstain altogether”, has tremendous meaning for this Thesis. The question asked to Union was why they believed Millennials aren’t yet embracing wine consumption and if wine packaged in cans is the solution. Their response is that they are not sure if wine in cans is ultimately the solution, but it is a great starting point in the transition of marketing
to millennials. No matter the age, consumers love reliability and Underwood is committed to keeping their brand of wine whether it is in a bottle, can, or some new form of packaging that fits the younger generation’s lifestyles better. The convenience of the can including portability, single-serve size, recyclability and affordability all play a tremendous role in the development of young consumer groups purchasing wine on a consistent basis.
5. SUMMARY AND SIGNIFICANCE OF RESULTS

The way we drink wine is changing. This decade is driven by individuals who are constantly on the go - traveling, working, running errands. Many people want to drink alcohol at the beach, park and pool, but none of these places allow glass packaging. The ability to take a 375 ml can instead of a heavy 750 ml glass bottle to any desired destination is a great aspect of canned wine. Consumers have the desire for single-serve and smaller options. The younger generation is also far more environmentally conscious than the older generations. The carbon footprint of glass bottles from producer to end-consumer is far higher than that of aluminum cans and the environmentally-friendly consumer is now taking that into consideration when making their next purchase. With a new generation of consumers, winemakers have actually been able to shed the negative connotations and stereotypes associated with canned and boxed wine says Vice President Terry Lozoff of Latitude Beverage [17].

This study was designed in order to answer whether the adoption of canned packaging by wineries will lead to increase in consumption by both Millennial and Gen-Z consumers and increased sales for the wineries themselves. Based on the survey, it is clear to see that wine consumers and especially Millennials are willing to purchase wine in canned packaging. The biggest pinpoint or blockade in the rise of canned wine is that many consumers do not really understand or know why canned wine is potentially better than wine served in glass bottles. It is extremely clear that the first brand to market a specific can or the brand itself to the benefits of canned packaging will consume a large part of the target
demographic. As shown in the final question of the survey given to 275 wine consumers, small marketing tools to increase consumer awareness were seen to increase total sales and growth. When given the benefits of canned packaging, the number of people willing to purchase wine in cans went up by 26.4%, the number of people still not sold on wine in cans went down by 14.1% and the number of people who said they would not purchase it at all went down by 12.2%.

The key to success for wine industries in the near future is developing a way to connect to the core values of the young consumer. With sustainability, price and single-serving containers at the forefront of the modernization of the wine industry, Wineries will be forced to adopt new packaging technologies as well as ways to market to the Millennial and Gen-Z demographics. While aluminum canned wine might not be the final solution, it is definitely a step in the right direction. The hope for continued wine industry success will rely on wineries, regardless of size, ability to adapt to changing market conditions to better suit the demands of their target demographics.
6. SUGGESTED FURTHER RESEARCH

Throughout the completion of this study, there were numerous examples of potential, future research opportunities on this subject. There are several modifications that could be made on survey topics and questions in order to better engage the data collected and answer which packaging method is best for both consumers and wineries. Some possible examples include:

- Create a survey or study greater than 86 people in order to test whether the flavor profile of wine is affected by different containers or packaging. The initial study achieved by WIC Research is a good starting base, but a larger consumer base would provide more beneficial results. As well, gender and age would need to be factored in as it was not in the WIC research.

- Data collection of outlets that would sell cans on a regular basis. In Japan, for example, wine in cans are very popular and the growth has been attributed to Japan’s embrace of vending machines to sell wine in cans. A collection of all the potential ways to retail cans would provide interesting feedback for where wineries can invest money into instead of traditional tasting rooms.

- All of the data collected in the first survey of this study was from 275 consumers, mainly from Southern California. As such, there would need to be another data set collected in other regions of the United States to further validate the findings. As well, the second survey could attribute multiple wineries perspectives. It was vital to the research to understand how and why the first winery decided to package in cans, but it is equally important in further research to decipher why some wineries are choosing not to change their packaging.
• The final extension of this study is to evaluate other packaging methods besides aluminum cans. While canned wine is at the forefront of the innovative wine packaging movement, there are several other potential contemporary packaging methods that need to be analyzed including boxed wine, wine packaged in 100 ml glass cylinders, and kegs. There is also potential for a number of these packaging innovations to be used together to solve the Millennial crisis.
REFERENCES


