

## Tbilisi 2022 Abstract Submission

### Title

Marketing-related determinants of profitability of the online wine stores in Hungary

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Conference Presentation

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### Keywords

profitability, online sales, wine business, marketing-mix, social media use, Hungary

### Research Question

The research aims to analyse the marketing-related determinants of major players' profitability of the online wine stores in Hungary, focusing on the marketing mix based activities.

### Methods

The paper employs a web-content analysis of the twelve most important online wine shops in Hungary offering online purchase opportunities. Furthermore, descriptive statistical analysis was performed on the sample data.

### Results

The Hungarian online wine business is highly concentrated, the five major players attract the majority of buyers and accounted for the highest profit rate.

### Abstract

The share of the world population with internet connection reached 46.1% in 2016. According to Statista, this share increased to 59.5% by the beginning of 2021. In line with the increasing number of internet users, seasonal COVID-19 restrictions or lockdowns, e-commerce is expected to grow more than before over the next years. In 2021, retail e-commerce sales amounted to 4.9 trillion U.S. dollars worldwide. It is forecasted to grow by 50 % over the next years, reaching about 7.4 trillion dollars by 2025.

The United Kingdom is the leading market for the online wine business, estimated at 11% of its total wine sales. Purchasing alcohol online is overcoming other consumer goods at a rate of 59.8% compared with the 53.2% of the pre-COVID period in the United States. Online wine continues to grow with a share of 68%, compared with spirits (18%) and beer (13%).

Although the internet, online sales and social media are also getting more popular in the Hungarian wine business and among wine buyers, there is still a limited number of studies in the wine economics literature investigating online wine sales, internet, and social media usage and its impacts on profitability. This study aims to analyse the marketing-related determinants of major players' profitability of the online wine stores in Hungary, by employing qualitative data collecting techniques and quantitative data analyzing methods.

More specifically, the paper employs a web-content analysis of the twelve most important online wine shops in Hungary offering online purchase opportunities. Moreover, the study focuses on the marketing mix based activities of the online wine shops.

The research also reflects each element of the marketing mix including internet and social media use as an

important factor in the communication mix. These channels allow two-way communication between wineries and consumers, or among actual and potential consumers by using different applications (e.g. blogs or different networking sites), which is the so-called wine 2.0 in line with Thach (2009).

The web content analysis covers the contents of the wine shops' homepages (age of the company, wine assortment, wine prices, services, number of shops, as well as Facebook, Twitter, Instagram, Pinterest profiles, and YouTube channels) carried out in January 2022. Furthermore, descriptive statistical analysis was performed on the sample data.

The first online wine shop called Bortársaság (Wine Society) was established in 2000 in Hungary. Since that time, many other (wholesale and retail) wine shops entered the online wine market (Borháló, Pinceáron, Veritas, Selection, Borbázis, Borház, Törley). At present, the two largest retail market players among online and offline wine shops are Borháló which owns 45 offline wine shops, and Bortársaság operating 25 offline shops at the country level. Borháló is founded in 2011 and operates as a franchise system (owned by Vinotrend Ltd.). There are more than 50 wineries in the Borháló franchise network.

Regarding the content analysis of the 12 most relevant Hungarian online wine shops, two main categories were created based on the price range and potential wine buyers. The first group comprises typical domestic wine sellers offering wine and alcoholic beverages made in Hungary like Borháló and Pinceáron. Their wine prices are moderate, ranging from 1.74 to 143 euros per bottle. The second group of companies – Törley, Bortársaság, Grape-Vine, Vinotrade, Onlinebor, Selection.hu, Borház and Veritas – sell both Hungarian and imported wines ranging from 1.24 to 1071 EUR.

A modern company can measure its success online through social media activity (Facebook likes or followers), therefore, we can assume that the reputation of the online wine shops is in line with the number of their Facebook followers. The number of Facebook and Instagram followers derived from the company's Facebook profile is in line with the popularity of the wine stores. The top four companies enjoyed a significant number of Facebook followers, Törley had 102,637 followers, Bortársaság 52,698, Borháló 29,172 and Pinceáron had 22,887 followers. The other shops had less than 20,000 followers on 31 January 2022.

The results revealed that the Hungarian online wine business is highly concentrated, the five major players (Vinotrade, Törley, Grape-Vine, Borháló, and Bortársaság) attract the majority of buyers and accounted for the highest profit rate. Besides the classical internet tools (blogs, newsletters), social media usage (Facebook, Instagram, Twitter, YouTube and Pinterest) of wine shops becomes increasingly popular in Hungary. On the other hand, offline platforms (wine tastings, dinners, picnics) are still used by Hungarian wine shops. Due to COVID-19, the online wine sector was remarkably restructured, which required new attitudes from the different players.

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## **Marketing-related determinants of profitability of the online wine stores in Hungary**

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