Group Coursework Submission Form

Specialist Masters Programme

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Declaration:

By submitting this work, we declare that this work is entirely our own except those parts duly identified and referenced in my submission. It complies with any specified word limits and the requirements and regulations detailed in the coursework instructions and any other relevant programme and module documentation. In submitting this work we acknowledge that we have read and understood the regulations and code regarding academic misconduct, including that relating to plagiarism, as specified in the Programme Handbook. We also acknowledge that this work will be subject to a variety of checks for academic misconduct.

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Marker's Comments (if not being marked on-line):

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HOUSE OF MADIRA

What is House of Madira

House of Madira is a quality wine online market place in the UK engaged in marketing and selling a wide selection of great value and quality red and white wines.

The primary focus of House of Madira is to provide wine enthusiasts and prospective consumers with reasonably priced quality wines, and when we say reasonable prices, we mean something fair and equitable – not the usual inflated mark ups, false discounts that are prevalent in retail these days.

We aim to bring the best quality wines from the best growers and wineries across the European continent to a wider audience in the UK.

We provide you with great value quality wines

Customer feedback is a priority

Learn and develop even better wine for you to try!

We source our products from the best growers across Europe

Customised offerings in terms of grapes and regional preference

At House of Madira, we abide by the following 5 promises to be delivered to every consumer. We wish to create the best wine experience for you and we are proud of it. We hope you will be to.

<u>Market Research Plan</u>

<u>Our competitors: Physical Retailers and Pure Play Ecommerce Retailers</u>

The wide availability of wines across physical as well online retailers is an area that we wish to explore more about to understand the diversity of products, pricing strategies and product features that market competitors usually would like a prospective consumer to be aware about.

As a pure play e-commerce retailer, we face a significant amount of competition from both physical retailers who have a strong online presence, along with a growing suite of niche online sellers focused on wine and spirits sales in general. Though niche online sellers of wine and spirits are a growing community, House of Madira's primary competitors will be physical retailers with a strong online presence. We have observed the following:

- Large physical retailers usually have a lower average price of wines due to the advantages of economies of scale spread across a wide network of physical as well as online sales channels.
- Product diversity is usually the highest amongst physical retailers due to strong sourcing strategies in comparison to pure play online retailers

Since House of Madira primarily aims at targeting the segment of consumers who are price focused and looking for value for money, understanding the strategies adopted by physical retailers will be a crucial valued adder to build our internal customer acquisition strategies. Further, our focus on exclusively selling Red and White wines shall be another area we might face stiff competition since physical retailers apart from selling other niche types of wines already have an extensive range of red and white wines being sold over their online channels. For the purpose of analysing further regarding the wine market, we shall be analysing the following competitors to gain further insights:

- Physical Retailers (with a strong online presence): **Sainsbury's, Morrisons, Lidl**
- Niche Ecommerce wine retailers: **Honest Grapes, Whiskey Exchange**

The table below, displays the audience size of Some of the major players in the wine market Sainsbury's, Lidl and Morrisons.

Retailer	Key Statistics
Sainsbury's	Physical and online retailer Total audience size: 29% (5.8 million) Online Audience Size: 6% (1.3 million)
Lidl	Physical retailer store only Total Audience Size: 25% (5 million)
Morrisons	Physical and online retailer Total Audience Size: 26% (5.2 million)

(Mindshare, 2022)

Product Focus: Red and White Wines

Product diversity, as observed across physical retailers and pure play ecommerce sellers, has been one of the key areas weighed on to achieve higher product sales. Our objective of keeping our product focus limited to two types of wines helps us in achieving the following:

- Higher focus on the right customer acquisition strategies
- Stronger focus on strategic sourcing with economic advantages in the long run
- Lower risk of threat to quality standards
- Higher customer loyalty resulting in a backward shift in bargaining power from the consumer to us in the long run

Though these might be some amongst multiple advantages, our product focus is a key unique selling point to a prospective consumer, which would further help us ensure the results of our market capturing strategies to be positive.

A deeper look at how other market players is focused on selling similar types of products lends us with the following insights:

- Physical retailers with a strong online presence have a higher focus on sales of red wines in comparison to white wines. The trend is similar across all the physical retailers shortlisted for our market analysis.

  A typical composition of red and white wines in a typical online sales website run by a physical retailer will usually consist of 60 – 80% of red wine products with the other consisting of white wine products. Underlying evidence regarding the same is shown below:

Lidl Wine Types
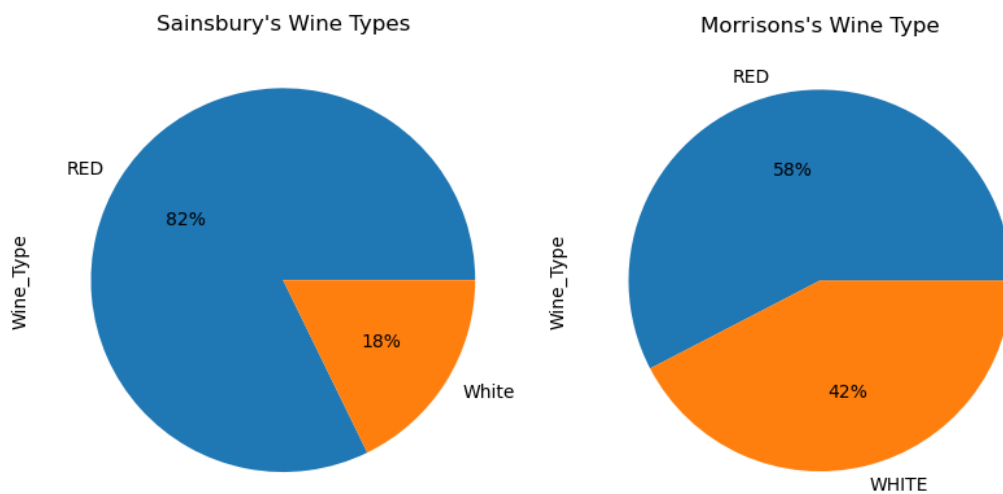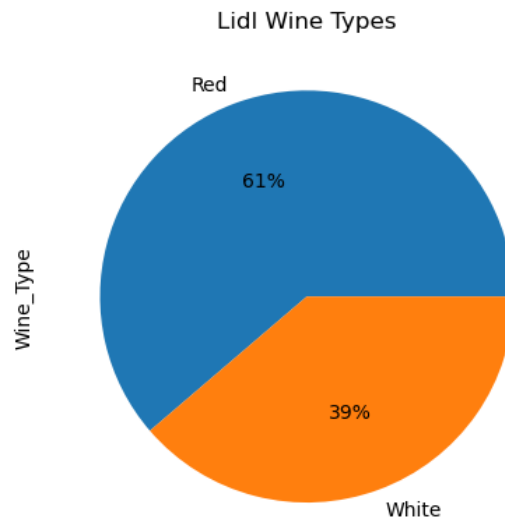
- Niche ecommerce sellers focused on wine sales also have a higher focus on red wines in comparison to white wines, with nearly 50-60% of wine products focused on red wines. Underlying evidence regarding the same is shown below:
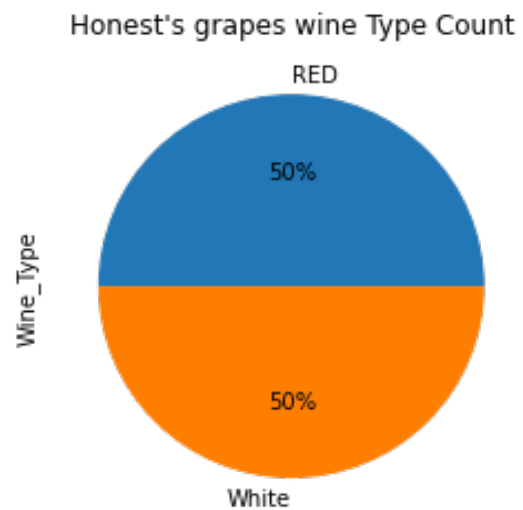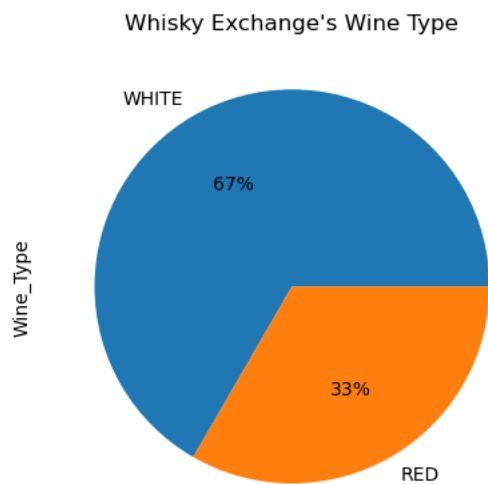
Pricing and Beyond

As mentioned earlier, physical retailers have an advantage in online channel sales due to a lower average price being offered to consumers. We intend to look at the average prices of their wine products in order to understand their pricing strategies and product profitability. Our focus on being a cost focused differentiator isn't only limited to enabling us to face the extensive competition in the market, but also to achieve a host of other long run benefits such as building a loyal customer base focused on value for money quality wine products etc.

Another aspect that we have observed regarding physical retailers is that they intend to be high volume sellers since their average prices are usually at the lower end when compared with niche ecommerce retailers who intend to build and sell a niche wine product with a price inelastic consumer focus.

Average prices observed across physical retailers is as follows:
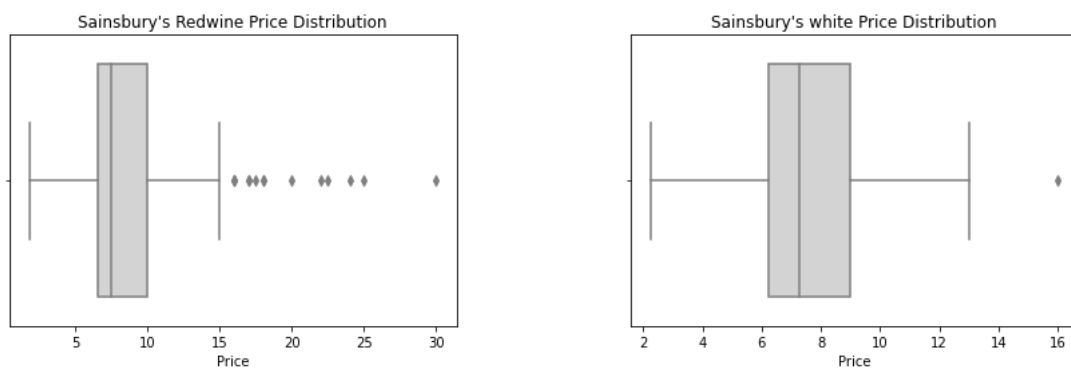
A comparison of red and white wines at Sainsbury's tells us that the average price of red and white types is £8 and £7 respectively. Red wine also tends to be priced a little on the higher side as observed with the number of outliers in Sainsbury's red wine price distribution.
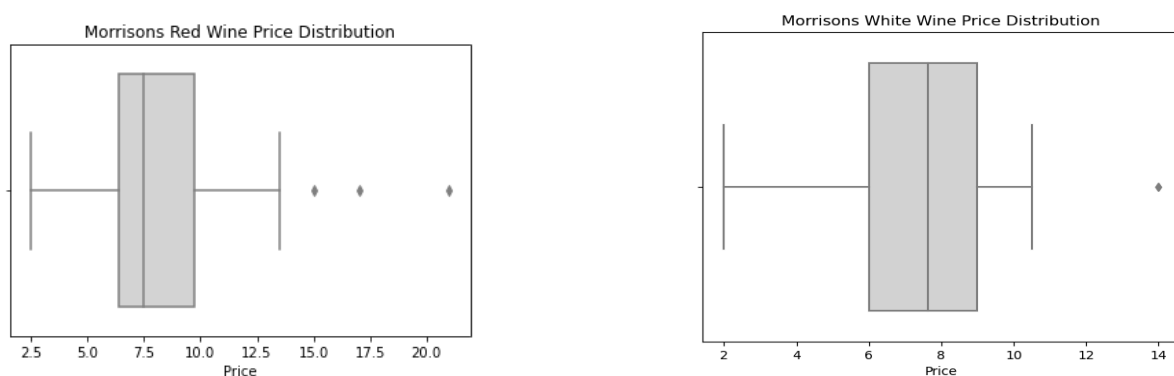

Similarly, for red and white wines sold at Morrisons, the average prices for both the wine types are similar i.e., around £8 which is in line with observations made at Sainsbury. On setting up a comparison between Morrisons and Sainsbury's, another insight we could gather was Sainsbury's product diversity is higher than Morrisons wherein the former has a suite of high-priced red wines in addition to lower priced ones when compared with the latter.

Lidl Red Wine Price Distribution

Lidl White Wine Price Distribution
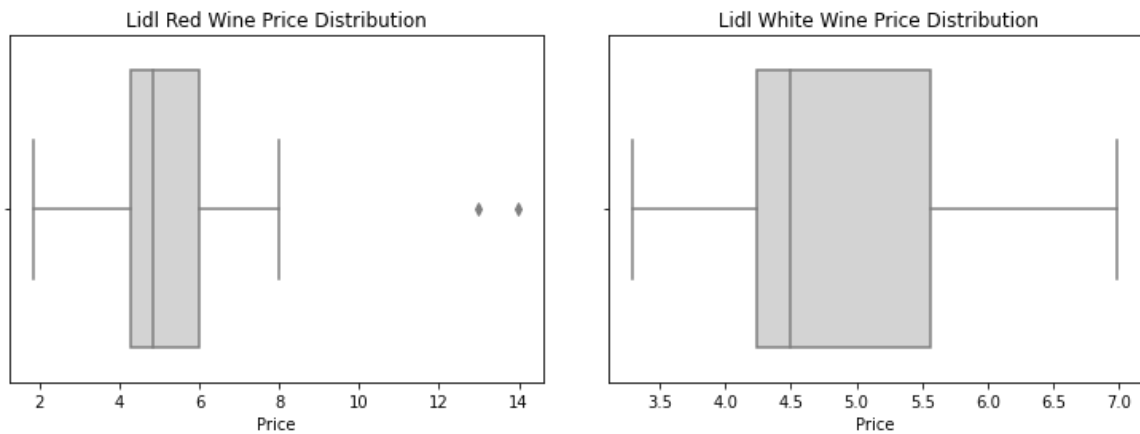
On the other hand, Lidl is relatively no-frills retailer when compared with Sainsbury's and Morrisons, which are usually a tad higher in terms of market segmentation. Therefore, we expect a lower average price of wines at Lidl, which is evident from the data gathered as stated above. The average price of both red and white wine types is around £4.5, which is approximately at a 30-40% discounted price when compared with the other two physical retailers. The product diversity at Lidl is also quite low with only a few of the product listings exceeding a price of £10.

On the other hand, niche ecommerce retailers usually have a higher price focus, as evident from the data given below:

Honest Grapes Red Wine Price Distribution

Honest Grapes White Wines Price Distribution
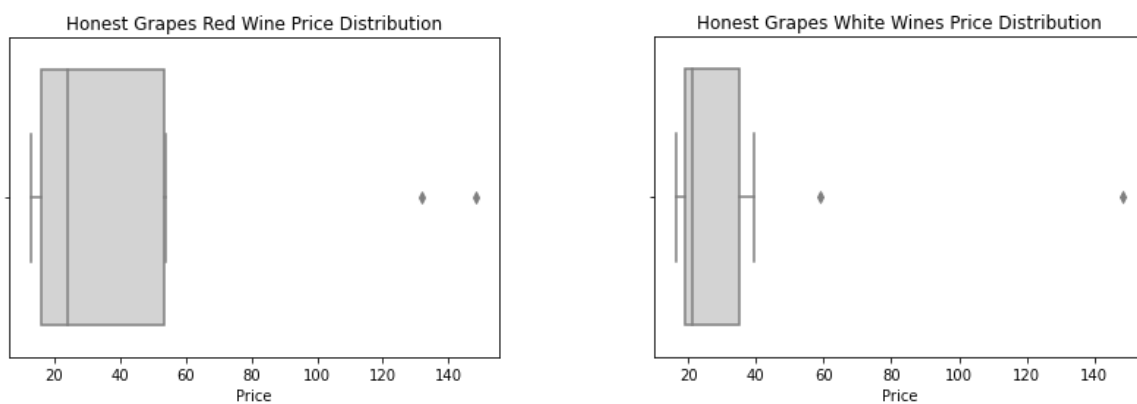
Ecommerce niche retailers such as Honest Grapes and Whiskey Exchange usually have a high product differentiation focus, as also seen by the type of information conveyed to prospective consumers on Honest Grape's website (snippet attached below).

Grower	Mastrojanni
Bottle size	750
Duty Paid / In Bond	Duty Paid
Vintage	2015
Country	Italy
Region	Tuscany
Grape	Sangiovese
Wine Type	Red wines
Wine Style	Hearty Red
Winemaking	Vegan wines, Vegetarian wines
Oak	Strongly Oaked
Drinkability	Early in drinking window
Sweetness	Dry
Food Match	Fowl - Slow Roasted Duck, Indulgence - Truffles, Pasta - Lasagne alla Bolognese, Red Meat - Beef bourguignon

Due to a higher product differentiation focus, a higher price could also be seen across both the online retailers wine products. At Honest Grapes, the average price of both the wines is upwards of £20.
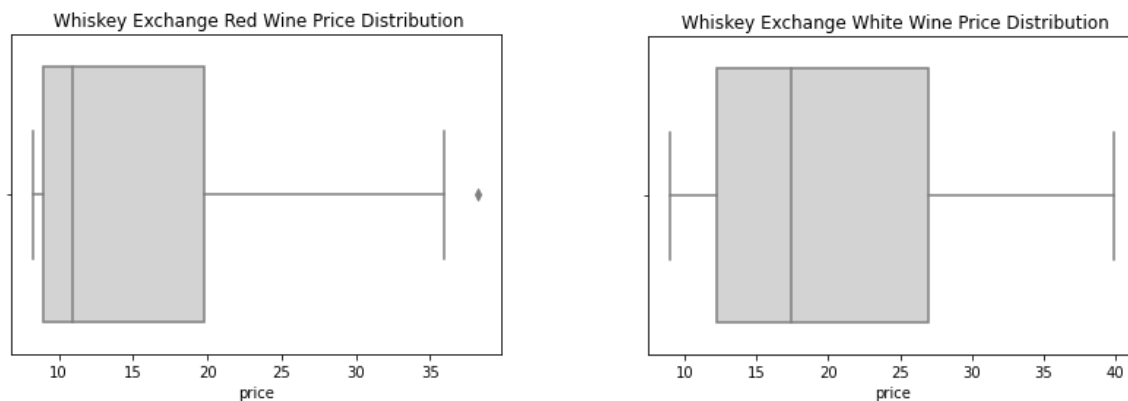

On the other hand, the average price of red and white wines is also on the higher side when compared with physical retailers, with red wines priced upwards of £10, and white wines above £15.

Apart from a price focus, another aspect that might act as a challenge in our customer acquisition strategies will be our product differentiation factor. Though we intend to be a low-cost player, our strongest competitors in this segment are physical retailers who are mass sellers weighing on brand value and economies of scale to successfully acquire customers. On the other hand, niche ecommerce sellers intend to highly focus on product differentiation with a lower focus on cost synergies.

Hence, since we intend to become a low-cost player focused on niche red and white wine products, we will initially have to build product differentiation strategies to place ourselves as a preference for the target segment of consumers who usually prefer physical retailers against other online sellers.

Since niche ecommerce sellers usually tend to focus on product differentiation, we intend to analyse the way their products are marketed and type of information usually conveyed to a prospective consumer. Hence, the following insights were derived:

Honest's grapes - Grapes variety
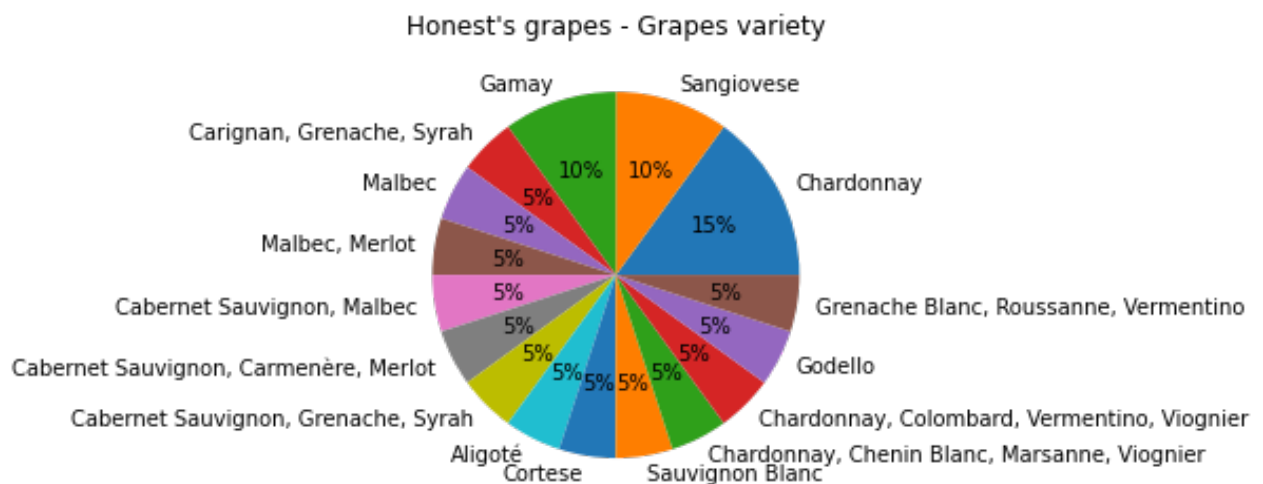
As part of our product differentiation strategy, we intend to provide prospective consumers with customization options in terms of grapes and regional sources to be chosen. At the marketplace currently, Honest Grapes offers a suite of grape variety options to consumers, with Chardonnay, Sangiovese and Gamay being the most the popular ones.

Honest's Grapes Product regions
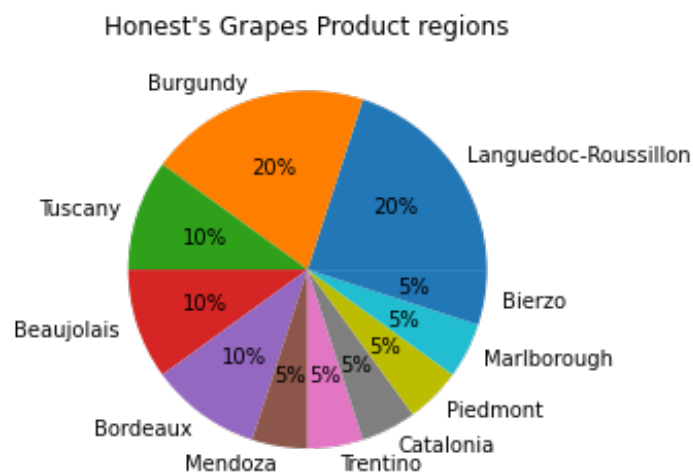
On the regional preference front, Honest Grapes provides its consumers with selection preferences for a host of regions, with Burgundy and Languedoc-Roussillon being the most popular ones.

Consumer Preferences

Analyzing Twitter trends can help us better understand consumer preferences for wines in the UK, which can eventually help us in devising our customer acquisition strategies. In order to capture this data, some of the keywords used were: 'Best Wine UK', 'Favourite Wine UK' and 'Recommend wine UK'.

Through our analysis of tweets, we were able to interpret the following:

- 'Red Wine' and 'White Wine' were the two most popularly used keywords in the wine category.
- Moreover, we were also able to find that a number of tweets about wines were also related to Christmas, suggesting that their demand is expected to rise during that period.

Google trends allows to further explore consumer preferences and trends in the UK regarding wines. Google trends was firstly used to explore searches in Google regarding "Buy Wines" in the past 1 year. As shown in the Figure X below, both daily hits and rolling average searches throughout the one-year period were relatively constant. However, during December and January, which is the Christmas holidays period, there were significantly much more searches about buying wine. This suggests that during the Christmas period, there is higher demand for wine, which was also confirmed by data received from twitter.
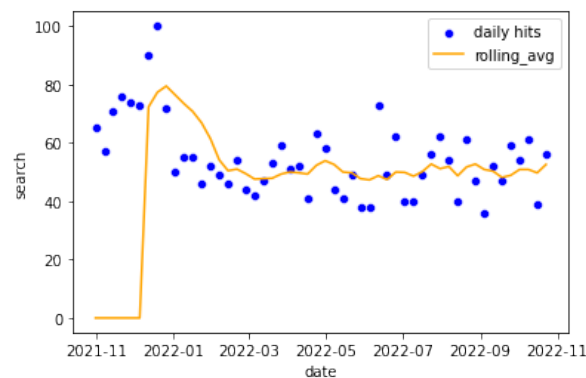

Figure X: Scatter plot with searches regarding "Buy Wines" between the period of 29/10/21 and 29/10/2022.

The second scatter plot of Figure X below depicts the trend in searches about the price of wines during the same time-period. Moreover, there is a sharp increase in searches during the Christmas period. Therefore it is evident that people search more about the prices of wines during that period.

Collectively, it can be observed that during the past 1 year, there has been an increase in searches for buying and price of wines, which depicts that potentially those people that search for buying a wine, consider and may want to know the prices as well. This indicates

that price is an important aspect that people consider before buying a particular wine and hence also validates our price focused approach towards customer acquistion.
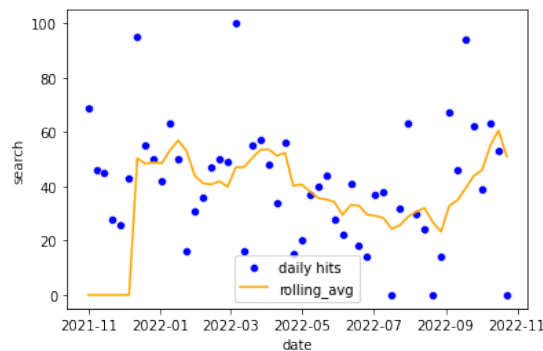

Figure X: Scatter plot with searches regarding "Prices of Wines" between the period of 29/10/21 and 29/10/2022.

Data sources and Scraping Approach

Data Prioritization
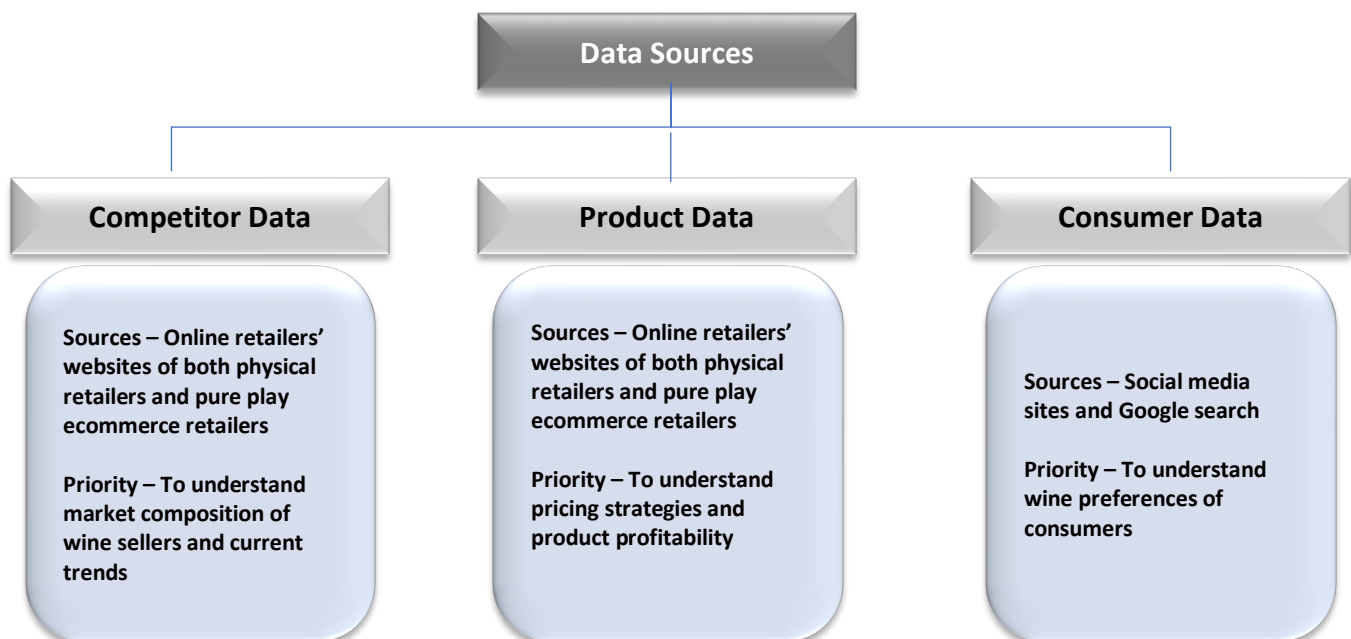
Scraping approach

The internet is generally a resource where everyone turns to for finding data for any analytical projects, but without any formal instruction to scrape data into a structured format which ultimately leads to duplication of spreadsheets which is time-consuming and prone to errors.

The first challenge for web scraping is the problem of reproducibility. Majorly this is due to 2 reasons, firstly it could be that the data is not static. Say even if you run the code at a later stage there is a possibility you can get different results. Second could be the websites tend to change their structures in due course of any enhancements in the website which can lead to writing the scraping code from scratch.

Below are the challenges we faced during scraping the mentioned data sources -

- Access – Initially we did not receive access of certain sites we wish to scrape for our research.
- Multiple tools – We had to use multiple types of scraping tools such as selenium, beautiful soup in order to get a structured data source.
- Dynamic content – Unable to get certain values which could not be scraped because of the locater values & dynamic content.
- Quality of data – Post scraping we had to do a lot of data cleaning activities in order to analyse the data.

Appendix

Lexicon:

Variable	Description	Unit
Wine_Type	Type of wine	Red or White
Product_Name	Full name of a specific wine product including quantity in 'cl'	
Price	The price of one unit of a specific wine product in pounds	Pounds per unit of product
About (in whiskey exchange)	Details about wine and its origin	Text
Product Region (Honest grapes)	The region in which the wine was produced	Text
Grapes (Honest grapes)	Origin of grapes	Text

References:

- Mindshare (2022). *Wine*. [online] Mindshare. Available at: https://assets.ctfassets.net/pn8wbiqtnzw9/6ldylEtomZcc9MEni2eKhi/23df41d8f3f0e07d2aab9ffd9d988ccf/UK_wine_ecommerce_overview.pdf [Accessed 2 Nov. 2022].

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- Morrisons (2022).Wine – United Kingdom Available at : https://groceries.morrisons.com/browse/beer-wines-spirits-103120/wine-champagne-176432 [Accessed 29 Oct. 2022]

- Honest Grapes (2022). Wine – United Kingdom Available at : https://www.honestgrapes.co.uk/wines/sommelier-selection--price-by-the-bottle[Accessed 30 Oct. 2022]

- Whisky exchange (2022). Wine – United Kingdom Available at : https://www.thewhiskyexchange.com/wine-and-champagne [Accessed 30 Oct. 20222]

- Lidl (2022).WINE – United Kingdom Available at : https://www.lidl.co.uk/our-products/wines-beers-spirits/wines/all-wine[Accessed 30 Oct.2022]