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Influence of E-Commerce and Cryptocurrency on Purchasing Behavior of Wine Customers

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Introduction- Ongoing developments of online shopping shapes established practices of business and challenges the proper management of company's 5 M (Money, Material, Manpower, Management, Machinery). Influence of modern technology on marketing practices differs according to industries. Article will concentrate on wine industry taking into consideration non-traditional purchasing behavior of wine consumers, creating the interesting correlation between advantages and disadvantages of e-commerce and characteristics of contemporary wine consumers. More specifically, article will focus on B2C online shopping and crypto-currency as the mean of exchange product for value.

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Influence of E-Commerce and Cryptocurrency on Purchasing Behavior of Wine Customers

David Kbilashvili

I. Introduction

Ongoing developments of online shopping shapes established practices of business and challenges the proper management of company's 5 M (Money, Material, Manpower, Management, Machinery). Influence of modern technology on marketing practices differs according to industries. Article will concentrate on wine industry taking into consideration non-traditional purchasing behavior of wine consumers, creating the interesting correlation between advantages and disadvantages of e-commerce and characteristics of contemporary wine consumers. More specifically, article will focus on B2C online shopping and crypto-currency as the mean of exchange product for value.

II. E- Commerce

Before, examining influence of e-commerce on specific industry will be useful to present benefits and challenges of it.

a) Crypto-currency as the payment system

Taking into consideration that cryptocurrency industry is still developing technology and involves many unanswered questions, it is hard to provide sufficient empirical evidences of the consequences of its usage. Since 2009 more then 550 cryptocurrencies have been developed and only few of them can be considered relatively successful. Ryan Farell in his "An Analyses of the Cryptocurrency Industry" presents interesting table that breaks down 21 popular coins:

Benefits	Challenges
- Ease of access to new markets (internationalization) - 24/7 availability - Possibility of comparison - Pace of feedback - Ease of control - Relatively cheap	- Lack of physical evidence - High possibility of faking the product - Web-platform costs - Dependency on internet - Pressure for investments in technological renovations (modifying payment system with crypto- currencies).

In the same article we see that monthly transactions of bitcoins reach around $50 million with market cap $ 3.3 billion emphasizing the purchasing power potential. Despite the potential, important challenges should be taken into consideration by companies before they invest in integration of cryptocurrency payment systems through e-commerce. High price volatility, expected government regulations, ambiguous forecasts regarding crypto value, together with challenges of e-commerce mentioned above results in relatively high uncertainty avoidance from customers. Privacy policies and Privacy Enhanced Technologies (PETs) should be mentioned here as additional challenges for the companies that should be dealt with for gaining the trust and capitalizing on benefits of e-commerce (David J. Philips, 2015). As it was mentioned above, influence of e-commerce and usage of cryptocurrency differs industry-wise and this differentiation mainly is based on purchasing behavioral patterns of customers of the industry.

III. Wine Industry

Contemporary wine industry is divided into Old World (OW) and New World (NW) wines, referring mainly to France, Spain, Italy as OW and to South Africa, New Zealand, Australia and USA as NW wine countries. For better understanding of industry characteristics charts of world wine production and consumption are provided.

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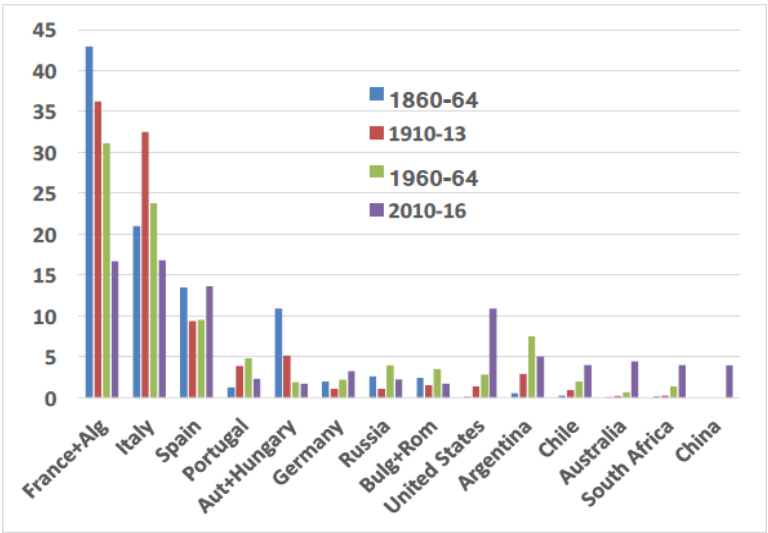
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Table 2: Breakdown of coins

Release	Currency	Market Cap (April 23rd)	Hash Algorithm	Mechanism	Supply	Deflationary	Theoretical Long Term Inflation
Jan-09	Bitcoin	$3,312,281,631	SHA-256	POW	21,000,000	yes	
Sep-13	Ripple	$255,536,445	ECDSA	Byzantine Consensus	100,000,000,000	yes	
Oct-11	Litecoin	$55,662,783	Scrypt	POW	84,000,000	yes	
Jan-14	Dashcoin	$19,482,137	X11	POW & POS	22,000,000	yes	
Aug-14	Stellar	$13,115,557	Undefined	Byzantine Consensus	Unlimited	no	1%
Jul-14	Bitshares	$11,688,038	Undefined	Undefined			
Dec-13	Dogecoin	$10,841,501	Scrypt	POW	Unlimited	no	0%
Nov-13	Nxt	$9,606,282	Curve25519 and SHA-256	POS	1,000,000,000	yes	
Aug-12	Peercoin	$5,073,573	SHA-256	POW & POS	Unlimited	no	1%
May-14	Monero	$4,433,105	CryptoNight	POW	18,400,000	yes	
Jul-12	Bytecoin	$4,199,290	CryptoNight	POW	184,470,000,000	yes	
Apr-11	Namecoin	$3,845,575	SHA-256	POW	21,000,000	yes	
Jun-13	Ybcoin	$2,991,777	Scrypt	POW & POS	3,000,000	yes	
Jan-14	Counterparty	$2,402,854	SHA-256	POB	2,650,000	yes	
Aug-14	NuShares/NuBits	$3,901,430	Undefined	POS	1,000,000,000	yes	
Dec-14	Paycoin	$2,294,250	SHA-256	POW & POS	12,500,000	yes	
Sep-14	ARCHcoin	$2,228,501	Scrypt	POS	16,200,000	yes	
Mar-14	Monacoin	$1,798,198	Scrypt	POW	105,120,000	yes	
Nov-14	Faircoin	$1,201,450	Undefined	POS	Unlimited	no	1.50%
Jul-14	BitcoinDark	$1,133,283	SHA- 256	POW & POS	22,000,000	yes	
Feb-14	Blackcoin	$1,113,916	SHA- 256	POS	Unlimited	no	1%

Source: https://repository.upenn.edu/cgi/viewcontent.cgi?article=1133&context=wharton_research _scholars

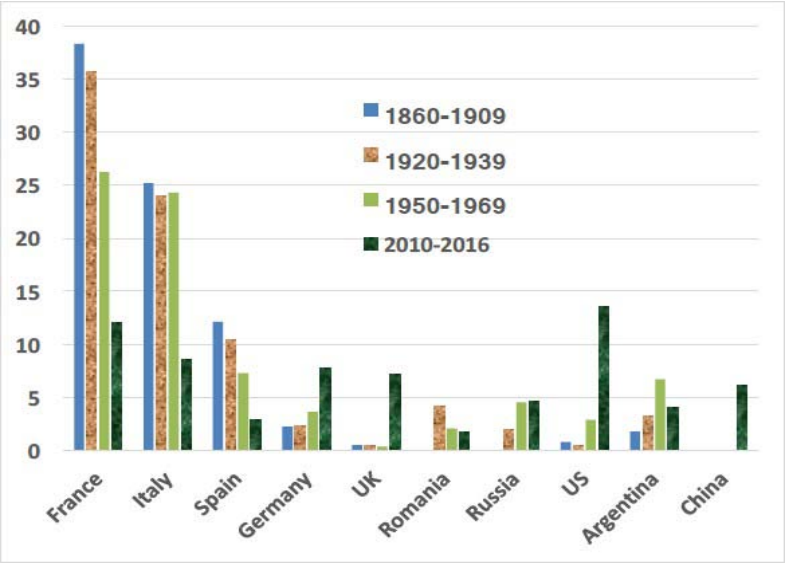
Chart 1: Share of World Wine,Production 1860 to 2016,%



Source: Global Wine Markets

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Chart 2: Share of world wine consumption,1860 to 2015,%



Source: Global Wine Markets

From charts we see that consumption and production decrease during the century, mainly because of development of substitute products. However current world production still consists of around 260 ml hectoliters (R. Woodard, 2016), which makes wine industry still big and attractive.

For discussing influences of e-commerce on wine consumers purchasing behavior, we need to specify characteristics of this behavior. Important to mention that market segmentation according to region, age, gender and level of income is generalized and behavior of the global consumer profile is taken into consideration. Factors of wine consumer behavior are (Perovic, 2014):

- Importance of tradition and uniqueness of country of origin and grape variety
- High involvement in purchasing process (inclined to choose wine independently by carefully studying front and back labels)
- Less price-elasticity (readiness to pay high price for high quality)
- Readiness for experiments (trying new offerings)
- Importance of health-related issues in wine (Shepherd and Sparks 1994)
- Importance of ethical image of wine company

For better analyses of influence of e-commerce and cryptocurrency on wine consumer behavior, article will correlate challenges associated with e-commerce and with cryptocurrency and factors of wine consumer behavior:

Challenges associated with e-commerce	Challenges associated with cryptocurrency
- Lack of physical evidence - High possibility of faking the product - Web-platform costs - Dependency on internet - Pressure for investments in technological renovations (modifying payment system with crypto- currencies).	- High price volatility - expected government regulations - ambiguous forecasts regarding crypto value - Privacy policy and security - High uncertainty avoidance
Factors of wine consumer behavior	
- Importance of tradition and uniqueness of country of origin and grape variety - High involvement in purchasing process (inclined to choose wine independently by carefully studying front and back labels) - Less price-elasticity (readiness to pay high price for high quality) - Readiness for experiments (trying new offerings)) - Importance of health-related issues in wine (Shepherd and Sparks 1994) - Importance of ethical image of wine company	

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As we see, important factors such as high involvement in purchasing process is in direct conflict with challenges like lack of physical evidence of e-commerce and strengthens high uncertainty avoidance challenge of cryptocurrensy. Importance of tradition and uniqueness emphasizes conservatism of wine consumers that might result in lack of flexibility when it comes to adaptation of new technologies such as cryptocurrency. High possibility of faking the product comes in conflict with importance of health-related issues in wine and Importance of ethical image of wine company, which itself is in direct link with privacy policy and security challenge of cryptocurrency. On the other hand, less price elasticity and readiness to experiment, create opportunities for the companies to provide attractive offers for wine consumers, together with other benefits of e-commerce such as 24/7 availability, possibility of comparison and pace of feedback.

IV. Conclusion

Based on discussions we can conclude that challenges and benefits associated with e- commerce and cryptocurrency create opportunities for positively influencing wine consumer behavior. This depends on proper analyses correlation of benefits and challenges of e-commerce and cryptocurrency and factors of wine consumer behavior. Promotion mix that involves improved CRM (Customer Relationship Management) expressed by interactive web-platforms and WOM (Word of Mouth Marketing), can realize above mentioned opportunities, especially when references play important role among wine consumers. Including ATL (Above the Line) techniques in promotion mix, such as outsourcing web-platform services will play important role in shifting consumer behavior.

Article was more from the business perspective rather than consumer one. Farther research concentrated more on consumers' perspective will be useful for better analyses of influence of e-commerce and cryptocurrency on consumer purchaising behavior.

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