Restaurants and BYOB: What Do Consumers Expect and Who Are They?
Nelson A. Barber, D. Christopher Taylor
University of New Hampshire & University of Houston, US
nelsonbarber@msn.com, dctaylor@central.uh.edu

Abstract
A complex situation has developed with the growth of wine knowledgeable consumers and the wine offerings of restaurants. Some consumers desire to bring their own wines to restaurants, and some restaurants allow this but charge a corkage fee. However, there has been no research to date that addresses consumer attitudes towards this practice. This study attempts to close the gap in understanding consumer acceptance of corkage fees. It is expected this will offer insights to wine professionals to know what consumers expect and what they will tolerate in making decisions about restaurant choice and how corkage fees could affect that choice.

Keywords: Corkage Fees, BYOB, Attitudes, Wine

INTRODUCTION
Most restaurant customers would never consider bringing personal food items such as their favorite cut of meat and asking the chef to cook it for them; yet bringing a favorite bottle of wine is sometimes possible and something some customers desire to do. A growing trend, and therefore an issue for the restaurant industry, is that many consumers search out restaurants with a friendly policy towards bringing your own bottle (BYOB). This desire may result from consumers seeking ways to save money, considering the high mark-ups often charged for wines, or it may be as simple as consumers wanting to share a special wine during a particular occasion, such as an anniversary, or simply to pair with the restaurant’s menu. As no previous studies have been conducted in this area, this study is important in helping to understand the consumer attitudes in this area.

Given the time and effort restaurant owners put into their wine programs (e.g., wine lists, staff training, investment in wines, etc.), it is understandable why many restaurants are not willing to allow consumers to bring their own wine, especially when consumers just want to bring a particular bottle of wine, or one that is already represented on the wine list. That said, to accommodate customer demands, some restaurants allow this practice and charge a fee to open the bottle, provide stemware, or buckets to chill white and sparkling wines, and to recover some of the income lost when customers do not purchase from the wine list. This fee, commonly known as the “corkage fee”, may be higher part to discourage the practice or a low. In either case, corkage is generally meant as a courtesy for customers.

As a result of conflicting reasons for charging or not charging a corkage fee, as well as consumer’s varying reasons for wanting to bring their own wines to restaurants, corkage fees and the ability to bring a bottle of wine into a restaurant has become a topic of debate and one that is not standardized across the industry. As a topic of debate, it frequently comes up on wine discussion boards and has been covered by almost every major magazine, newspaper, and wine website. While some consumers believe it is part of the “Diner’s Bill of Rights,” (Joseph, 2009; Sardone, 2012) many sommeliers and restaurateurs disagree. While the root of the conflict is partially agenda based between consumer’s interests and a restaurant’s desire to make profit, it is also about conflicting corkage practices which can be shaped by everything from state-wide laws to the prevalence of BYOB restaurants.

In the U.S., consumers who bring their own wine to restaurants charging a corkage fee is becoming quite common (Gold, 2006). This statement, however, is an unsubstantiated assertion by the restaurant industry, and with the exception of work performed in Australia by Bruwer and Nam (2010), Bruwer and Rawborne-Vijoen (2013) and Bruwer and Huang (2012), as no academic or industry studies has been identified. Clearly, further research is needed to help understand how consumers feel regarding bringing their own wine at restaurants, and the practice of charging a corkage fee.

The authors argue that corkage fees are not as accepted nor understood in the United States, as perhaps it is in Australia, and it is important to better understand what consumers know about corkage practices, their thresholds for acceptability and their willingness to be charged. What follows aims to provide further perspectives on these aspects.

Using data from a national survey, this study will look at consumers understanding of corkage fees, their preferences and experiences with restaurants and bringing a bottle of wine, what motivates them to feel compelled to bring a bottle, what they expect in return for the corkage fee and how much do they feel is a fair price to pay.

LITERATURE REVIEW AND RESEARCH QUESTIONS

Definitions and concerns
“Corkage fee” (also known as corkage) is a term used to describe the fee charged by a restaurant for opening and serving a bottle of wine brought to the establishment by the guest (Teague, 2011). Corkage fees were originally created to protect the restaurant from patrons who take advantage of BYOB practices, or even to simply make some extra cash when a restaurant did not hold a license to sell alcohol. Richard Rosenthal, chairman of the board of the Connecticut Restaurant Association explains, “People don’t understand that most restaurants rely heavily on their liquor sales to survive,” (Maker, 2009).
Today, these fees are under increasing scrutiny as the wine collections of individual consumers across the U.S. are becoming ever more popular. Oenophiles criticize restaurants for charging corkage fees on their treasured bottles of wine as a lack of sufficient offerings are available on restaurant wine lists. Others, such as James Laube, journalist for The Wine Spectator, writes "I have a nice collection and either [menu] list idea fees are too high or choices too limited" (Laube, 2009). Regardless of how specific individuals feel about these fees, it is important that we better understand how the average wine customer perceives them.

**History of Corkage Fees:**

Establishments that sell wine for on-site consumption, such as bars or restaurants, may allow patrons to bring their own wine and likely subject to a corkage fee. Such policies are generally regulated by local liquor control laws and licensing restrictions (Kolpan, Smith and Weiss, 2010). Reasons given as to why consumer wish to bring a bottle of wine to a restaurant, can include celebrating an occasion, the wine is not available in the local market or at the restaurant, or the consumer is aware of the retail prices of wines listed on the menu and refuse to pay the inflated prices charged. Regardless of the reason, restaurants have tried to capitalize on this phenomenon by imposing a corkage fee on wine brought to the restaurant.

Corkage fees have been around for quite a long time, however, in recent economic downturn there have been more restaurants embrace this offering. Elan (2009) states that “to keep sales flowing during the recession, more restaurateurs are letting guests bring their own bottles of wine to enjoy with meals, signaling a shift in the way many operators do business.” This is about both for operators to forgo some of their own income in order to remain appealing to “spending-sky customers,” who are now allowed to bring their own bottles of wine. Some restaurants have also lowered the corkage fees to be able to tackle this issue. Devon Siegel, the chief executive of Dininogo, states that it’s a real challenge for restaurant owners to compete with people who dine at their restaurants. It is also claimed that people like to enjoy nice meals, but are looking for ways to cut their costs and BYOB policy meet this need.

Corkage fees, if not properly monitored, may push customers to go to a different restaurant which offers lower or no fees. In an article published in the Bloomberg Businessweek, Spitznagel (2013) points out that at Per Se and Masa, two restaurants located in the New York’s Time Warner Center, customers are charged $90 and $95 respectively, for a waiter to open their wine. On one hand, these exorbitant fees may provide a nice profit to some restaurants; or it may pave the way for a new marketing strategy for some other competitors. For example:

- Frumkin (2004) suggests several fine dining restaurants have found that they can increase their appeal to customers by encouraging them to bring their own bottles of wine and waiving the fees involved.

- the Los Angeles based Patino Group which stopped charging those fees. The company uses this policy as a business strategy to attract more customers and build a relationship that can generate higher profits. In addition, the restaurant chefs are getting involved in the BYOB policy whereby they create personalized dishes for customers who bring their own wine.

- the Manhattan restaurant Montrachet, owned by the New York’s Myriad Restaurant Group, quit charging corkage fees on Mondays and this strategy boosted their sales by 40 to 50 percent.

- Perigord, a forty year old restaurant in New York; well known for featuring a wine list that features 170 bottles from around the world, also adopted the BYOB policy with great success. Because this restaurant has made their wine list the most powerful business tool with beverage sales accounting for 35% of the sales that the restaurant believes a well-planned BYOB policy is a great differential strategy to bring today’s value-minded diner as well as wine collectors looking for places to try their wine with food to the restaurant .” (Bryant, 2004).

The policy of “no corkage fees” does come with its own issues. Bryant (2004), for example, states restaurants could risk losing customers when they latter find out that the corkage fees are waived only on a specific day. The situation may become more embarrassing when a customer brings a bottle of wine to the restaurant, only to find out that BYOB is not applied that particular evening. Insisting on a corkage fee in these situations may result in poor referrals or intention to return or as, the author states encourage customers to try the wines being offered on the restaurant’s list.

Despite the challenges facing a BYOB policy, it remains a strong marketing strategy among restaurants, in particular the fine dining sector of the industry. In an interview conducted by Bryant (2004), Mattias Gustafsson, the co-owner of Madame Claude restaurant, highlights the fact that there is great value associated with corkage fees. He would much rather have a restaurant full of customers drinking wine and ordering plenty of food, instead of having about a quarter of the crowd who may not buy the wine owing to the associated high mark-up costs. According to Martin (2004), there are wines that are purchased for $29 and sold for $200. Customers are not willing to pay a restaurant mark-up on a bottle of wine they most probably already own at home or at the local wine shop. The author states that restaurants would lose customers if they prevented them from bringing their own wine.

The BYOB phenomenon not only caught the attention of restaurants that offer wine on their menu but was also embraced by restaurateurs who do not sell wine in their restaurant. According to Angelica Kitchen, the owner of a vegan restaurant, the restaurant does not sell a single drop of alcohol but all the BYOB policy provides a “financial draw.” She mentions that her restaurant’s main goal is to offer the patrons an unforgettable experience and that if the latter involves wine, she does not mind at all. In fact, the increase in the availability of organic and biodynamic wines has increased the popularity of the policy. Kitchen concludes that she does not plan to switch policies anytime soon because the BYOB policy forms part of the identity of her business (Bryant, 2004).

**How do state liquor laws influence this discussion?**

Despite the popularity of BYOB and corkage fees among consumers and restaurant owners, it is important to note some states have imposed corkage laws and consider this practice to be illegal. In the US, liquor, beer and wine sales vary from state to state. This in turns, forces corkage fees to vary depending on the location. Like most practices created in the aftermath of Prohibition, corkage laws are a jigsaw puzzle of one, contradictory and confusing rules that vary from state to state and even from town to town (O’Donnell & Taylor, 2011).

According to O’Donnell & Taylor (2011), there is a grey area in the law behind corkage in a few states. For example, Arizona, Maine, Delaware, Massachusetts, Vermont, Rhode Island and Maryland allow corkage only at restaurants with no liquor license. In states such as Louisiana, Illinois and Nevada, no such laws exist. However, it may be imposed at the discretion of the county, parish or municipal governments. As far as Oklahoma is concerned, restaurateurs who wish to apply for corkage need to sign up for a “bottle club” license and can only use the policy where by-the-glass service is illegal. Other states, including New Mexico do not allow restaurants to without licenses to serve wine brought by customers, and even those with licenses cannot allow consumer-owned wines to be served.

**Consumer motivation for bringing their own wines**

Restaurants have become notorious for the marking up of wine prices, both by bottle and by glass. James Laube explains that “when you dine out, you’re lucky if you can find a $50 Cabernet or Shiraz for less than $100” (Laube 2007). Restaurants are known for marking up their wines two to four times their cost. This compares to a typical markup of 35% in the retail setting. This can be a hard pill for consumers to swallow, especially when they see a wine that they typically pay $15 for at retail, being listed at $30-$50 on the restaurant wine list. Ironically, Bruwer and Nam (2010) did not find that this was the primary motivation for bringing their own wine.

Reducing price was a primary strategy for multiple functional reasons, such as celebrating special occasions, the restaurant not having a good wine list, or a lack of variety were much more important those in that study.

Other reasons have been discussed previously, but with growing wine collections, especially of the financial elite, being able to bring special or “trophy wines” to the best restaurants in the country, can be very appealing. However, Bruwer and Nam (2010) also found that for most of the subjects they studied, bringing a bottle from home as a trusted or well-liked wine was not a risk reduction strategy.
Purpose

Currently, research assessing consumers and their understanding and acceptance of corkage fees is very limited. This study, using a U.S. cross-national on-line survey, attempts to gain a better understanding of consumer’s preferences for corkage fees and the influence these fees have on their dining experience. To accomplish this, we propose the following research questions and the corresponding hypotheses:

RQ1: Do consumers feel strongly about BYOB and corkage fees at restaurants?
- H1: there are significant differences in the level of attitude toward BYOB and corkage fees.
RQ2: What are the accepted reasons for bringing a bottle of wine to a restaurant?
- H2: there are significant differences between consumer’s level of attitude and acceptable reasons for BYOB to a restaurant.
RQ3: Regarding BYOB:
- H3a: There are significant differences based upon level of attitude for the expected services provided by a restaurant for BYOB.
- H3b: How much would you be willing to pay as a corkage fee for these services.
RQ4: How do corkage fees influence the consumers dining experience?
- H4: There are significant differences based upon level of attitude between consumers and the influence corkage fees have their dining experience.
RQ5: How different are gender and age on the influence of BYOB and corkage fees on the dining experience, overall expectation of service, overall acceptance of BYOB and corkage fees, and the amount they are willing to pay for a corkage fee?
- H5: There are significant differences between consumer’s demographics and on the influence of BYOB and corkage fees on the dining experience, overall expectation of service, overall acceptance of BYOB and corkage fees, and the amount they are willing to pay for a corkage fee.

METHOD

Design of the study and sample

This study used an on-line survey posting the URL link on various food and wine related business web-sites across the U.S. The survey link went live in February 2012 and having collected nearly 5,000 responses the survey was closed in September 2012. After reviewing the responses for completeness, the final clean and usable participant responses were 4,886. Participants had three screening criteria in order to continue with the survey: 1) they had to be 21 years of age, 2) had to consume wine, and 3) consumed wine at a restaurant. If they responded no to any of these statements, they were directed to the end of the survey. Of the 114 respondents removed, 76 did not meet any or all of the three criteria.

Measures

After an introductory paragraph explaining the study, the questionnaire presented a series of statements regarding consumers attitudes toward restaurants BYOB and corkage fees, acceptance of BYOB practices, influence of BYOB and corkage fees on dining experience and overall expectation of services provided at BYOB restaurants (rated on a 5-point bi-polar type scale, see Table 1). From the development of the literature, it appears this study is the first to measure how corkage fees impact consumers dining experience in restaurants. The measures were created by the researchers with advice from other hospitality academics as well as from individuals in the restaurant and wine industries. These measures have not been tested in previous studies. The final section collected respondents’ demographics (age, gender, and level of income). For this study, each measure construct (fully described in the table) was subject to principal components factor analysis with varimax rotation, and reliability was tested using Cronbach’s alpha.

Cluster Analysis

The overarching objective of our study was to determine whether restaurant consumers differ in certain attributes according to their attitudes toward BYOB and corkage fees. For the first study objective, identifying consumer segments, we used two attitudinal measures as the cluster analysis variables. To determine the number of clusters, we adopted a two-step clustering procedure: 1) a hierarchical cluster analysis to identify the appropriate number of clusters, and 2) a K-means cluster analysis to provide further elaborative information on the cluster membership. With the absence of an objective criterion, Hair et al. (1998) suggested a trial process in which a number of cluster solutions are computed. The decision among the alternative solutions is then based on a priori criteria, practical judgment, common sense, and theoretical foundations (Berry and Gordon 1997; Hair et al. 1998).

Descriptive statistics

Table 1 presents the overall descriptive statistics. Forty-eight percent of the respondents were male and 52% were female. Twenty-nine percent of the respondents had annual household income of less than $60,000, while 17% had incomes of over $120,000. The average age of respondents was 44 years and they reported an average of 21 years consuming wine. Overall, the socio-demographic background of the respondents (middle-aged, educated, with higher incomes) mirrored the profile of wine consumers in a study conducted by Taylor et al. (2010).

Cluster Analysis Based on the Attitudinal Construct

We applied hierarchical cluster analysis to the data with the number of clusters initially varying from two to four. Following a review of the resulting options, we considered the three-cluster configuration the most suitable, as the group sizes were much better than the two- or four-cluster versions and substantial enough to show the likelihood of differences in actual attitudes. Using the K-means, resulting clusters were statistically different from one another, F(2, 4883) = 189.36, p < .00. We named the resulting clusters (1) “high attitude” (36% of total, n = 1756), (2) “moderate attitude” (30% of total, n = 1478), and (3) “low attitude” (34% of total, n = 1662). The high group had a strong attitude score of M = 4.9, while the low group’s score was M = 2.8.

Analysis of Research Hypotheses

We want to call attention to the following item: Attitude toward BYOB and corkage fees which were measured using three Likert-type items using a lead-in statement “When dining at a restaurant, I believe that . . .” with each capturing an element that characterized the consumers belief in BYOB and corkage fees.
We used analysis of variance (ANOVA) with the Scheffé post hoc criterion method to analyze the five research hypotheses (Hair et al. 1998). All six hypotheses were supported. The results of the ANOVA test indicate that numerous pairwise differences are significant. Table 1 displays a comparison for each attitude group. 

H3a proposed that, given their level of attitude, restaurant consumers will differ in their expected services provided by a restaurant for BYOB. High attitude respondents differed significantly from the other two groups, F(2, 4883) = 26.79, p < .05. They expect a restaurant that allows BYOB and charges a corkage fee to provide glassware (M = 4.9) and food pairing suggestions (M = 4.7), while low attitude did not (M = 3.9 and M = 3.9, respectively). Interestingly, although the groups did differ on whether restaurants that allow BYOB should charge a corkage fee, there were no differences between groups on the expectation of servers to open and pour the wine.

H3b proposed that, given their level of attitude, restaurant consumers will differ in their willingness to pay for a corkage fee. High attitude respondents differed significantly from the other two groups, F(2, 4883) = 33.52, p < .05. They were willing to pay a corkage fee (M = $17.50); while low attitude were only willing to pay (M = $1.00).

Finally, H4 proposed that, given their level of attitude, restaurant consumers will differ in the influence corkage fees have on their dining experience. High attitude respondents differed significantly from the other two groups, F(2, 4883) = 142.82, p < .05. They were not at all influenced by the charging of corkage fees (M = 1.4), while those with low attitude were highly influenced (M = 4.7). For the low group, the fact that the restaurant staff made them feel uncomfortable about bringing my own bottle of wine and that the restaurant did not make them aware of the policy of BYOB and corkage fees were the two strongest influences.

From the viewpoint of demographics, H5 was supported with significant differences between demographic variables. For example, females reported their dining experience was significantly more influenced by BYOB and corkage fees (M = 4.3) than were males (M = 2.1), with Millennial Generation dining experience significantly less influenced (M = 4.1) than Baby Boomers (M = 4.4) and Generation X (M = 3.2). Females were willing to pay significantly more (M = $13.25) for corkage fees than were males (M = $8.25), while Millennials, despite earning significantly less than the other three generational groups, they were willing to pay nearly as much as their Baby Boomer parents for corkage fees (M = $10.50).

DISCUSSION AND IMPLICATIONS

This study suggests that there are differences in attitudes toward BYOB and corkage fees, and that there are differences in attitudes toward acceptable reasons to bring your own wine to a restaurant. Furthermore, different attitude “levels” have different expectations for service when it comes to BYOB as well as what consumers are willing to pay. Next, the corkage fee, itself, seems to have an influence on consumer’s dining experience, depending on their attitudinal level. Lastly, demographic factors had a significant effect on all areas addressed in the study.

Through clustering the respondents, which were indicative of other wine studies, the investigators identified three distinct groups of respondent attitudes. The “high attitude” respondents seem to be those who not only are more willing to spend more on corkage, but are also have higher expectations when it comes to BYOB. In fact, this group found it acceptable for a restaurant to charge a corkage fee whereas the “low attitude” group found this practice to be less than acceptable. It is also interesting to point out that the “high attitude” consumer responses also suggest that they are not concerned whether they were made aware of a corkage fee, were provided wine service nor whether they were made uncomfortable about bringing their own wine, as the dining experience of this group was not influenced by corkage fee issues the same way it negatively impacted the moderate and low attitude respondents.

That said, restaurants may want to consider the impact that corkage fees have on these distinct groups. It may be that “high attitude” consumers are more knowledgeable about what to expect when it comes to BYOB, or that their self-confidence when bringing wine to a restaurant is higher. Therefore, perhaps the major take-away is that moderate to low attitude consumers need to be educated by the restaurant about services and service costs, if they are going to allow BYOB, so that this customer base is not alienated since these two group’s dining experiences are much more disaffected by the issue, than the “high attitude” consumers.

As for pricing strategies for corkage, the research points out that either “low attitude” consumers are not willing to pay more than $1 on average for BYOB, or that they need to be better educated on why the charge is higher, especially since this group expects the servers to open and pour their wine just like the other groups do.

Demographically, it is important to point out two interesting findings that could have future impact on restaurant decisions to charge, and what to charge, in the way of corkage fees. First, corkage fees had a bigger influence on a woman’s dining experience than it did on a man’s, yet women were willing to pay more for the fee than men. Next, Millennial dining experience was less influenced by the corkage fee issue than were Baby Boomers, yet they were willing to a similar corkage fee. This is a very interesting revelation that is going to be more important as the Millennials and women become much more significant to the restaurant and wine market.

LIMITATIONS AND FUTURE RESEARCH

As with any research, there are limitations that must be addressed. Most importantly, this was a self-reported survey with very little control over the sample that was responding. The researchers believe, however, that given the size of the sample and the fact that it is similar in demographics to other previous wine research, that the sample is robust enough to extrapolate to conclusions made.

From here the researchers believe that other dimensions of corkage acceptance should be addressed, including trying to better understand how involvement plays into acceptance of corkage fees. Further, it would be interesting to understand consumer expectations when it comes to dining out and thresholds for the costs associated with dining out. Ultimately, the researchers believe that this is a good start to understanding attitudes towards BYOB and corkage fees, but there are a good deal of other possibilities that could be influencing consumer understanding and acceptance of such.

©www.vdq.net/2014 Lyon - France
BYOB as a risk-reduction strategy (RRS) for wine consumers in the Australian on-premise foodservice sector: exploratory insights

Wine product involvement and consumers' BYOB behaviour in the South Australian on-premise market
J Bruwer, J Huang - Asia Pacific Journal of Marketing and Logistics, 2012 - Emerald Group Publishing Limited

The BYOB of wine phenomenon of consumers in the Australian licensed on-premise hospitality sector
J Bruwer, KH Nam - International Journal of Hospitality Management, 2010 - Elsevier

REFERENCES


Table 1. Respondent Profile (n=4886)

<table>
<thead>
<tr>
<th>Attitude</th>
<th>Overall</th>
<th>High (n = 1756)</th>
<th>Moderate (n = 1478)</th>
<th>Low (n = 1652)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude (H1)</td>
<td>4.0</td>
<td>4.9</td>
<td>4.0</td>
<td>2.8</td>
</tr>
</tbody>
</table>

ANOVA Testing (Post hoc results designated by p-value)

F (2,4883) = 189.36, p<.05

What are the acceptable reasons for consumers to bring a bottle of wine to a restaurant? (H2)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Male</th>
<th>Female</th>
<th>Millennial</th>
<th>Generation X</th>
<th>Baby Boomers</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>For personal enjoyment</td>
<td>4.4</td>
<td>4.3</td>
<td>4.4</td>
<td>4.6</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>To compare with the restaurant's selection</td>
<td>4.2</td>
<td>4.1</td>
<td>4.3</td>
<td>4.5</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>To enjoy a specific wine</td>
<td>4.1</td>
<td>4.0</td>
<td>4.1</td>
<td>4.3</td>
<td>4.5</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Table 2. Respondent Demographics (n = 4886) (H)

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
<th>Millennial</th>
<th>Generation X</th>
<th>Baby Boomers</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Income</td>
<td>$65,250</td>
<td>$71,250</td>
<td>$64,750</td>
<td>$59,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: * = looking across rows with in each demographic variable (e.g. gender), means with different letters are significant at p<.05.