PUT A CORK IN IT: ATTITUDES TOWARD CORKAGE FEES IN BYOB SITUATIONS PILOT STUDY

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Refresher – US Liquor Laws

In 2008 we discussed the issues with US laws related to liquor (wine in particular).

Basically, after prohibition in the 1930’s, the federal government transferred all control of manufacture, distribution, and sale to the states to administer as they determined appropriate – thus today 50 different legal systems.

BYOB is part of this legal issue..........

Per Se is proud to present a collection of fine wines from around the world.
We welcome the opportunity to assist you with your selection.
We are pleased to offer wine service for bottles not represented on our list for a $150.00 fee per 750ml of wine.
This service is limited up to the equivalent of 3 standard bottles.

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 flow when a restaurant did not hold a license to sell alcohol.
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 U.S. restaurant industry, is that many consumers search out restaurants with a friendly policy towards bring your own bottle (BYOB).

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 still the BYOB policy provides a “financial draw.”

Corkage fees, if not properly monitored, may push customers to go to a different restaurant which offers lower or no fees. 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 bringing their own wine, especially when consumers just want to bring a “common” bottle of wine, or one that is already represented on the wine list.

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 $150 (110 Euros) and $95 (70 Euros) respectively, for a waiter to open their wine.
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).

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.

Either way, bringing your own wine to a restaurant is potential growth demand of consumers.

While some consumers believe it is part of the "Diner's Bill of Rights," (Joseph, 2009; Sardone, 2012) many sommeliers and restaurateurs disagree.

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.

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 bans and consider this practice to be illegal.

In the US, liquor, beer and wine laws vary from state to state. This, in turn, forces corkage fees to vary depending on the location.
How do state liquor laws influence this discussion? - Continued

A Wine Spectator survey of all 50 states, plus the District of Columbia and Puerto Rico, found that 25 of these allow corkage in restaurants with a license to sell wine; some also permit the practice in unlicensed restaurants, though individual municipalities—and, of course, individual restaurants—can often elect to outlaw or limit the practice. Fifteen states forbid corkage outright, and an additional 12 have more convoluted regulations. 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. 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.

Study - We argue that corkage fees are not as accepted nor understood in the United States and it is important to better understand what consumers know about corkage practices, their thresholds for acceptability and their willingness to be charged. 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.
To accomplish this, we propose the following research questions and the corresponding hypotheses:

- Do consumers feel strongly about BYOB and corkage fees at restaurants?
- What are the accepted reasons for bring a bottle of wine to a restaurant?

Regarding BYOB:

- RQ3a: What services do you expect when you bring your own bottle?
- RQ3b: How much would you be willing to pay as a corkage fee for these services?

- How do corkage fees influence the consumers dining experience?
- How different are gender and age on the influence of BYOB and corkage fees on the dining experience, overall expectation of services, 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 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 consumer 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 regarding 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, see Table 1).
Analysis

Simple descriptive statistics, analysis of variances, reliability, and confirmatory factor analysis were performed.

To test the research questions, analysis of variance (“ANOVA”) was performed with the psychographic antecedents and consequences as dependent variables, with expressed purchase intention (categorical variable) as the independent variable.

Post hoc pairwise comparison testing was performed if any of the ANOVAs were significant using the Scheffé method.

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. Further, 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.
A major take-away from the study suggests that restaurants may want to consider the impact that corkage fees have on the distinct groups in that moderate to low attitude consumers may 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.