Tourism Marketing Strategies Between Wineries Based on Size or Location

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Purpose

This study examined the relationship in off-site and on-site marketing strategies based upon winery size and location.
United States Wine Production

Gallons of Wine:
California 89%
Washington 3%
New York 2%
47 States 5%

Total # of Wineries 5345
California 2750 51%
Texas 120
Connecticut 20
Production & Marketing Issues

Small wineries must contend with virtually the same production issues that larger wineries face.

From cultivation of the grapes to fermentation of the juice and finally bottling of the product, large or small the process is the same.

Furthermore, small wineries face even a tougher challenge than the larger wineries in how to get their product to market.
Marketing Issues

1. Expensive/less profitable - Three-tiered system of distribution: producer, wholesaler/distributor, retailer = consumer
2. Unavailable - Consolidation of wine distributors
3. Direct shipments – Intrastate and interstate wine sales are complicated and costly: paperwork, licensing, fees
Cellar Door Sales

Easy and quick

SALES

and

PROFITABLE
Urban vs Rural Location

Compete for same tourist dollars.

Characteristics are dissimilar:

- Rural wineries are generally located in picturesque locations
- Urban wineries have access to a large employee pool and are located near cultural centers
Marketing Strategies for Small Wineries

On Site Motivators

and

Off Site Motivators
Marketing Strategies for Small Wineries

On Site Motivators

- **Collecting**: wine and wine products
- **Education**: wine producing and tasting
- **Food and Wine**: total “experience”
- **Location**: vineyard “experience” and special event settings
- **Guest Relations**: loyalty programs
Marketing Strategies for Small Wineries

Off Site Motivators

- Alliance marketing and Partnerships: other wineries and related businesses – restaurants, hotels, retail shops
- Wine Trails
- Festivals
Hypotheses

H1: There is no relationship between size of winery and attendance at wine festivals.
H2: There is no relationship between type of winery and attendance at wine festivals.
H3: There is no relationship between size of winery and use of partnership/alliance marketing strategies.
H4: There is no relationship between type of winery and use of partnership/alliance marketing strategies.
H5: There is no relationship between size of winery and educating its employees.
H6: There is no relationship between type of winery and educating its employees.
H7: There is no relationship between size of winery and its location.
H8: There is no relationship between type of winery and its location.
H9: There is no relationship between size of winery and offering food and/or wine pairing information.
H10: There is no relationship between type of winery and offering food and/or wine pairing information.
H11: There is no relationship between size of winery and offering wine paraphernalia.
H12: There is no relationship between type of winery and offering wine paraphernalia.
Methodology

At the time of this study, there were 20 wineries in the state of Connecticut and over 120 in the state of Texas.

Each winery in the state of Connecticut was asked to participate in this research study.

A convenience sample of 25 Texas wineries was selected from those wineries attending the 2007 Texas Wine Growers Association Annual Conference in Houston, Texas.
Methodology

A questionnaire was developed consisting of two parts and contained 27 questions. The questionnaire used closed-end objective yes or no questions.

Part one of the questionnaire contained 7 questions intended to create a profile of the winery, such as the number of cases of wine produced, population of the town in which the winery is located, and the proximity to other tourist attractions.

Part two of the questionnaire contained 20 questions designed to specifically determine the methods of on-site and off-site marketing strategies currently used.
Methodology

To test the twelve hypotheses, a Pearson's chi-square test was performed.

This test is the most common type of chi-square significance test and is used in behavioral sciences for nonparametric tests.
### ANALYSIS/RESULTS

Table 2. Winery Characteristics

<table>
<thead>
<tr>
<th>State</th>
<th>Town Population (Range)</th>
<th>Gallons Produced (Range)</th>
<th>Percentage of Tourists From</th>
<th>In State</th>
<th>Another State</th>
<th>Another Country</th>
<th>Located near a Tourist Attraction</th>
<th>Percentage of Wineries That are Part of Wine Trail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>1,200 – 1,500,000</td>
<td>1,500 – 60,000</td>
<td></td>
<td>82%</td>
<td>15%</td>
<td>3%</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>(n=20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connecticut</td>
<td>3,300 – 38,000</td>
<td>250 – 40,000</td>
<td></td>
<td>78%</td>
<td>19%</td>
<td>3%</td>
<td>70%</td>
<td>100%</td>
</tr>
<tr>
<td>(n=15)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combined</td>
<td>1,200– 1,500,000</td>
<td>250 – 60,000</td>
<td></td>
<td>80%</td>
<td>17%</td>
<td>3%</td>
<td>49%</td>
<td>71%</td>
</tr>
</tbody>
</table>

Fifteen of the 20 Connecticut wineries and 20 of the 25 Texas wineries selected responded to the questionnaire.

Results show the majority of tourists are residents of that state; a small % is from another state and very few are from another country. Distinct differences in location near a tourist attraction and being part of a wine trail are noted, but are not included for analysis in this study.
ANALYSIS/RESULTS

<table>
<thead>
<tr>
<th>State</th>
<th>Wholesale Distributor</th>
<th>Through Mail Order</th>
<th>At the Winery</th>
<th>Through the Web Site</th>
<th>Direct to Retail Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas (n=20)</td>
<td>40%</td>
<td>72%</td>
<td>100%</td>
<td>80%</td>
<td>68%</td>
</tr>
<tr>
<td>Connecticut (n=15)</td>
<td>30%</td>
<td>10%</td>
<td>100%</td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>Combined</td>
<td>35%</td>
<td>54%</td>
<td>100%</td>
<td>63%</td>
<td>77%</td>
</tr>
</tbody>
</table>

Note. Combined results calculated as a simple average.

Traditional three-tier distribution is used by only 35% of the wineries.

All of the wineries sell wine at the winery and 77% sell and deliver their wine directly to retail establishments. However, while both states have liquor laws that allow wineries to sell directly to retail establishments, only 68% of Texas wineries took advantage of this strategy.

While all wineries maintain a web site, only 63% of the wineries used this method to sell their wine, with wineries in Connecticut using this marketing tool less (20%) than those wineries in Texas (80%). Mail order sales reflect similar disparity in sales with Connecticut at 10% and Texas at 72%.
Table 4. Results of Hypotheses Testing Based Upon Size of Winery

<table>
<thead>
<tr>
<th>Off-Premises</th>
<th>Wine Festivals</th>
<th>On-Premises</th>
<th>Wine Paraphernalia</th>
<th>Education</th>
<th>Culinary &amp; Pairing</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined</td>
<td>94%</td>
<td>77%</td>
<td>86%</td>
<td>30%</td>
<td>63%</td>
<td>54%</td>
</tr>
<tr>
<td>Large (n=15)</td>
<td>92%</td>
<td>67%</td>
<td>92%</td>
<td>10%</td>
<td>25%(^a)</td>
<td>67%</td>
</tr>
<tr>
<td>Small (n=20)</td>
<td>96%</td>
<td>83%</td>
<td>83%</td>
<td>39%</td>
<td>83%(^b)</td>
<td>47%</td>
</tr>
</tbody>
</table>

Note. Percentages with different subscript letters differ significantly at \(p<.05\).

In determining the results for the hypotheses testing of winery size (\(H_1, H_3, H_5, H_7, H_9\) and \(H_{11}\)), the respondent wineries were classified by the number of gallons of wine produced annually. 7,700 gallons was used as the small/large cut-off. (Mean # of gallons produced and reflected in the spread of the data as a natural cut off.)

The results showed that hypothesis nine (\(H_9\)), which tested size and culinary and pairing, had the only significant relationship.

As indicated in Table 4, only 25% of large wineries offered food or wine and food pairing to their customers, compared to 83% for smaller wineries.
A significant relationship existed between the size of a winery and the use of the food and wine pairing experience as a tourism marketing strategy, with the smaller wineries showing greater use of this marketing tool.

It may be that small wineries feel the need to increase their offering by providing food or that it is an example of the “passion” often seen in the small winery.

Larger wineries might increase visitor traffic by adopting a similar approach....either by offering food provided by a local restaurant at the winery or facilitating the food/wine connection after the winery visit is complete with recommendations, directions, special offers to local eateries.
ANALYSIS/RESULTS

Table 5. Results of Hypotheses Testing Based Upon Location of Winery

<table>
<thead>
<tr>
<th></th>
<th>Off-Premises</th>
<th>On-Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Partnerships</td>
<td>Wine Festivals</td>
</tr>
<tr>
<td>Combined</td>
<td>94%</td>
<td>77%</td>
</tr>
<tr>
<td>Urban (n=20)</td>
<td>95%</td>
<td>75%</td>
</tr>
<tr>
<td>Rural (n=15)</td>
<td>93%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Note. Percentages with different subscript letters differ significantly at p<.05.

In determining the results for the hypotheses testing of winery type (H₂, H₄, H₆, H₈, H₁₀ and H₁₂), the respondent wineries were placed into two groups by population of the town (10,000 as cut-off) in which they are located (Census Bureau, 2004).

The results of hypothesis (H₆), which tested location type and education, showed a significant relationship.

As indicated in Table 5, 49% of urban wineries reported a higher level of trained employees and offered educational information to their customers compared to 7% of rural wineries.
CONCLUSION

A significant relationship existed between the location of a winery and using education as a tourism marketing strategy, with the urban wineries utilizing this marketing tool more than rural wineries.

Access to a larger employee pool may account for the difference or it could be the result of the rural winery opting to present a different, more pastoral setting...the “country experience” of vineyard walks, picnic areas and scenic views.

Small wineries may benefit from investing in employee training to heighten the customer’s educational experience with tasting techniques and wine making information.
CONCLUSION

The importance of these results shows that while each winery has the ability to use a myriad of marketing tools to attract the ever-increasingly important wine tourist, no one winery uses all the tools available.

Clearly, there are numerous opportunities for each winery to capitalize on the wine tourism market. For example only 77% of the wineries attended wine festivals, with the larger and urban wineries attending less than the smaller and rural wineries.
CONCLUSION

As the evolution of the United States wine industry continues, one can expect to see even more consolidation in the market with the possibility of small wineries being absorbed into the larger companies, where consolidation reaps substantial rewards for the larger winery.

Given that the small rural wineries have meager production and that the quality is probably below par for an emerging giant in the industry, it is expected that a number of small wineries will not be deemed desirable.

The issue, then, becomes one of self preservation for the small winery. Retaining and capitalizing on the wine tourism market is essential.

While, each winery, large or small, has different business goals, and different developmental needs, the use of tourism as a marketing tool may not fit into every winery marketing strategy.
Questions?