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Winery Collaboration

Survey of Wineries and Non-winery Tourism Businesses in 25 Emerging Wine Regions

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Background and Rationale: The success of wine regions, and individual wineries, is dependent upon effective collaboration among wineries, and between wineries and non-winery tourism businesses. Previous research has shown that this is especially true for newer wineries and for emerging wine regions where there tends to be less experience among growers, winemakers and winery business owners. In such cases, collaboration can speed up the learning curve for the less experienced. Despite the importance of collaboration, few studies have investigated collaboration in the wine industry, and even fewer have examined collaboration between wineries and tourism businesses.

Treatments: Wineries and tourism businesses that operate in emerging wine regions were targeted to survey. The targeted tourism businesses included destination marketing organizations, restaurants, hotels and motels, bed and breakfasts, tour operators, and recreation providers. Data related to the collaboration that takes place in the region was collected via online surveys. The wording of the survey items varied slightly to be relevant for each business type, and the surveys included the following sections:

- Motivation to collaborate
- Collaboration participation
- Areas of collaboration
- Barriers to collaboration
- Return on investment of different collaborative initiatives
- Perceived value of the wineries to the tourism destination

Methods: Data collection and analysis is still ongoing, but to date, 25 emerging wine regions in the U.S. were selected using stratified random sampling in order to ensure geographic dispersion of the regions. The relevant wineries and tourism businesses within each region were identified via online searches, and were then contacted via email and asked to participate in the study by completing a questionnaire. Those who did not complete the survey after the first email were sent up to two more reminder emails. To help better understand some of the more interesting results, follow-up phone calls were conducted with certain types of organizations.

To evaluate the motivation each party has to participate in different types of collaborative initiatives, this research was guided by two recognized theories well-known in sociology and management. The first is Social Exchange Theory, which states that each party in a relationship is likely to maintain that relationship if the costs of doing so outweighs the benefits more than other alternatives. Another theory, Expectancy Theory, helped to evaluate the motivation of different parties to collaborate by 1) examining each party's confidence that a given collaborative initiative will result in positive outcomes;

and 2) evaluating the extent to which each party values those positive outcomes. Understanding collaboration in these ways is important to understanding why different parties may or may not invest resources in a given collaborative initiative, and can help the wine industry better manage collaboration in a way that will maximize results for all participants in way that are most valuable to each.

Results:

Tasting Room Survey- Selected Highlights.

A total of 923 organizations were contacted and asked to complete the surveys and a total of 332 surveys were completed. Response rates varied greatly by organization type ranging from restaurants with only a 19% response rate and bed and breakfasts responding at a rate of 53%.

The surveys produced a significant amount of results, however only the most interesting will be reported here.

Winery-to-Winery Collaboration

Wineries felt strongly that collaboration with other wineries was important to the success of their wine region. Wineries were also asked about the extent to which they collaborate with other wineries and with non-winery tourism organizations. Wineries reported that they collaborate more often with other wineries than with non-winery tourism organizations, but also indicated that collaboration with other tourism organizations is more important to the success of their wineries.

Wineries were also asked about the different types of collaborative initiatives in which they participate with other wineries, and the return on investment (ROI) of those initiatives. The second column of Table 1 shows the percentage of wineries that indicated that they had participated in the listed type of collaborative initiative in the past three years. The third column shows the ranking of Return on Investment of each initiative.

Wineries were asked about the benefits they experience from collaborating with other wineries and reported that ROI on marketing and improved visitor experiences were the most frequently experienced benefits of collaboration. Both of these benefits were also rated as the most important benefits to the success of the winery.

Table 1. Participation and Reported ROI in Winery-to-Winery Collaboration.

Collaborative Initiative	% of Wineries That Collaborate	Winery Return on Investment Ranking
Sharing Equipment	51%	1
Wine Trails	95%	2
Cross Promotion	82%	3
Funding/Producing Promotions	59%	4
Events Festivals	93%	5
Purchasing Supplies	64%	6
Signage	45%	7
Wine Quality Improvement	80%	8
Bottling	36%	9
Funding Research	27%	10
Participating in Research	55%	11

Winery Collaboration with Non-winery Tourism Organizations

Wineries were asked about the non-winery tourism organizations with whom they collaborate. As Table 2 shows, Destination Marketing Organizations are the tourism organizations with whom wineries are mostly likely to collaborate, and other food and beverage providers (such as breweries, bakeries, cheese shops, etc.) were the organizations least collaborated with.

Table 2. With which tourism organizations do wineries collaborate?

Tourism Organization Type	% of Wineries Reporting Collaboration
Destination Marketing Organizations	77%
Restaurants	73%
Bed & Breakfasts	71%
Hotels and Motels	70%
Tour Operators	68%
Retailers	57%
Non-Grape Agri-tourism	56%
Recreation Providers	53%
Other Food and Beverage	50%

In order to understand their potential motivation to collaborate with wineries, tourism organizations were asked about the value of wineries to their tourism destination. A number of questions asked about the presence of wineries in the region and the extent to which the wineries: 1) were good for success of the tourism organization completing the survey; 2) improved the tourism destination; and 3) improve the overall experience for tourists to the region. These three questions were then indexed and scored with 30 as the highest score. As Table 3. shows, while destination marketing organizations and bed and breakfasts valued the presence of wineries, restaurants and hotels/motels did not value the presence of wineries nearly as much. This is surprising especially given the results of the tasting room visitor survey conducted as part of the Northern Grapes Project by Holecek and McCole. The results of that study showed that in Michigan, 65% of tasting room visitors were traveling as part of an overnight trip, and 57% of people had traveled at least 100 miles to get to the wineries. Moreover, each spending unit that visited the winery spent an average of \$780, most of which was on lodging and restaurants.

Table 3. Perceived value of wineries to the destination

DMO's	B & B's	Tour Operators	Rec. Providers	Hotels & Motels	Restaurants
30	28.5	26.1	25.9	22.0	21.5
Note: Scores range from 0 to 30, with 30 showing the highest level of perceived value					

Follow up interviews with wineries, restaurants and hotels/motels offer some insights to these surprising results. Many wineries and restaurants tend to limit their potential collaboration to the restaurant as a distributor of a winery's wines. Often times, wineries are frustrated that restaurants are reluctant to serve (or promote) their wines. Many restaurants, on the other hand, have a lower opinion

of the local wines compared to wines from more respected wine regions. Moreover, because of economies of scale and the need to cover their winemaking costs, most wineries in emerging areas are not able to sell their wine to restaurants as cheaply as restaurants can buy wines with a higher perceived quality. This means that the mark-up on each bottle of wine the restaurant sells is not nearly as high for local wines as it is for wines produced by large wineries in places such as California, Oregon, South America, Australia or Europe. It is therefore no wonder that restaurants do not place as much value in their collaboration with wineries as wineries do. Wineries benefit significantly more from this type of collaboration. Most restaurants interviewed did not seem to recognize, until prompted, that they had benefitted from the wineries by seeing increased traffic from people touring the area in order to visit tasting rooms. Instead when they were asked about the value of the wineries to the destination, they seem to focus on being pestered by the wineries to sell their wines rather than on the increased visitation to the region and their restaurants.

There seemed to be a different reason for the lower perceived value of wineries among hotels and motels. Few of these seemed to know how many of their guests were there primarily to visit the wineries. When provided with the results of the Holecek/McCole tasting room study, most hotels and motels were surprised to learn how many tasting room visitors were part of an overnight trip and how many indicated that the wineries were a major reason for their visit to the area. It is possible that because, with the exception of organized tours, wine tourists tend to travel in small groups, and because hotels and motel managers often do not interact with guests unless there is a problem, they may not realize how many of their guests are there to visit the wineries. Bed and breakfast on the other hand valued the presence of wineries, but the owners of these typically interact with their guests on a regular basis and are therefore more likely to understand the level of tourism activity generated by the wineries.

Lessons Learned: The results of this study offer several lessons to help guide wineries' collaborative efforts. These include:

1. Place efforts on the collaborative efforts that are most likely to provide the greatest motivation to the needed participants.
2. Need to instill confidence in potential participants that the collaborative effort will result in positive outcomes.
3. Take time to find out what might be important to each party needed in the collaboration
4. Take into consideration what is important to each participant (and communicate the benefits they might not be thinking about)
5. Consider a relationship where participants invest (time and effort) in proportion to the extent they are likely to benefit.