



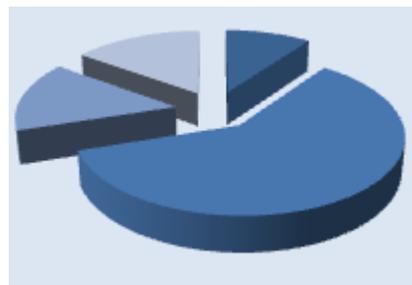
# Great Wine Capitals

Global Network ...a World of Excellence

## GREAT WINE CAPITALS GLOBAL NETWORK 2012 MARKET SURVEY

The 2012 Great Wine Capitals Global Network Survey aims at measuring **the impact of Tourism Strategies and regional factors on the performance of the wine tourism business.**

Its long-term goal is to create and provide a quality and performance benchmark that showcases the potential and success of the Networks capitals. The most significant results of the 2012 survey are summarized in the following.



2012

## EXECUTIVE SUMMARY

### IMPACT OF TOURISM STRATEGIES AND REGIONAL FACTORS ON THE PERFORMANCE OF THE WINE TOURISM BUSINESS

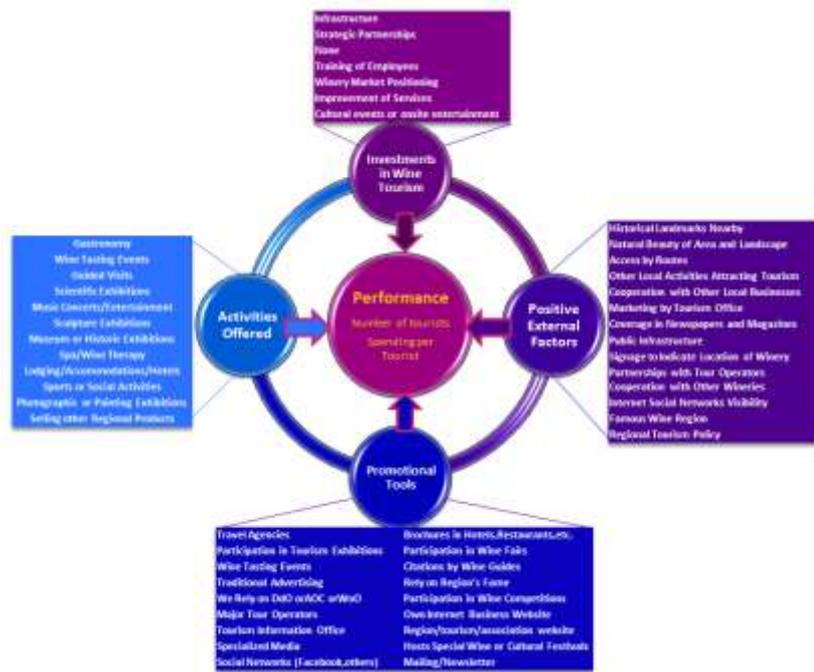
This summary report highlights the wine tourism performance in 5 of the 9 GWCGN capitals for the year 2011. We collected data from the GWCGN wineries during the summer of 2012. The number of survey responses per city is shown below.

GWCGN CITIES	RESPONSES
Bordeaux	95
Mainz- Rheinhessen	35
Florence	24
Mendoza	15
Porto	12
Cape Town	5

Given the low response rate in several capitals, we could not analyze the results *capital by capital*, as the statistical results would not be meaningful. Instead, we chose to split the sample into two main groups **Group 1: Mendoza, Mainz, Florence, Porto and Cape Town** and **Group 2: Bordeaux**. This choice was dictated by the fact that in doing so, we obtained two samples of nearly equal size. The validity of the results shown in this report is to a certain extent limited by the representativeness of the sample that is weak for Group 1. Whenever appropriate for the validity of the analysis, we also grouped capitals in **Group 3: Mainz, Firenze and Porto**.

### FACTORS CORRELATED WITH WINE TOURISM PERFORMANCE

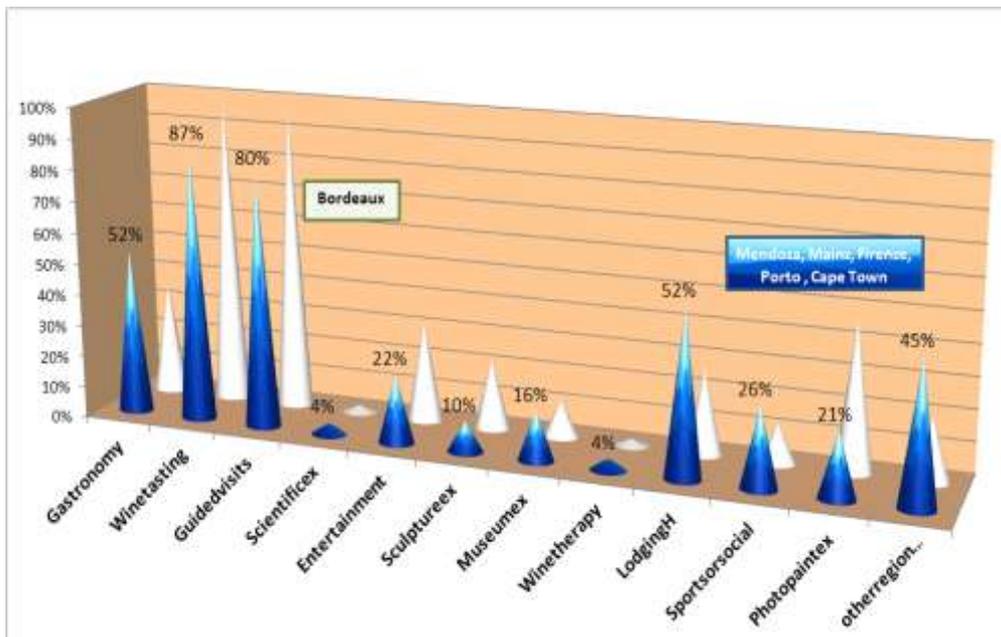
We surveyed the factors that are candidates to explain or at least correlate with wine tourism performance. The graph below describes the 4 main factor categories: Investments in Wine Tourism, Activities Offered, Promotional Tools and Positive External Factors.



**WINE TOURISM ACTIVITIES AND TOP SOURCES OF PROFITS**

▪ **Spectrum of Wine Tourism Activities**

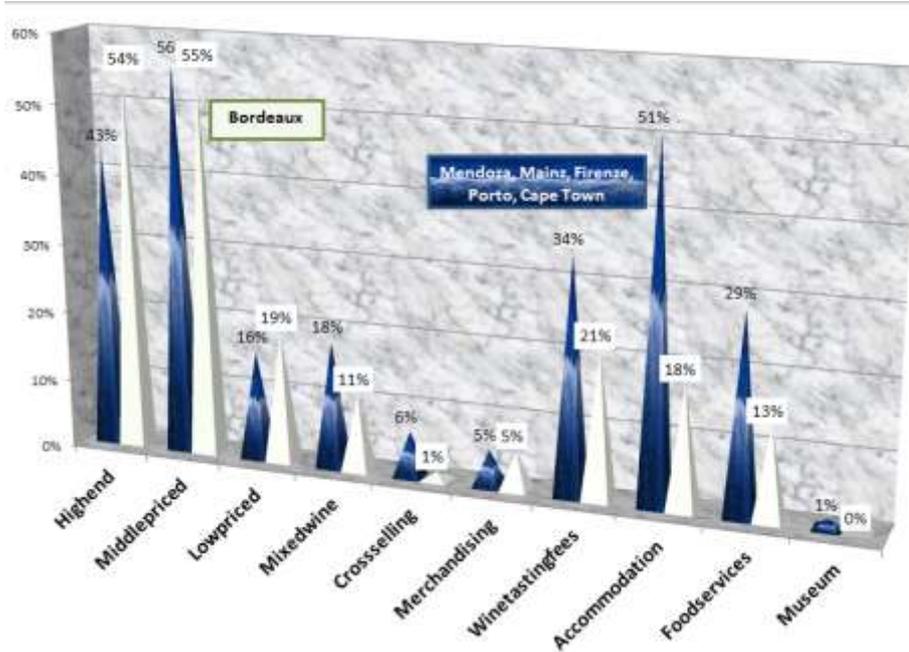
Wine sales constitute the lion’s share of wine tourism sales. Food and other services occupy a more important position among Group 1 capitals (M, M, F, P, CT) at about 24% of sales vs. Bordeaux only at 9%. Most wineries in the sample offer wine tasting and guided visits as the main touristic activities. Group 1 capitals tend to offer more lodging activities and cross-selling of other regional products, than Bordeaux region wineries. On the other hand, Bordeaux wineries consider arts (painting and photo) exhibits and entertainment activities such as concerts relatively more important.



▪ **Top Sources of Wine Tourism Profit**

According to the wineries’ answers testifying to this, the top sources of profits are first and foremost from *High-end* and *Middle priced* wines.

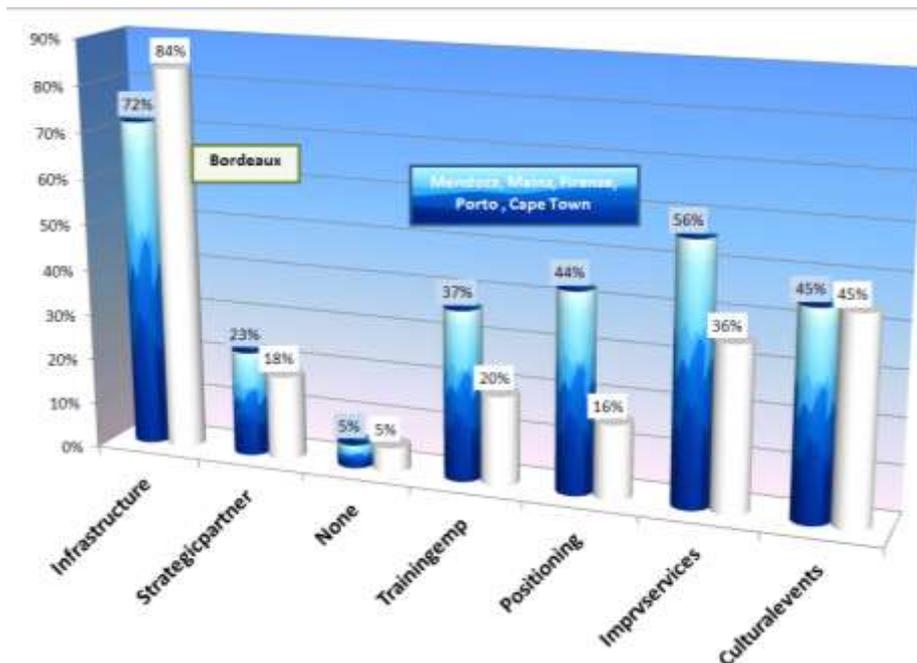
Wine tasting fees, Accommodations and Food services appear to represent bigger profit centers for Group 1 capitals (M, M, F, P, CT) as compared to Bordeaux wineries. For Group 3 capitals (Mainz, Firenze, Porto) the contrast is even more pronounced, with a greater emphasis on Accommodation.



**WINE TOURISM INVESTMENTS AND MARKETING**

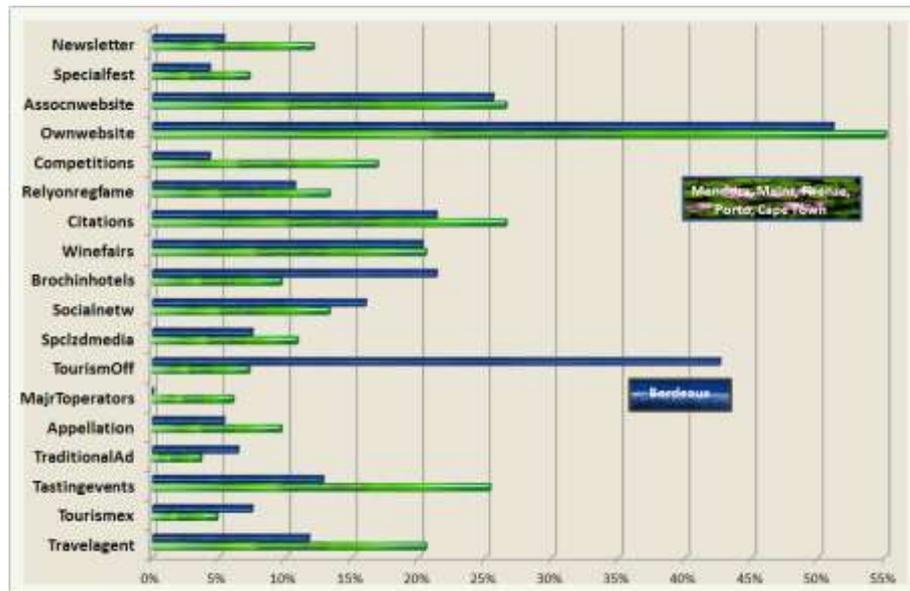
■ **Investments in Wine Tourism**

Most wineries report that their main investment has been in *Infrastructure* since they started their wine tourism business. Group 1 wineries put more emphasis on investing for *Improving Services*, brand *Positioning* and *Training of Employees* than their Bordeaux counterparts. Bordeaux wineries answer that they have put more emphasis on *Infrastructure* investments. Investing in *Cultural events* is the second largest category for Bordeaux wineries. Interestingly, Group 1 wineries give the same percentage response for this category as Bordeaux wineries.



### ■ Top Marketing Tools Used

By far, the top marketing tool used across the sample is a winery's *Own Website*. However, it is clear that this category is not necessarily their most effective tool or where wineries deploy the most resources. Interestingly, *Tourism Office* comes in second position, but this is because Group 2 (Bordeaux) wineries tend to overwhelmingly answer that the tourism office is one of the top marketing tool they use, by contrast with wineries in Group 1. *Tasting Events, Travel Agents, Wine Competitions* and *Newsletters* appear to be marketing strategies that are used more intensely by Group 1 wineries.



## EXTERNAL FACTORS CONTRIBUTING TO SUCCESS IN WINE TOURISM

### ■ Positive External Factors for Business

We asked the wineries what factors outside of the purview of their business they consider as helping the most. The dominant response is the goodwill capital generated by the brand reputation of the wine region (*Famous Wine Region*). The Bordeaux sample puts a heavier emphasis on that category and on *Marketing by Tourism Office*. *Signage* and *Easy Access* also receive a premium from the French group. On the other hand, Group 1 capitals put a greater relative emphasis on *Natural Beauty*, and *Partnership with Tour Operators* as well as *Regional Tourism Policy*, as factors that contribute the most to help their business.

### ■ External Factors Perceived as Impeding Business

The survey also asked which external factors impede business the most. The most important factor there appears to be the *No Signage* factor; that is, the absence of proper signage to indicate the location of the winery. Overall, *Public Infrastructure* and *No Easy Access* show up in strong position as limiting factors. Group 1 capitals are relatively more focused on the lack of *Public Infrastructure*, whereas the Bordeaux sample directs its concern more intensely towards the *No Easy Access* factor. Interestingly, the factor *Regional Tourism Policy*, on balance seems to be perceived as a limiting factor by Group 1 wineries.

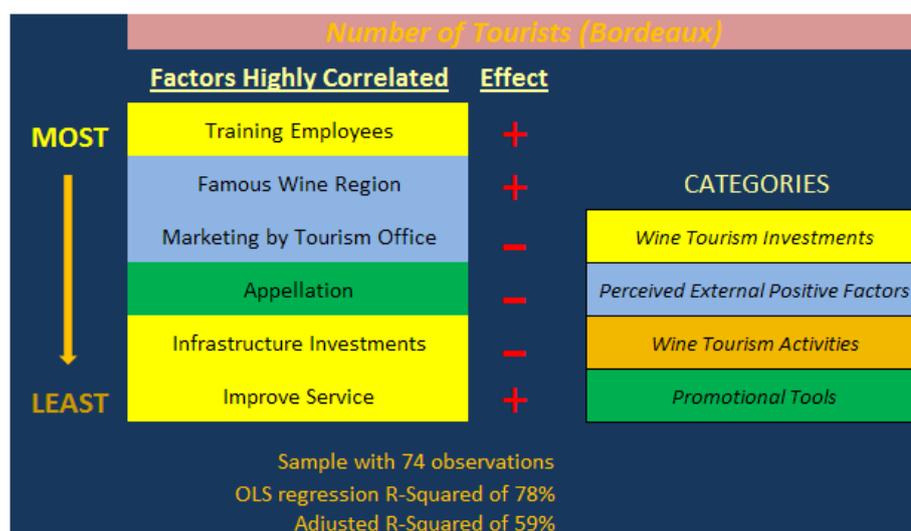
## TOURISTS CHARACTERISTICS

	AGE DISTRIBUTION		WOMEN vs. MEN		Locals & Nationals vs. Foreigners	
Whole Sample	Less than 35	15%	Women	33%	Locals	18%
	Between 35 and 55	48%			Nationals	45%
	More than 55	37%	Men	67%	Foreigners	37%
Mendoza, Mainz, Firenze, Porto, Cape Town	Less than 35	12%	Women	24%	Locals	17%
	Between 35 and 55	44%			Nationals	42%
	More than 55	44%	Men	76%	Foreigners	41%
Bordeaux	Less than 35	17%	Women	43%	Locals	19%
	Between 35 and 55	51%			Nationals	48%
	More than 55	32%	Men	57%	Foreigners	33%

The table above illustrates the basic characteristics of the average visitor. The features are that the vast majority of visitors are males (67%) and above 35 years old. In particular, the category of persons between 35 and 55 years old dominates. A large percentage of visitors are nationals (45%). Between groups 1 and 2, we see that visitors to French wineries tend to be older and are comprised of a larger percentage of women. Fewer foreigners come visit the Bordeaux wineries relative to the count given by Group 1 capitals.

## FACTORS CORRELATED WITH ATTRACTING MORE TOURISTS

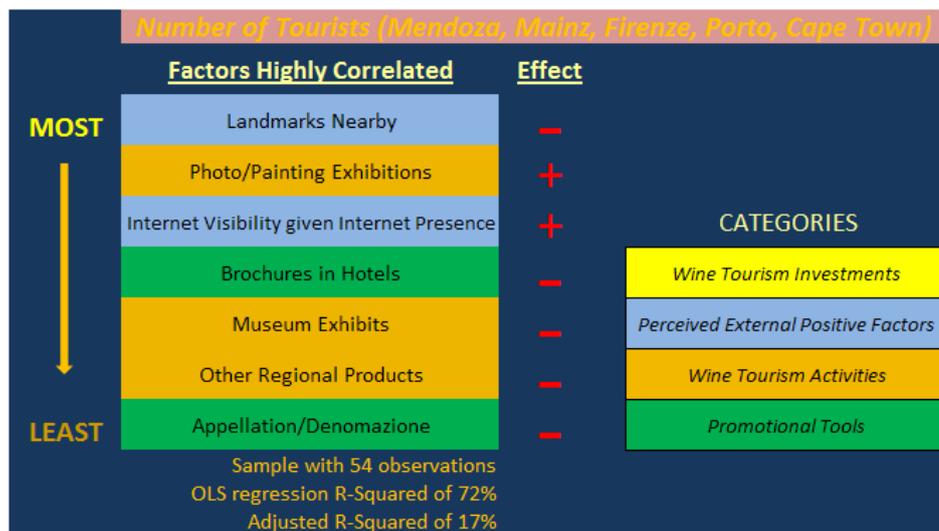
We use a statistical technique called regression analysis to study how the previous factors impact performance. The variable we try to explain here is the *number of tourists* visiting a given winery. It is important to note that in that approach, we correct for the effect of a winery's size, as bigger wineries should be attracting more tourists.



The first analysis examines the Bordeaux sample. We find that investment in *Training of Employees* correlates the most with increased tourist visits. The goodwill captured in the wineries' assessment of their region as a *Famous Wine Region* is perceived to be a contributing factor. Investing in *Improved Services* also helps. Surprising are the findings that show that *Marketing by Tourism Office*, *AOC DdO or WoO* appellations and *Infrastructure* investments are negatively correlated with visits.

We must point out that the variable *Marketing by Tourism Office* is not an objective variable, but rather an assessment by wineries of how helpful the marketing from the Tourism Office is. Hence, the result may just be a reflection that wineries who struggle more find the marketing done by their tourism office more valuable. The more troubling result is the one about investments in *Infrastructure*, which is negatively correlated with the number of tourists. It may be a case here that some large wineries in the sample have reached their tourism capacity and maximized their clientele, and as such, incremental investments do not improve the numbers.

Other surprising results are the fact that *Wine Tasting Events* and *Traditional Advertizing* do not seem to contribute to bringing more visitors. A possible perspective is that wineries who *find* these strategies *very valuable* are not the ones who are the most effective at bringing in more visitors. Or, it may be the case that they choose not to concentrate on bringing larger numbers, but rather on bringing the "right-type" of customers. We are not able to tell which explanation is more valid.



Regarding Group 1 capitals, we find that the presence of *Photo or Painting Exhibitions* is highly correlated with bringing in more visitors. This may make a difference in Group 1 wineries as relatively few wineries offer these activities and it becomes a differentiating factor. *Internet Visibility* as a measure of social networking appears also to be key. Surprising results here are that *Brochures in Hotels, Restaurants* and nearby businesses correlate negatively with bringing in more tourists. Investments such as *Infrastructure* and *Training Employees* or *Strategic Partnerships* do not seem to correlate at all with the performance of wineries in terms of number of tourists. At any rate, these results should be taken with a grain of salt given the small size and the disparity of the sample (only 54 observations for 5 countries)<sup>1</sup>.

Additionally, we also ran this analysis for Group 3 capitals (Mainz-Firenze and Porto), and the results are qualitatively not so different in several respects. For example, *Internet Visibility* still mattered a lot. On the other hand, *Infrastructure* investments became a very important factor for attracting tourists in that subgroup.

1) For the statisticians: dummy variables were used to differentiate between the five capitals in Group 1.

## FACTORS CORRELATED WITH HIGHER SPENDING/TOURIST

The factors that are correlated with higher spending per tourist are now analyzed<sup>2</sup>. For Group 1 capitals we find that the more wineries use *Wine Fairs* the higher the spending per tourist. Furthermore, when wineries rank *Signage* as a very positive factor for business, it indeed turns out to bring more revenue per tourist.

Spending per Tourist (Mendoza, Mainz, Firenze, Porto, Cape Town)			
	Factors Highly Correlated	Effect	CATEGORIES
MOST ↓ LEAST	Wine Fairs	+	Wine Tourism Investments
	Landmarks Nearby	-	Perceived External Positive Factors
	Association Website	-	Wine Tourism Activities
	Signage	+	Promotional Tools
Sample with 54 observations OLS regression R-Squared of 80% Adjusted R-Squared of 37%			

Insignificant factors are, for example, *Travel Agencies*, *Internet Visibility*, *Wine Tasting Events* and *Gastronomy*. This finding may be due to the fact that these factors are not a priori brand discriminators, in the sense that most wineries in the business of offering onsite degustation will consider this as an important element of the business. Indeed, as seen previously, more than 80% of wineries consider this an important activity.

In the case of Bordeaux wineries, *Newsletters* are a differentiating factor that seems to give a competitive edge. *Wine Tasting Events* now is a strong discriminating factor. In that case, the fact that many wineries who do not select this activity do relatively poorly, as this activity may constitute a minimum business practice. *Infrastructure* investments, *Famous Wine Region* and *Travel Agencies* are also strong contributing factors. It is tempting to hypothesize that wineries who engage in these activities, utilize these promotional tools and make these investments as part of a comprehensive and coherent business strategy which is paying off. However, this hypothesis needs to be further investigated. In particular, information about underlying practices is missing.

Spending per Tourist (Bordeaux)			
	Factors Highly Correlated	Effect	CATEGORIES
MOST ↓ LEAST	Newsletters	+	Wine Tourism Investments
	Wine Tasting	+	Perceived External Positive Factors
	Infrastructure Investments	+	Wine Tourism Activities
	Famous Wine Region	+	Promotional Tools
	Travel Agencies	+	
Sample with 73 observations OLS regression R-Squared of 55% Adjusted R-Squared of 14%			

## WINE TOURISM GROWTH AND BUSINESS SUSTAINABILITY

### ■ Growth Forecasts for Wine Tourism

We see here that Group 1 capitals are more optimistic regarding the growth of total revenue, but they are not as optimistic as Bordeaux wineries regarding the growth of revenues tied to wine tourism for 2012.

<sup>2</sup>We tried to use other measures of financial performance. For example Revenues from wine tourism divided by the number of tourist. But in that case, the number of observations drops below the minimum necessary for a meaningful statistical test. When we ran this analysis for the *Mainz-Firenze and Porto* subgroup, no factors were statistically significant, only Signage was weakly

<i>GROWTH in</i>	Total Sample	Mendoza, Mainz, Firenze, Porto, Cape Town	Bordeaux
Total Revenues 2011	9.3%	6.2%	12%
Total Revenues 2012 Forecast	6.2%	6.6%	5.8%
Wine Tourism Revenue 2012 Forecast	9.0%	8.1%	10.1%

We see here that Group 1 capitals are more optimistic regarding the growth of total revenue, but they are not as optimistic as Bordeaux wineries regarding the growth of revenues tied to wine tourism for 2012.

### ▪ **Diversification and Growth**

While Bordeaux wineries are more optimistic about wine tourism revenue growth forecast for 2012, Group 1 wineries seem to be more convinced that, over the next five years, wine tourism will grow faster than their other revenues and that wine tourism is a strong and viable source of alternate income. At the same time, these wineries anticipate that wine tourism will reach full capacity at their winery over the next five years.

### ▪ **Sustainability**

Group 1 capitals are engaged in biodynamic wine making to a greater extent than their Bordeaux counterparts. Both groups of wineries feel that growth is of prime importance. They also indicate that pesticide reduction, water conservations and the preservation of soil quality are all important aspect of the business. But, on the other hand, if they not already have one, they do not actively seek to obtain a bio/green certification.

## **MANAGERIAL IMPLICATIONS AND CONCLUSION**

This 2012 survey has produced some initial answers regarding the impact that wineries strategies (activities, investments, marketing positioning) and regional factors have on business performance. We find that wine tasting and guided visits are the main tourist activities offered by most wineries. Wineries in Group 1 (Mendoza, Mainz, Firenze, Porto and Cape Town) view their profitability originating more from wine tasting and accommodations than Bordeaux wineries.

Overall, Group 1 wineries seem to emphasize a holistic tourism experience, in which the wine experience is a key component. They use more tour operators and other means of connecting with their clientele to create an emotional attachment with the winery. Bordeaux wineries put more emphasis on investing in the cultural and "teaching" aspect of the wine experience and rely more on the region's fame and historical capital. Interestingly, we essentially find that wineries that perform well in each group do so by selecting and adapting few strategies used by the *other* group.

- In terms of *attracting more tourists*, Group 1 capitals benefit from offering unique experiences to their visitors, in particular some type of cultural or arts exhibitions. Internet visibility is also a key winning strategy.
- On the other hand, Bordeaux wineries that attract more visitors seem to emphasize employee training and improving services.
- In terms of *attracting more spending per tourist*, Group 1 wineries do better based on participating in wine fairs. Regional capital and infrastructures (signage) matters for success.
- Bordeaux wineries that attract more spending use promotional tools such as newsletters and travel agencies in combination with wine tasting events. These strategies are supported by overall investments in tourism infrastructure.