

GREAT WINE CAPITALS GLOBAL NETWORK MARKET SURVEY

2010-2011

**“FINANCIAL STABILITY AND VIABILITY OF
WINE TOURISM BUSINESS IN THE GWC”**



June 2011

San Francisco | Napa Valley | San Francisco | Napa Valley | Firenze
Bilbao | Rioja | Mendoza | Cape Town | Bordeaux
Mainz | Rheinhessen | Bordeaux | Mainz | Rheinhessen
Christchurch | South Island | Porto | Firenze | Christchurch | South Island | Porto

INTRODUCTION

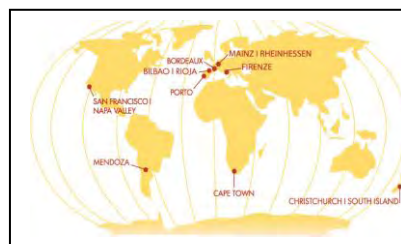
This market survey has focused on how the economic subjects working in the wine and wine tourism sectors in each Great Wine Capital have faced the recurrent economic crisis; the theme **“Financial stability and viability of wine business in the GWC”** was developed by investigating on the diversification of business managed by the wineries, particularly in wine tourism and alternative sales concepts.

METHODOLOGY

We have conducted a quantitative research that was referred to wineries opened to tourism in each GWC member city, those wineries were contacted by e-mail, telephone and web and they have answered to a structured interview with closed and open questions.

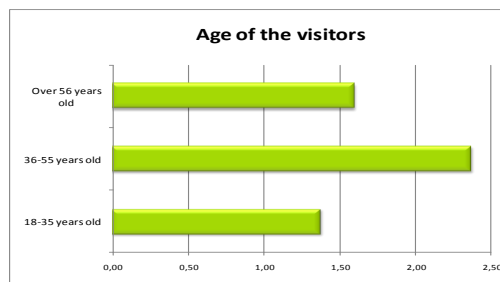
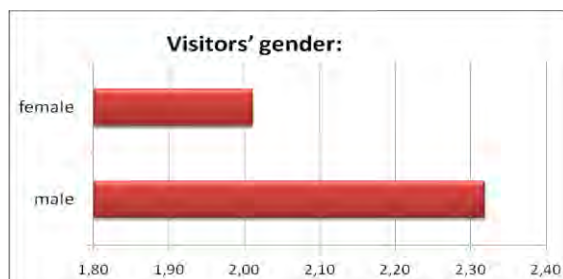
The number of wineries which have participated to the survey is 454, and they were so divided:

- 102 for Cape Town,
- 102 for Bordeaux,
- 68 for Florence,
- 53 for Mendoza,
- 43 for Mainz – Rheinhessen
- 34 for Bilbao – Rioja,
- 27 for Porto,
- 25 for San Francisco – Napa Valley.

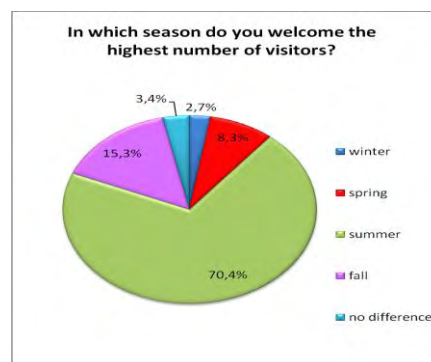


THE WINE TOURISM FIGURES

- The survey has revealed that the wine tourist's profile is a national man ageing between 36-55 years.

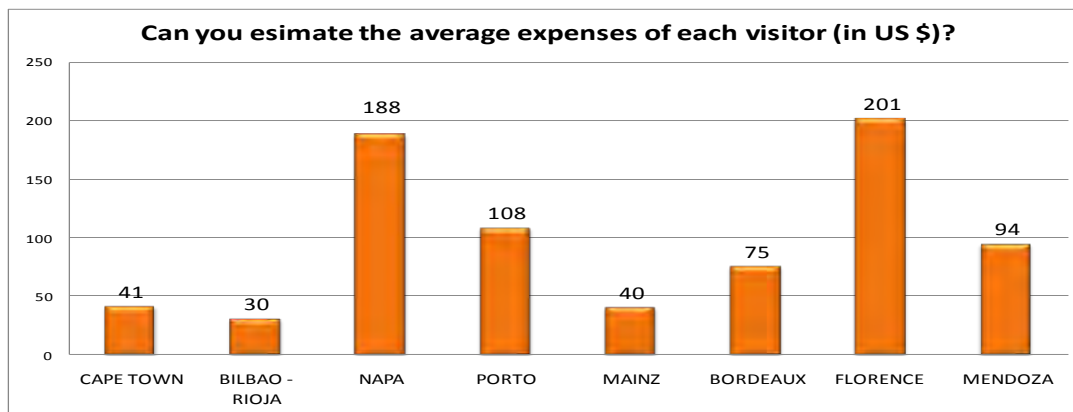


- Considering the opening year of the wineries there is a gap between the “new world wine cities” and the “European cities”. In general the old world cities (Bordeaux, Mainz, Porto, Bilbao – Rioja, Firenze) have a wine tradition that goes back to the 17th century while the new world wine cities (Cape Town, Napa, Mendoza) have a younger wine tradition that goes back to the 90's (with some exception in Mendoza that does have an older wine culture).
- According to the gathered data the wine tourism activity seems to be quite young in all the regions, indeed it dates back to the 90's.
- The number of tourists per year reaches its peak in summer, which does not come as a surprise! (70.5% of the visitors).



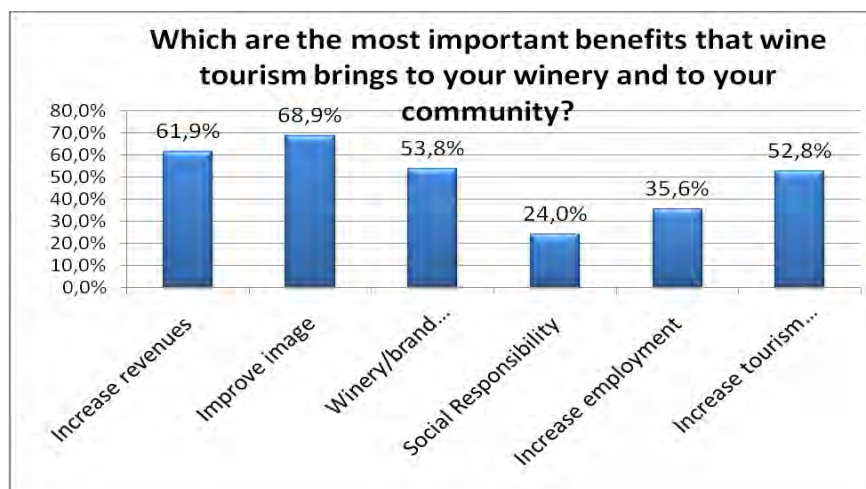
The average expense per visitor is between 30 and 200 US\$; it varies according to the different wine regions of the Network.

In Italy and more precisely in Florence the expense per visitor is quite high: approximately 200 US\$. Also Napa is gets also good expenses: approximately 188 US\$. On the opposite, Bilbao-Rioja, Mainz and Cape Town get the lowest income per visitor with respectively an average expense of: 30, 40 and 41 US\$.



The most important benefits of wine tourism for the wineries is the improvement of their image (68.9%) and the increase of revenues (61.9%).

Social Responsibility is mention as an important benefit to 24%.



PROMOTION

• WINE TOURISM SERVICES PROMOTION

The gathered data show that the promotion is done above all through Tourist Information Offices (68%), followed by participation at wine tasting events (63.7%) and by the use of mailing and newsletter (61%). The use of traditional advertising is quite low, reaching only 28.6%.

Even if the most used **promotion means** go through Tourism Offices, 28.4% answered that the most **effective promotion** remains Incoming Travel agencies and Tourist operators, while the Tourist Information Office only reach the 4th place with 12.5% of the answers.

It is also important to point out that a vast number of wineries promote themselves through the use of brochures in hotels, restaurants, etc.

The activities offered by the wineries are often rather limited; if a great majority provides wine tasting events (83.1%) and guided visits (74.9%), only 40% provide food facilities and less than 30% of the interviewees can offer accommodation to their visitors.

• WINE PROMOTION

Only in the “new world” regions (Cape Town, Napa, and Mendoza) the use of social networking, mailing and newsletters as promotion means is widely spread.

European wine regions seem to be more attached to a traditional promotion based on the participation at Wine Tasting events, direct promotion and participation in professional fairs. In general, websites and wine tasting events are the most important promotion means both on the domestic markets and on the international scale.

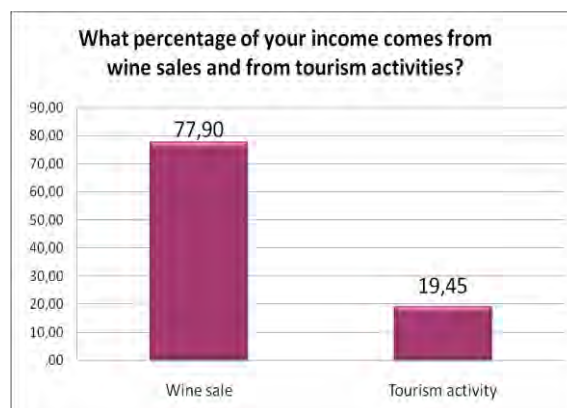
The survey shows that wineries are more concentrated to promote their wines on their national market than abroad, even though there is an evolution towards a stronger international promotion on the international market due to the domestic crisis. This gives more and more importance to the new communication media.

WINE SALES

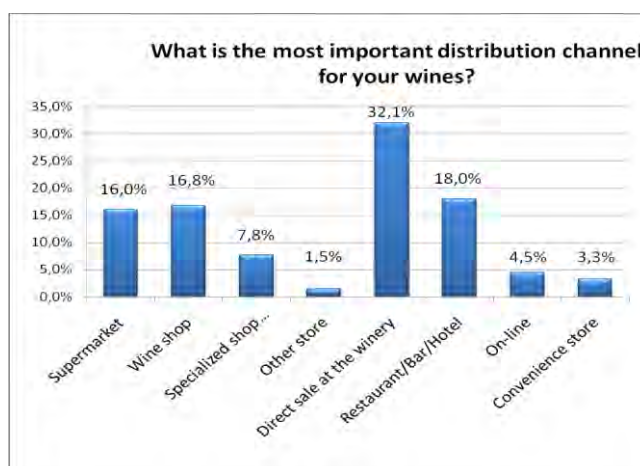
In the last 5 years there is a general positive trend in wine sales in the last years, except for Bordeaux. The highest evolution is actually in Mendoza with an increase by 97.7% announced by the interviewees.

On the global scale, the prevalence of wine exportation is in EU, USA and UK. Likewise, the wineries consider the citizens of **EU, USA and UK** as their main markets in terms of potential visitors.

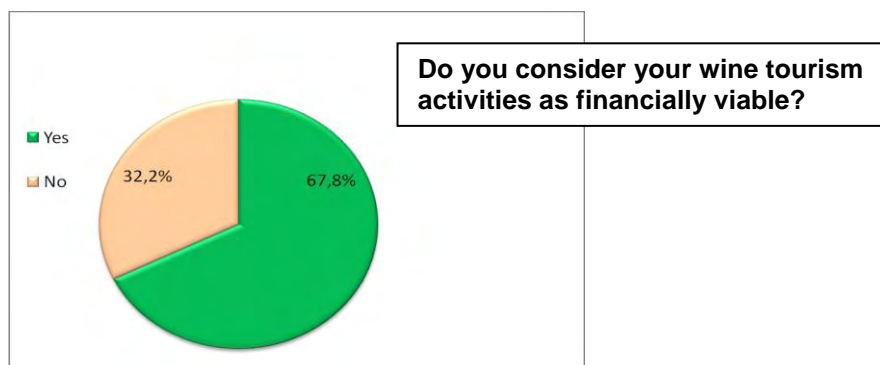
Within the European Union their main clients/visitors are the **Dutch, the Germans and the Belgians**.



Even if the tourism activity contributes to the income by approximately 20%, 80% of the wineries income depends on wine sales. The most important distribution channel on a global scale remains the direct sales at the winery.



The great majority of the interviewees answered that they consider their wine tourism activities are financially viable. Only in Florence and in Mendoza, the results of the questionnaires show a negative perception of the viability of the wine tourism activity. On the other hand, particularly relevant is Napa's result where all the interviewees have affirmed that they considered wine tourism financially viable



INCOME

The greater part of the total income from wine tourism activities comes from the wine sales. Accommodation and food services contribute to the total income respectively to 36.58% and 23.61%. Tourism services, merchandising and gadgets seem to play little role in the total income of the wineries.

Bordeaux and Bilbao - Rioja have the highest average income but in general it attests to 7 000 US\$. Only Porto's data are lower than the general average (Napa's information collected on this response was not a wide enough sample to demonstrate the average).

The feeling related to wine tourism activities is pretty positive.

63.3% of the interviewees say that wine tourism activities are a good alternative to face economic crisis periods. 27.5% consider it helpful during economic crisis periods, and only 10% think that wine tourism is not a valuable alternative to face economic crisis periods.

INVESTMENTS

The great majority of the investments during the last 5 years have been in infrastructures and in improvement of services. Only few have invested in the winery market positioning. The investments have been pretty consistent except for the "old world cities": Porto, Florence and Bordeaux. Mainz has had the higher investments figures last year.

CONCLUSIONS

- The gathered data allow us to assume that wine tourism activities seem to be not only sustainable but also viable.
- There is a sort of vibrant positivity among the wineries which are now recovering from previous crises, and slowly but constantly, wine tourism yield grows in each member city of the Network.
- In order to take advantage of this vibrant and lively activity, wineries should constantly work at offering the best quality in their services, and keep on developing the diversity of their offer.

Visitors love to have the possibility to go through different types of activities and, undoubtedly, they will tell their experience to their friends and relatives, and we know, the word of mouth is nowadays one of the most important promotional means.

- Figures show that there are still gaps between the “Old wine world” regions and the New world” ones... But are they so important?

Probably not... Nowadays with the increasing globalization differences are fading.

If it is obvious that the New World is taking a better advantage from the new technologies promotional tools while in the more traditional countries remains a sort of suspiciousness towards the new technology means, this difference should little by little disappear.

- Today, the income of wine tourism services is representing around 20% of the global wineries income.

But this figure does not take into account the wine sales that are generated later, in the medium and long terms because a visitor will have had experienced a great visit in one winery...

Wine tourism is above all a major marketing tool that should be 100% integrated in the commercial strategies of the wineries as the impact is so important for their image around the world.



***The data quoted in this document are intellectual property of the GWC Global Network.
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