Beyond the Glass: Examining Wine Tasting Room Profitability Using the 4Ps of the Marketing Mix

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ABSTRACT

Recent exponential increases in attendance at wine tasting rooms resulted in growing research in this subject area as producers seek to learn more about wine tasting room customers and identify ways to capitalize on additional revenue-generating opportunities. Direct wine sales are big business with $3.4 billion in sales in the United States in 2010. Research has shown that small and medium-sized wineries have become financially dependent on direct sales linked to wine tasting rooms with an average of 70 percent of winery sales coming from the tasting room. With limited sources outlining best practices within wine marketing, there is a clear need to identify and classify the literature on this topic. This research applies a marketing theoretical approach using the 4Ps (product, place, price, and promotion) of the marketing mix in conjunction with a comprehensive citation-based global literature review, with the goal of assessing those factors, if any, which may impact wine tasting room profitability. Our findings highlight key differences in individual wine tasting room marketing mix strategies which emphasize the need to understand consumer tastes and preferences for the wine tasting experience. Research shows that investing in the product and promotion of the wine tasting room has a positive impact on profitability. Key profit drivers include investing in branding, tasting room staff, and aggressively pursuing word-of-mouth recommendations to enhance wine tasting room profitability.
Wine tasting rooms provide an opportunity for wine consumers to visit a vineyard or winery and sample wine sold at the winery. This form of wine tourism has increased over the past decade particularly in the United States. There is an overall lack of knowledge in wine tourism marketing especially concerning the profitability of wine tasting rooms. With limited sources outlining best practices within wine marketing, there is a clear need to identify and classify the literature on this topic. This study examines wine tasting room marketing activities by reviewing wineries’ use of the marketing mix elements of product, place, price and promotion to identify successful factors that attract and retain customers. Promotional efforts, specifically identification and development of human resources, are found to be key factors leading to increased profitability for small and medium-sized wineries.
# TABLE OF CONTENTS

Chapter 1: Introduction, Purpose, and Objectives ..................................................1
Chapter 2: Conceptual Model .................................................................................6
  2.1 Product .........................................................................................................9
  2.2 Place ...........................................................................................................10
  2.3 Price ...........................................................................................................10
  2.4 Promotion ..................................................................................................12
Chapter 3: Empirical Approach ..........................................................................15
Chapter 4: Materials and Methods .................................................................20
  4.1 Product .......................................................................................................20
    4.1.1 Geographic Overview .................................................................20
    4.1.2 Product Quality .............................................................................23
  4.2 Place ...........................................................................................................26
  4.3 Price ...........................................................................................................30
  4.4 Promotion ..................................................................................................35
    4.4.1 Demographics and Segmentation .............................................36
      4.4.1.1 Overview .............................................................................36
      4.4.1.2 Gender ................................................................................38
      4.4.1.3 Generation ..........................................................................39
      4.4.1.4 Group Size ..........................................................................42
      4.4.1.5 Consumer Confidence and Education ..............................43
    4.4.2 Personal Selling ...............................................................................44
    4.4.3 Online Marketing .............................................................................49
Chapter 5: Discussion and Implications ..............................................................53
Chapter 6: Conclusion and Extensions ..............................................................69
References ..........................................................................................................71
Appendix: Key Profit Drivers and Best Management Practices .........................85
LIST OF FIGURES

Figure 1: New World and Old World Wine Producing Countries ...........................................3

Figure 2: Marketing Mix Components ..............................................................................6
CHAPTER 1

Introduction, Purpose and Objectives

Recent increases in consumer attendance at wine tasting rooms in the United States resulted in related research in the subject area as producers seek to learn more about wine tasting room customers and capitalize on additional revenue-generating opportunities. Wineries are not required to open tasting rooms or host tasting room events, yet these often represent significant revenue sources to the winery. Wine tasting room visits in the United States increased eight percent from 2011 to 2012 (Fisher, 2013). “Forty-five percent of total sales for U.S. western wineries in California, Oregon and Washington come from the tasting room, as do 68 percent of total sales from other states’ wineries” (Fisher, 2007). From 2013 to 2014 direct-to-consumer wine tasting room revenues in the United States increased by 18 percent and average number of cases sold increased by 15 percent (Penn, 2015). Similar numbers are cited by Thach and Olsen (2006a) stating California tasting rooms account for 64 percent of wine sales, approximately equal to 1.3 billion dollars. A study by Stonebridge Research (2010) echoes similar information for the Eastern United States as 60 percent of wine sales in New York are realized during tasting room visits. In Pennsylvania, the state controls distribution and retail of alcohol, and as a result, 81 percent of wine is sold directly at the winery (Dombrosky and Gajanan, 2013). Based on these findings, tasting room sales have clearly asserted themselves as a significant part of the wine industry.

Literature focused on the importance of wine tasting room sales on small and medium-sized wineries remains underdeveloped. This is important because smaller wineries must rely on alternative methods that differ from those used by larger wineries. Research by Berglund and Tinney (2008) concluded that smaller wineries sell more wine online (19 percent) than mid-sized
wineries (12 percent) or larger wineries (8 percent). This may be due to the fact that these wineries simply do not have access to large distributors and retailers that usually have minimum volume requirements. Thus, direct sales, like wine tasting rooms, are crucial to the success and profitability of smaller wineries. Barclay (2006) reiterates the importance of tasting room sales for smaller wineries as 70 percent of sales from United States smaller wineries (producing up to 5,000 cases annually) are generated through tasting rooms. Tasting rooms provide a marketing channel to move volume of sales necessary for small wineries to operate in an increasingly competitive market.

Tasting rooms offer consumers a value-added experience that is not offered in traditional retail outlets. The “cellar door,” a term used to refer to inside of the wine tasting room, helps the customer view innate, natural or essential aspects of the wine rather than external cues that may exist in traditional retail outlets. Lockshin and Spawton (2001) argue that “too often cellar doors have been developed in an unorganized manner, rather than to provide an integrated experience aimed at improving quality perceptions.” Williams (1993) emphasizes the importance of creating a memorable experience for wine tourists. New World wine consumers (Figure 1), defined as wine consumers in North America, Chile, Argentina, South Africa, Australia and New Zealand, that primarily rely on tasting experience rather than solely the quality of wine, are moving past the pretentiousness of wine and learning to enjoy wine consumption from new experience levels. Gaiter and Brecher (2004) cite from the Wall Street Journal that “‘Americans are getting past the snobbery – and discovering wine’s simple pleasures.’” This growing evidence suggests that these aspects play a significant role to enhance the customer experience, attracting more consumers to the winery, driving sales and thus increasing winery profitability.
Hall, et al. (2000) defines wine tourism as an experience of “. . . visitation to vineyards, wineries, wine festivals and wine shows for which grape wine tasting and/or experiencing the attributes of a grape wine region are the prime motivating factors for visitors.” This definition is noted in over ten percent of the articles reviewed throughout this paper. The benefits of wine tourism have been cited by many and include “increased sales, higher margins, the opportunity to attract new customers and to increase existing customers’ brand loyalty, and positive economic effect on regional communities” (Kolyesnikova and Dodd, 2009).

Continued growth in the wine industry is apparent throughout the literature; however the wine tasting room market has become increasingly competitive. This growth presents an increasing number of opportunities for product differentiation and marketing. Wine tasting
rooms provide customers with an experience that can set producers apart, even in competitive environments (Fang, Palmatier, and Steenkamp, 2008). The industry is more dynamic than ever before, comprised of consumers with high expectations looking for not only great wine but also seeking valuable intrinsic factors leading to an overall heightened wine tasting experience. High quality wine is necessary, but no longer sufficient for tasting room success. In this increasingly competitive market, vineyards and wineries are seeking new ways to enhance the visitor experience.

The tasting room is the first point of contact between the winery and the customer, and it serves a dual role: (1) to provide a tasting location for a winery’s brand; and, (2) to secure customers while providing a source of wine sales and profit for smaller wineries. “Tasting rooms alleviate the uncertainty of consumer choice, reducing the risk involved in making a decision based on an unpredictable outcome” (Taylor, 1974). Like the wine industry, tasting rooms are also evolving. Increasingly, wine makers are recognizing the importance of wine marketing. Consequently, the tasting room should be treated as a business with planned marketing strategies and development goals. However, a problem exists throughout the industry concerning a lack of consistency, globally, in understanding researched effective and profitable marketing strategies. At least 50 percent of the research in wine marketing comes from Australia and New Zealand. This is likely due to the high levels of wine tourism and development in those countries. While wine tourism has been critical to the success and profitability of newer wine producing regions, European wine tourism has not evolved in the same fashion. Getz (2000) cites these differences due to the dominance of several large wine estates as well as the wine region’s established reputation. Still there is an overall lack of knowledge in wine tourism marketing especially
concerning the profitability of wine tasting rooms. There are limited sources outlining best practices within wine marketing and a clear need exists to classify the literature.

The overall goal of this research is to identify positive attributes of wine tasting rooms and provide guidance on how to sell and effectively market wine tasting rooms. The objectives of this research are to systematically assess the literature, classify the literature through application of marketing theory, and provide a comprehensive bibliography for future research efforts using citation-based research and following the 4Ps approach to marketing. These 4Ps include product, place, price, and promotion. Results of this research are expected to provide practical implications for winemakers, tasting room managers, marketers, and researchers, specifically smaller or regional producers. Such findings can be used to improve the wine tasting room experience for customers and ultimately lead to improved decision making by producers resulting in greater sales performance. Finally, knowledge gaps will be identified along with suggestions for future research.

The remainder of the paper is organized as follows: The conceptual model behind the 4Ps of the marketing mix is reviewed in Chapter 2. The empirical model and several maintained hypotheses are introduced in Chapter 3. In Chapter 4, an in-depth review of the literature pertaining to wine tasting rooms organized by product, place, price, and promotion is provided. Discussion, implications and practical solutions for small and medium-sized New World wine makers, marketers, and affiliates are presented in Chapter 5. In Chapter 6, policy implications, further research opportunities and conclusions for the global literature review are discussed.
CHAPTER 2

Conceptual Model

An overview of the importance of market risk management strategies to agribusinesses and the link between marketing and profitability is presented in this chapter. A review of the conceptual framework underlying the marketing mix theoretical structure is included, with an emphasis on the four components: product, place, price, and promotion, also known as the 4Ps (Figure 2).

![Marketing Mix Components](Source: Created by Author)

The American Marketing Association defines marketing as "the activity, set of instructions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (Peter and Donnelly, 2015). The firm’s marketing concept is demonstrated when “an organization should seek to make a profit by serving the needs of customer groups” (Peter and Donnelly, 2015). Serving the needs and desires of customers through the development and application of a marketing strategy based on economic principles is a focal point of this research. This strategic approach shifts the focus
of marketing from a product orientation to a customer orientation that involves focusing marketing efforts on the needs of target customers. Effective wine tasting rooms offer a service focused on the needs of customer rather than pushing products directly to customers.

The foundation of this research is based on the idea that “profitable marketing begins with the discovery and understanding of consumer needs and then develops a marketing mix to satisfy these needs” (Peter and Donnelly, 2015). There are a number of models, theories, and ideas that attempt to explain consumer behavior and actions. In this research, the principles of the marketing mix will serve as the conceptual framework for the current analysis and guide the literature review process.

The marketing mix principles were conceptualized by Niel Borden in the 1960s and represent a significant component of the 12 key ingredients needed for a successful marketing program. These include product planning, pricing, branding; distribution/place, personal selling, advertising, promotion, packaging, display, physical handling, and fact finding and analysis (Borden, 1964). Later, McCarthy simplified this model to the 4Ps that have become widely accepted in marketing today. These 4Ps include product, place, price, and promotion, and address key decision elements for marketing managers. In McCarthy’s model, marketing is based on the marketing mix which may be used to systematically select marketing activities that may enhance profitability of a firm.

The marketing mix is defined as “a set of controllable marketing tools used by a company for creating a desired response in the targeted market” (Kotler and Armstrong, 2008) and can be used for both long and short term marketing tactics (Palmer, 2004). The elements of the marketing mix are developed and assessed simultaneously to ensure customer needs are met and
profits for the firm are achieved (Zineldin and Philipson, 2007). For the purposes of this research, each of the four marketing elements will be viewed as controllable variables that are changed based on the decisions of the marketing manager.

The marketing mix model provides a framework of analysis for our research and is one of the most widely researched and accepted approaches to marketing. However, many studies highlight the limitations of the 4Ps approach. Rafiq and Ahmed (1995) state that “Booms and Bitner’s 7Ps model is the most influential mix” as it revises the 4P model for services and includes additional elements such as participants, physical evident, and process. Despite many shortcomings, the 4Ps model has been taught in education settings and cited consistently in the literature since its introduction in the 1960s. The “4Ps concept is a managerial idea; it is only natural that it should appear as part of managerial discussions in sales management, sales administration, sales policies, marketing policies, and marketing management” (Usui, 2011).

These contributors to agribusiness, represented in the wine tasting rooms reviewed in this research, represent the target audience, and for these reasons McCarthy’s marketing mix model was selected for use in this study.

Marketing mix variables are significant in the fact that they can “directly damage customer perception of a product;” thus affecting purchasing behavior. However, if managed appropriately, the marketing mix can bring success to a firm, satisfying the needs of the firm’s customers (Nuseir and Madanat, 2015). This is particularly important because research demonstrated that customer loyalty has a direct positive relationship on profitability (Goi, 2009).

The conceptual framework of the McCarthy’s marketing mix is defined and discussed in the next sections of this chapter.
2.1 Product

Product is the “sum of the physical, psychological, and sociological satisfaction the buyer derives from purchase, ownership, and consumption” (Peter and Donnelly, 2015). This can include accessories, packaging, and services. It also includes product design, development, variety, quality, and branding (Bag and Biswas, 2013). Successful marketing is dependent on understanding the nature of the product being marketed. A tangible product is a “physical entity or service that is offered to the buyer” where as an extended product is the “tangible product along with the whole cluster of services that accompany it” (Peter and Donnelly, 2015). In the context of this research, a wine tasting room is referred to as a total product including the emotional and instrumental qualities or values that consumers attach to the wine tasting room. This will include the tasting room staff, environment and services associated with the wine tasting experience.

Wine tasting rooms fall under a specific category of product marketing, namely service marketing. Service products are unique in that they come into existence at the same time they are consumed. Service products have some associated intangible factor that is inseparable to the consumer and usually involves some form of customer participation (Peter and Donnelly, 2015). Intangibility means that “the customer owns only memories, outcomes, or feelings” and inseparability means that the “service cannot be separated from the person providing them” (Peter and Donnelly, 2015). Many services accompany the sale of a product within wine tasting rooms, as the wine tasting experience aims to accompany the purchase of a bottle of wine or other tangible good which drives sales and profitability throughout the winery.
2.2 Place

The concept of place is related to the availability of a product to a customer (Kotler and Armstrong, 2008). It also includes any activity related to the distribution of the product, distribution channels and location (Bag and Biswas, 2013). A channel of distribution is “the combination of institutions through which a seller markets products to organizational buyers or ultimate consumers” (Peter and Donnelly, 2015). In the United States, the wine industry is highly regulated. Many small and medium-sized wineries do not have the ability to navigate cumbersome logistics and regulates involving product distribution within the industry. Tasting rooms provide an outlet to sell directly to the consumer and circumvent these restrictions and regulations. Wine tasting rooms serve as a highly competitive but also specialized distribution channel. This is an example of direct wine marketing where the consumer receives the product directly from the producer. There are no intermediaries or middlemen within the distribution channel. Distribution channels may be chosen based on the coverage required, degree of control desired, flexibility of the channel, and cost (Peter and Donnelly, 2015). In direct marketing, the producer or seller will have the most control over the end product and the products image to the consumer. The place element of the marketing mix provides the buyer with place, time, and possession utility (Peter and Donnelly, 2015).

2.3 Price

Price is defined as the “the value that is charged against the service or product provided to a customer” (Nuseir and Madanat, 2015). Price is a difficult and complex decision that a firm must make based on supply, demand and other factors and should consider discounts and credit (Bag and Biswas, 2013). The law of demand according to the Oxford Dictionary of Economics
is defined as a “level of demand for a good or service is inversely related to its price” (Black et al., 2013). This means that as price increases, less will be demanded and as price decreases, consumers will demand more of a particular good. Price has a direct link to perceived quality and sends strong signals to consumers, which can influence purchasing decisions. Demand factors that influence pricing include customer demographics and psychographics.

*Prestige pricing* is an often cited psychological pricing strategy used in the wine industry. According to consumer theory, individuals choose to maximize utility subject to budget constraints at levels equal to total wealth (Levin and Milgrom, 2004). In addition to income, the combination of demographic and psychographic factors has a direct effect on price elasticity. Price elasticity is measured by the percent change in quantity demanded divided by the percent change in price (Peter and Donnelly, 2015). This price sensitivity is extremely difficult to measure, especially in new industries or services like New World wine tasting rooms.

Many pricing factors are specific to individual industries. Wine tasting rooms operate under *monopolistic competition*, where firms have freedom of entry and exit with differentiated products. Products are similar but not identical, which places more emphasis on product differentiation and advertisement than price. Monopolistic competition assumes the likelihood of normal profits in the long run. Customers must determine the value of the service, the wine tasting room experience, and that value will be different for individual customers. No single pricing model is appropriate for all firms; thus the literature selected for review in this research includes a variety of wine tasting room pricing models. It is critical that pricing objectives echo the overall objectives of the firm. While the firm’s two-fold objective is to maximize profits while simultaneously minimizing costs, the firm should not risk losing customers because of an unnecessary increase in the price of the product (Auh and Johnson, 2005). Pricing decisions
should be made carefully and consciously such that pricing decisions take into account economic principles which impact the firm and the customer.

2.4 Promotion

The goal of product promotion is to communicate attributes about the product or brand to the target audience. This communication aims to create awareness, build positive images, identify prospective markets or customers, build channel relationships and retain customers (Peter and Donnelly, 2015). This includes a combination of non-personal and personal communication efforts. Personal selling, advertising, sales promotion, public relations and direct marketing comprise the five components of promotion (Peter and Donnelly, 2015). These five aspects are all linked to profitability within the wine tasting room as it seeks to differentiate its brand from the competition. However, these promotion elements do not need to be equally balanced to ensure success and are often unequal in terms of resources invested in the individual promotional effort. Advertising is a paid form of non-personal communication. This form of communication is most effective when the goal is to reach large numbers of customers. Most wine tasting rooms do not invest heavily in advertising. Sales promotion offers customers a direct incentive for purchasing the product. Coupons, sweepstakes, and refunds are all examples of sales promotion (Peter and Donnelly, 2015). Public relations are another form of non-personal communication, usually seen as positive publicity to mass media.

Direct marketing and personal selling are primary forms of communication shown to enhance promotional efforts within the wine tasting room. Effective marketing takes an integrated approach to send clear and consistent brand messaging. Direct marketing involves direct communication with the customer. This may include a personal conversation, mailer or
mobile marketing sent directly to the customer. Personal selling involves developing and maintaining relationships between the seller and current potential customer. The goal of personal selling is to identify the customer’s needs, match those needs to a product and sell the firm’s product to the customer (Peter and Donnelly, 2015).

Relationship marketing involves marketing with the aim to develop and manage long term and trusting relationships (Peter and Donnelly, 2015). The relevance of relationship marketing to firm sustainability now merits its own discussion within the marketing industry. Zineldin and Philipson (2007) cite that “relationship marketing is not a new discovery but rather a re-discovery within marketing” and that relationship marketing and transactional marketing are complementary. Relationship marketing creates relationships with clients from the start, with the goal of retaining and satisfying existing customers. Transactional marketing has a more narrow approach as it aims to make the sale and find new customers (Vence, 2002). There is evidence in the research that long term relationships lead to higher quality products with lower costs (Peter and Donnelly, 2015). In order to be successful the firm should have a way to measure customer service along with employees that are willing and able to provide a high quality service (Peter and Donnelly, 2015). Promotion may be viewed as an important issue in marketing and requires a focus on establishing, maintaining and enhancing relationships with customers in order for the firm to make a profit (Gronroos, 1990).

It is important to note that no specific product will be able to meet the needs and wants of all consumers, yet it will be possible to meet the needs and wants of more than one consumer. This is the principle factor behind market segmentation, which is the “processes of dividing a market into groups of similar consumers and selecting the most appropriate group for the firm to serve” (Peter and Donnelly, 2015). Thus, marketing strategies need to be customized for specific
segments or groups of the target market, but not individual customers. This research will identify segments of the market that are profitable, meaningful and marketable. After identifying a market segment for a product, different promotional strategies can be implemented to attract customers from each market segment.
CHAPTER 3

Empirical Model

This study identifies research-driven positive attributes of wine tasting rooms and gathers valuable information on how to sell and effectively market to wine tourists based on research conducted within the industry. Furthermore, the findings of this research will provide objective insights focusing on studies from Old World and New World wineries. A quantitative review of the current literature of wine tasting rooms is provided in this chapter, and future research opportunities that lie within the diversity of wine tasting room marketing are explored. To focus on potential improvements in wine tasting room practices and profitability, factors that influence revenue streams are examined in order to be most applicable to wine tasting room managers.

Recent previous attempts to classify wine tasting room literature on this scale and scope were not found. Through application of the theoretical marketing mix approach, a broad range of literature is compared to topics that are directly applicable to wine marketing. The findings in this chapter provide real-world strategies and proven marketing techniques that can be applied in wine tasting rooms.

This research proposes four maintained hypotheses. A maintained hypothesis includes general principles and assumptions that are not tested. This saves analytical time and allows for a broader reach of information in the review. These maintained hypotheses are specific to each of the 4Ps of the marketing mix framework – product, place, price, and promotion with the project goal of assessing differences in wine tasting room marketing mix strategies.
H1: There is no difference in profitability between tasting rooms.

H2: There is no difference in profitability due to tasting room physical characteristics.

H3: There is no difference in profitability due to tasting room pricing structure.

H4: There is no difference in profitability due to tasting room promotional activities.

In order to understand the marketing risks currently faced by wine tasting rooms, a comprehensive global literature review was conducted. The objective of this literature review is to present the current state of knowledge on this topic. Literature reviewed stemmed from scholarly and relevant peer reviewed journals including, but not limited to:

- *The International Journal of Wine Business Research (previously published as International Journal of Wine Marketing)*,
- *The International Journal of Tourism, Journal of Wine Research*
- *The Journal of Hospitality and Tourism Management*
- *The Journal of Economic Geography*
- *The Journal of Travel and Tourism Management*

Key words used in literature searches included “wine,” “wine tasting,” “wine marketing,” “cellar door,” “customer satisfaction,” “wine tourism,” “winery atmosphere,” “winery management,” “brand equity,” “customer loyalty” and “consumer behavior.” Existing databases prioritized listings according to date published, relevance, and popularity. The literature search focused on highlighting a clear understanding of the base knowledge in the wine
tasting room industry. Searches were narrowed to more recent dates to highlight the most current industry findings. Overall, in the wine tasting room industry, there was a surge of research in early to mid-2000s, which recently tapered off leaving fewer new sources.

A citation based approach was chosen due to the ease of culling and reviewing hundreds of peer-reviewed journal articles. Citations have been referenced as “frozen footprints in the landscape of scholarly achievement; footprints which bear witness to the passage of ideas” (Cronin, 1981). This methodology was used by several studies cited in this research including Kunz and Hogreve (2011) that used citation-based research to describe the intellectual pillars of service marketing. Over time, this form of citation index has increased to become one of the most important bibliometric products (Gla¨nze, 2002; Smith, 2012). Bibliometrics is defined as the statistical analysis of written publications, including books and articles and serves as the scientific methodology for a citation-based research approach. The body of literature included in this wine tasting room research date from 1960 to 2015. Emphasis focused on more recent literature applicable to wine tasting room managers. Both qualitative and quantitative studies were analyzed in this process.

**Qualitative research** is frequently used to obtain preliminary insights into motivation, emotional, or personality factors that have an influence on purchasing behavior (Hair et al., 2008). Qualitative research involves face-to-face interviews, including focus groups and individual and group interviews of varying lengths. This form of research is beneficial to gain a more in-depth analysis of one-on-one testimonies.

**Quantitative research** within the literature includes observational research, survey research and experimental research, as well as mathematical modeling. Observational research
involves the recording of facts based on visual observation, usually done in-person at a wine
tasting room facility. The majority of data used in this research comes from survey research,
which is a popular method for obtaining data in marketing. This includes mail, online, or in-
person surveys. Experimental research was used to measure the impact of one variable on
another. Finally, mathematical modeling was used by researchers to measure relationships using
statistical and econometric techniques. For example, scanner data was used to review a large
quantity of secondary information pertaining to wine blogs. Quantitative research is commonly
used to answer business problems, test theories, assess effectiveness of marketing strategies, or
segment differences in consumer groups or markets (Hair et al., 2008). Both quantitative and
qualitative data proved to be valuable sources that were used in conjunction with one another to
comprise a more detailed analysis of wine tasting room profitability factors.

Initially, selected articles were reviewed thoroughly to highlight major findings and
implications throughout the research. Next, these findings were cross-referenced for internal
citations and relevant references on wine tasting room profitability to continue expanding the
literature base. These references were then examined on search engines to find articles that had
cited the previous citation on wine tasting room profitability. This revealed the most recent
literature in the industry and an emphasis was placed on newer studies. This method was
employed until it was determined that no new added valuable information or trends were
available in the existing literature. The literature sources were then classified into relevant sub-
topics, revealing areas of abundant knowledge in the wine tasting room industry as well as areas
where body of literature is underdeveloped.

A variety of regions from around the world were included in this research from academic
publications. Other market, industry and government reports have been used where appropriate.
This research focuses on topics determined to be most relevant to tasting room managers, marketers and specifically smaller or regional producers. The primary motivation for this limited focus is that “wine organizations often encounter difficulty in transferring scientific research findings into actual practice” (Devesa-Rey et al, 2011). This research aims to bridge the gap between scientific publications and the information-seeking wine marketer. The findings of this research are most relevant to marketers and tasting room staff, who require an understanding of tasting room realities that often cannot be accounted for in a controlled experiment. The following section will highlight each of the four elements of the marking mix present within the citation-based literature search.
CHAPTER 4
Materials and Methods

4.1 Product

The first element of the marketing mix is the product. For the purpose of this research, the product is represented by wine tasting rooms and associated experiences. The product should be unique in terms of product features and attributes. A product must be considered in a holistic fashion and can be an actual good or intangible service (Wood, 2013). Actual or tangible products are associated with measurable benefits, whereas intangible products have value based on subjective or symbolic attributes, e.g., status, uniqueness, and emotional involvement (Dixit, 2007). This chapter begins with a geographic overview focused on the regional differences related to the product in both New World and Old World wine producing areas. Finally, a deeper look into the intangible product aspects, brand equity and product quality is provided based on a geographic overview.

4.1.1 Geographic Overview

This section focuses on the differences in wine tasting rooms in New World and Old World producing areas which are attributable to differences in the major trends prevalent in these regions. Specifically, this section explores winery characteristics that are prevalent or unique to these respective wine tasting regions in the world.

The importance of global wine tourism depends on several factors. For example: “Ten percent of Spanish wineries are open to the public versus up to 80 percent in Australia and 70 percent in California’s Napa Valley” (Marzo-Navarro and Pedraja-Iglesias, 2009). Throughout
the literature, it is evident that Old World wineries traditionally placed less importance on wine tourism when compared to New World wineries. Gómez et al., (2013) noted that the majority of studies of wine tasting rooms and wine tourism differences were conducted in South Africa (Bruwer, 2003), Australia (Alant and Bruwer, 2010), Canada (Poitras and Donald, 2006) and New Zealand (Hall and Mitchell, 2002). Other researchers have narrowed this field of study to include Australia and New Zealand as the primary drivers of new research, stating that “over 50 percent of the world’s research on this topic comes from these two countries” (Lockshin and Spawton, 2001). It is generally accepted that Old World wine areas, located in Europe, have not relied on wine tourism and direct-to-consumer sales for consistent revenue to the extent seen in New World wineries. Thus, it appears that these wineries have yet to embrace new and progressive marketing tactics. Instead, European wineries derive profitability based largely on the established reputation of the winery and its products (Wargenau and Che, 2006). Notably, the European wine market is characterized by few large wine “estates” and a number of small grape growers (Getz, 2000).

Recent literature defines the “New World” as a “group representing those wine countries predominantly located in the Southern Hemisphere, particularly Argentina, Australia, Chile, New Zealand and South Africa, and some in the Northern Hemisphere, such as Canada and the United States” (Alonso et al., 2015). This New World wine sector represents a group of countries that relies heavily on wine tourism as compared to Old World wineries, which tend to rely on regional reputation, taste, and quality of their wine. Old World wine regions encompass most of Europe including France, Italy, Germany, Spain and Portugal. Economic activities undertaken within the wine industry have allowed for regional wine identities to appear and attract consumer interest and loyalty (Beebe et al., 2013). Some examples include Champagne and Bordeaux in
France, Chianti and Tuscany in Italy and the Napa Valley area in California (Beebe et. al, 2013). In addition to economic activities, political drivers of Old World and New World wine countries help determine success of a wine region. Many studies outline the significance of the support of the Australian government, which takes a proactive role in the promotion of the wine tourism industry. These promotional activities include events and trainings, as well as marketing efforts and strategies to promote the industry (Macionis and Cambourne, 1998; Getz, 2000; Johnson et al., 2000; Wargenau and Che, 2006)

With respect to tasting room educational initiatives, Italian wineries lead the industry with more than 75 percent offering educational tours. Almost 60 percent of Spanish wineries offer vineyard tours, and 43 percent of all New World wineries engage in educational tours showing the vineyards, estate history, wine-making facility and wine-making process to customers (Alonso, 2015). This contradicts the previous statement that mentions only ten percent of Spanish wineries are open to the public (Marzo-Navarro and Pedraja-Iglesias, 2009). This can be explained by the fact that many Old World wine countries offer tourism experiences only by private appointment and do not maintain a tasting room that is open to the public, which is common in the New World wine producing countries. Italian wineries are the least likely to offer complementary products, such as food (Alonso, 2015). Greece, which has been noted for its limited data on wine tourism, attracts mainly domestic visitors who represent 70 percent of all visitors (Alebaki and Ikakovidou, 2011). International wine tourists in New Zealand were most focused on the food, drink, arts and culture associated with the winery and additional venues (Ministry of Tourism New Zealand, 2009). This parallels other studies that show the top motivators for wine tourists (Getz and Brown, 2006; Alant and Bruwer, 2004; Johnson et al., 2000).
4.1.2 Product Quality

This section includes an analysis of the recent shift in wine tasting consumer preferences. Consumers currently place an emphasis on intangible factors, such as service experience, atmosphere and ambience. In the past, tangible factors such as quality and style of wine offered dominated consumer preferences within the winery and tasting room experience. Changing consumer tastes and preferences resulted in a shift of consumer demand. The importance of customer recommendations and impact of the actual taste of the wine can influence the overall wine tasting room experience. This experience can influence consumer demand and thus impact the profitability of the wine tasting room.

Wine tasting extends beyond the cellar door to include facilities, local products, wine and food trails, and other complimentary events (Beames, 2003). Tasting rooms are universally beneficial to wine tourism and the region through customer interaction with the region, its wines, people, processes and the overall environment (Dawson et al., 2011). Furthermore, tasting rooms are attractive to producers financially in terms of added revenue. Over the years, wine tasting has evolved into an event and an experience. Markets are competitive and wineries must continually seek new opportunities to ramp up their experience (McDonnell and Hall, 2008). However, wine tasting rooms do not compete exclusively on the characteristics of the wine itself, but rather, on the service associated with the experience of visiting and enjoying the wine tasting room. As noted in previous sections of this analysis, good quality wine is no longer sufficient for wine tourists (Dowling and Getz, 2006). Research revealed that wine sales increase when consumers are exposed to various aspects of wine production in conjunction with wine tasting. Guided estate tours that enhance the overall wine tasting experiences are found to be very
effective in connecting consumers to production and ultimately increasing wine sales (Koch, et al., 2013).

Bitner (1992) focused on the quantifiable aspects of the wine tasting room and noted that “the effect of atmospherics, or physical design and décor elements, on consumers and workers is recognized by managers and mentioned in virtually all marketing, retailing, and organizational behavior texts.” Earlier studies concluded that the “taste of the wine, buildings, facilities, information, and signage, were most important in the overall experience” (Dodd, 1995; King and Morris, 1997). Nearly all recent literature noted that tasting room customers ultimately make purchasing and re-purchasing decisions based on less quantifiable, service-based factors experienced in the tasting room, such as service by tasting room staff and overall customer satisfaction (O’Neill and Charters, 2006; O’Neill et al., 2002).

Getz (2000) was among the first to describe the intangible aspects of wine tourism, describing the event as “a complete sensory experience” and including elements of taste, smell, touch, sight and sound. Alant and Bruwer (2004) stated that “wine tourists are also wine consumers in search of product-related experiences.” This concept of branding a unique winery tasting experience is a key component that has allowed firms in the wine industry to differentiate their products and services. In contrast, Old World wineries relied on the taste of their wines and were not focused on the service-based aspects associated with the tasting experience. This was recently confirmed in a study among wineries in the Rioja region of Spain which found that factors such as atmosphere, social conditions, and character had a negative effect in the region (Gómez et al., 2013).
Brand equity has been cited in the literature as a sum total of the attributes of a specific brand such as awareness, loyalty, and perceived quality of brand associations and other brand assets (Aaker, 1996). Winery visits are one of the most effective tools to build brand awareness. The uniqueness of the wine industry inspires consumers to search across a multitude of brands and rarely stick with a single brand (Ehrenberg, 1988). In other words, wine is an industry that has virtually no customer loyalty. Instead, place branding is often used to apply branding principles to specific geographic regions (Morgan, Pritchard, and Pride, 2002). Identification of the relative environmental and cultural assumptions may be beneficial to individual regions and wineries (Dawson, et al., 2011). It is important to look at the product and the wine tasting room holistically to encompass all aspects included in a brand.

However, product quality simply cannot be ignored as it is still viewed by many as the strongest predictor of brand equity (Nowak and Washburn, 2002). Ho and Gallagher (2005) concluded that quality of wine is the deciding factor for consumers in making wine purchases, trumping ambience, staff attention and wine facilities. Other studies contradict this finding and concluded that there was no relationship between the intrinsic wine character and enjoyment (Lewis and Zalan, 2014). Despite differences in the literature, product quality forms the foundation of a solid brand and was consistently noted as a critical component in the overall tasting experience (Nowak and Newton, 2006).

A strong marketing campaign cannot compensate for a poor wine quality experience (Robinette et al., 2002). However, Carlsen (2011) suggested that perceived quality, not product quality, was linked to brand equity. With a very competitive and saturated market, it is not enough to limit product offerings to high quality wine (McDonnell and Hall, 2008; Dowling and Getz, 2006). Instead, winery profitability is dependent on a combination of “product quality,
positive emotions felt, preference for wine, customer commitment, and fair pricing” to keep customers coming back and repurchasing wine (Nowak and Newton, 2006).

4.2 Place

Kotler and Armstrong (2008) define place as “a set of interdependent organizations that caters to the process of making a product available to the consumers.” Hirankitti et al. (2009) define place as “the ease of access which potential customer associates to a service such as location and distribution.” For the purpose of this research, the market place is defined as the wine tasting room. Physical characteristics and atmosphere of wine tasting rooms were proven to influence the overall customer experience, customer satisfaction and sales. Thus, factors associated with physical layout and atmosphere that contributed to wine tasting room profitability are reviewed in this section. Further discussion pertaining to sales and the tasting room experience for small and large wineries follows as an overview of other area events in which location impacts the tasting room.

Research by Pan et al. (2008) on the atmospheric cues of purchasing revealed that a pleasant atmosphere will strengthen commitment and thus improve relative purchasing intention of the customer in the wine tasting room. In fact, the overwhelming majority of research showed that an aesthetically appealing tasting room and a natural setting positively influenced customer satisfaction (Charters et al. 2009; Chebat et al., 2000; Griffin et al., 2006; Mitchell et al., 2012; Pan, et al., 2008; Sharples, 2002; Sparks, 2007; Telfer, 2000; Turley and Milliman, 2000; Quintal et al., 2015). Early tasting room studies outlined concrete attributes including infrastructure, facilities, information and signage and cited their importance on the overall experience (Dodd, 1995; Morris and King, 1998). Throughout the years, a variety of winery
layout factors were incorporated into studies including scenic views and scenery, lighting, sounds, cleanliness and general tasting room atmosphere. Oberfeld et al. (2009) found that ambient light, specifically red or blue light, had a statistically significant effect on the overall enjoyment of wine and concluded that environmental wine tasting room factors influenced a customers’ willingness-to-pay. In addition, consumers preferred to have a seated tasting that was private or formal. These wine tasting consumers spent significantly more in purchases as compared to tasting at a bar (Penn, 2015).

Regardless of tasting room layout, researchers agreed that the experience be memorable (O’Mahony et al., 2006; Nowak and Newton, 2006; Olsen et al., 2007). Activities and beautiful scenery, rather than the taste of wine, remain top motivators for wine tourists as they select preferred wine tourism destinations (Getz and Brown, 2006). Creating a destination image was shown to improve brand equity and overall brand image (Gómez et al., 2013). Special emphasis was also placed on first impressions of the winery such as directional information, welcome signage, landscaping, driveways, and car parking (Carlsen, 2011). This is because often times these first impressions set the stage for expectations associated with the entire customer experience.

Research has shown that wine tourists expressed appreciation for each detail associated with wine tasting room layout and are responsive to merchandise placement within the space. Neilson and Madill (2014) highlighted the lack of attention paid to merchandising by tasting room managers. In another study, Carlsen (2011) further examined this topic and suggested that it is important to display products while avoiding an overt sales function within the winery experience. This will help to attract new customers to enjoy the experience of tasting wine. Customers new to wine tourism tend to have a more negative perception of the winery
atmosphere compared to those who frequent wineries (Cohen and Ben-Nun, 2009). The authors suggested that over time, and through experience, customers learned to appreciate an attractive tasting room and overall positive wine tasting room experience. Despite the overwhelming preference for an attractive tasting room setup, Thach and Olsen (2006a) explained that the “appearance of a winery visitor center is not an important factor in shaping favorable customer cognition.”

Throughout the research there has yet to be a direct link to positive evaluations of winescape and winery profitability. The term winescape was first introduced in the literature by Peters (1994, p. 124) as he described “a winsome combination of vineyards, wineries and supporting activities necessary for modern production.” Since then, over 30 academic publications have made reference to the term winescape (e.g. Bruwer and Alant, 2009; Getz et al., 1999; Hall et al., 2002). Winescape attractions can include the physical setting, atmosphere, wine quality, value, product, signage and staff (Quintal et al., 2015). These factors are all significant and important, but it is unknown to what extent they effect overall winery profitability.

The size of the winery is significant to the place component of the marketing mix, as the size of the winery may influence ease of access and the process of making the product available to customers as desired. Much debate exists in the industry today concerning producer size and the ability to run a successful tasting room. Previous research discovered that smaller wineries are better at making an emotional connection with the customer (Bruwer et al., 2008). Charters et al., (2009) revealed that there is a direct link to winery size and the ability to create an artisan experience. They concluded that larger wineries more frequently give visitors the impression that
they were part of a process and thus not as personable. These overt sales functions are viewed as confrontational and distracting from the overall experience (Carlsen, 2011).

Many studies determined that relatively small producers shifted marketing focus towards wine sales in the tasting room (Yuan et al., 2008). Brunori and Rossi (2000) stated that “visiting the wine cellar is at the core of the wine tourism experience, and many small wineries have more success in attracting visitors than large wineries (Frochot, 2003). This may be due to the perception of a more personalized experience emotional connection to the customer as mentioned above. On the other hand, Bruwer et al. (2008) have shown the merits of large tasting rooms, particularity in offering a more dynamic experience outside of wine tasting, such as a restaurant meal. Their study showed that “participants would be more likely to return to larger wineries with family and friends, due to the presence of additional facilities.” Regardless of their size, tasting rooms are encouraged to avoid overly strong sales demands by tasting room staff and to focus more on a customer experience, rather than a selling process.

Study findings also revealed that wine tasting room sales diminish during local festivals and events. Thomas et al. (2014) notes that “sales were on average 13 bottles less when there was a festival in the area.” A positive correlation was found with sunny weather, and Saturday events generated the highest tasting room dollar sales (Thomas, et al., 2014). Complementary products such as services, lodging, dining, local attractions and entertainment all have a positive effect on the wine tourist attitude and experience (Quintal et al., 2015). A recent study on agritourism, including wineries in Virginia (United States) found that distance to the interstate had a negative impact on profitability, while operations located in an area with a high population near a metropolitan area and natural amenities are most likely to be more profitable (Lucha et al., 2015).
4.3 Price

Several measurable factors, namely taste and price, have long been cited as important for purchasing decisions and thus profitability (Dodd, 1995; Morris and King, 1998). Price is considered one of the most significant factors that affect consumer choice, and it is what a consumer must give up to get a product or service (Nakhleh, 2012). Consumers must make decisions based on resources available. Following consumer theory, these decisions cannot exceed total wealth. Research shows that pricing represents one of the key factors in the marketing mix. Furthermore, price is the primary factor that generates sales for the firm, thus affecting profitability. In the context of this research, price is defined as the price of a wine tasting. This section examines the impact on overall winery profitability of the firm’s decision to charge a tasting room fee.

Product sampling, while one of the most expensive forms of marketing, is a highly effective tool to increase sales (Jain et al., 1995; Heiman et al., 2001). Over time, research consistently indicates that customers will increase their wine purchases after sampling (Thach and Olsen, 2006a; Mooney, 1995; Heiman et al., 2001). Mooney (1995) found that 86 percent of customers will make a purchase if they are allowed to sample. Similar ranges are found by Olsen et al. (2007), stating that after tasting a visitor will make a purchase 50-90 percent of the time. Other research by Kolyesnikova and Dodd (2008) parallels these conclusions for wineries in the United States. It should be noted that there may also be a lag in promotional efforts and the effects of sampling as 20 to 60 percent of customers will purchase a sampled product at a later date (Heiman et al., 2001).
In the event of receiving a free tasting not only will customers tend to make purchases, but they will spend more money and feel more appreciative of personnel than visitors who paid a tasting fee. Kolyesnikova and Dodd (2009) concluded that tasters felt an obligation to purchase, resulting in an increase of 9.13 dollars in spending. This topic of gratitude has been researched for a number of years. In 1960, Gouldner (1960) suggested that gratitude and obligation were two conditions that made up the reciprocity rule. Similarly, when visitors paid a tasting fee, they did not feel an obligation to buy the wine (King and Morris, 1997). In another study Travers (1999) shows that visitors view themselves more as guests when a winery does not charge for a tasting, thus they have more of an expectation to buy (Travers, 1999). Charters (2009) introduces the topic of “moral balance” when referring to a customer’s lack of obligation to purchase after paying a tasting fee.

Research reveals that wine sampling will increase acceptance for a given category, not necessarily the sampled product (Ho and Gallagher, 2005). For example, a customer may sample one variety of wine in a tasting room and purchase a different variety from the same tasting room. Recently, customers have developed an expectation of free wine tastings and consider it only acceptable to pay when a tangible item is included (Roberts and Sparks, 2006). These conclusions based on an expected service are noted by King and Morris (1997), and they show a divide between customer expectations and those from winery owners. Owners tend to view tasting fees as a cost related to a service. This survey concluded that 33 percent of respondents would not visit a tasting room that charged a two dollar fee. However, a changing mentality in the wine tasting industry exists as more and more wineries are charging a fee for the experiences offered, not for the service provided (Gilmore and Pine, 2002). It is important to note here how
the industry has evolved in such a short time and has catered to customers’ expectations by most commonly providing a tangible item or notable elevated experience associated with a fee.

In 2007, the average tasting room fee for 77 percent of West Coast wineries and 47 percent on non-Western wineries ranged from three to five dollars (Fisher, 2007). On the other end of the spectrum, 10 percent of Western wineries charged more than ten dollars for wine tastings. Kolyesnikova and Dodd (2009) cite research from a 2007 United States Tasting Room Survey Report by Fisher (2007). It found that the number of tasting rooms charging a fee increased by eight percent from 2006 to 59 percent in 2007. On average in the United States, tasting fees are waved when the total purchase reaches 100 dollars (Penn, 2015). The number of wineries charging a fee is on the rise and there is still much debate as to how marginal fees may affect overall profitability. Higher prices have proven to increase short-term profitability but may lead to lower sales and thus lower profits in the long run. This may explain conflicting findings within the wine industry.

In terms of producer size, larger wineries are more likely to charge for wine tastings than smaller wineries (Kolyesnikova and Dodd, 2009). However, revenue from wine tastings may be more significant to smaller tasting rooms trying to increase cash flow and offset large financial barriers-to-entry in the wine industry. Charters (2009) argued that small wineries can negatively commercialize the experience by charging a tasting fee. This supports additional industry research indicating consumers’ attraction to personalized experiences and unique venues.

The wine industry is classified by many unique dynamics, one being a broad range of pricing tactics. Barber and Taylor (2013) cite three measures to assess purchasing behavior: purchase intention, willingness-to-pay, and actual purchasing behavior. These behaviors or
willingness-to-pay factors will vary depending on individual consumer needs. Thus, price perceptions will vary between consumers for the same or similar products and services (Nakhleh, 2012). Due to the subjective nature of wine, wine tasting rooms are especially vulnerable to varying consumer perceptions. According to Khan (2014), price is considered to be the most significant factor that affects consumer choice.

Consumer perception of price can dictate a winery’s success. Not surprisingly, a higher perception of fair pricing leads to a higher level of repurchase intention (Nowak and Newton, 2006). Nowak and Newton (2006) define fair pricing as a price that is neither too high nor too low for the quality. Many wine tourism studies have focused on this “value-for-money concept” concluding that reasonably priced wines lead to an increase in the customer’s total attitude to the winery (Griffin et al., 2006; Roberts and Sparks, 2006, Quintal et al., 2015). However, Carlsen and Boksberger (2013) discovered through modified meta-analysis that value-for-money is not a significant attribute for wine tourists. Research consistently shows that winescape value produces a positive effect on the perception of the winery but it is unknown to what quantitative extent (Quintal et al., 2015). Therefore, wine producers may use quality wine and valuable wine consumer experiences to effectively receive a higher price for their product.

Price has the unique ability to act either as a substitute or reinforcement for quality. Lewis and Zalan (2014) examined the relationship between wine price and enjoyment, and their study presented the same wines at different prices to non-expert wine consumers in Australia. Findings show that individuals rated the same wines differently and that appreciation of the wine and willingness-to-pay are influenced by price. This is significant as everyday consumers, or non-experts, find higher wine prices to be a stimulus rather than a deterrent (Lewis and Zalan, 2014). This parallels other luxury goods, whereas price goes up the quantity demanded will
increase proportionally as income rises. Wine and wine tasting rooms are both luxury goods in the marketplace. This research focuses on the effects of wine tasting rooms as a luxury good that affects winery revenue and profitability.

Schnabel and Storchmann (2010) used an empirical model to show that price signals respond positively to wine quality. Price can signal quality when a high quality product is more expensive to produce than a lower quality product in the same category. More frequently in the wine industry, price is used by consumers to indicate quality, regardless of the actual quality of the wine. Therefore consumers believe they will have more enjoyment in tasting higher priced wines. “Individuals who are unaware of the price of the wine that they are tasting, do not derive more enjoyment from more expensive wines” (Goldstein et al., 2008). Lockshin and Rhodus (1993) supported this evidence finding that a positive relationship exists between price and perceived quality. Interestingly, they concluded that as a consumer’s knowledge of wine increases, the consumer will rely less on external cues such as price to determine quality.

While the literature is consistent in some areas, discrepancies regarding price exists. Seale et al. (2003) examine price elasticities of red wine and conclude that the conditional expenditure elasticity of demand for U.S. produced red wines is elastic. This means that domestic producers could increase revenues by decreasing the price of a bottle of wine sold. The same does not hold true for other regions around the world. Debate continues on if the amateur wine consumer enjoys expensive wines more (Lewis and Zalanb, 2014) or less (Goldstein et al., 2008) than non-expensive wine. Regardless, the price of wine serves as a strong quality signal for wine tasting room visitors. In regards to price, some studies show wine consumers can be more easily “talked up” than “talked down” (Almenberg and Dreber, 2011), while others indicate
that it is easier to influence wine appreciation with lower prices than to increase price signals as a method to increase willingness-to-pay (Lewis and Zalan, 2014).

There are a number of effective pricing strategies that can be used in wine tasting rooms that will lead to overall profitable tasting rooms, allowing customers to sample, and ultimately purchase wine from the a wine tasting room. Literature supports the connection between pricing and profitability as “a 20 percent reduction in the price of tasting room premium wine or the cellar door price had the greatest impact on profitability” (Folwell et al., 2011). Pricing signals should be used in conjunction with brand signals and recognized as an important factor in the tasting experience and the purchase of wine associated with tasting.

4.4 Promotion

Promotional activities conducted by wineries include advertising, public relations, sales promotion, personal selling, direct marketing, online marketing, mobile marketing, and social media (Wood, 2013). Most importantly, promotional activities conducted by a firm need to focus on developing a communication strategy to share the brand message. This communication strategy provides “needed information and advice, persuading target customers of the merits of a specific product and encouraging them to take action at specific times” (Goi, 2011; Al Muala and Al Qurneh, 2012). For wine tasting room managers, this can be achieved through a number of marketing activities, including inside the tasting room through personal selling and human resource management. Promotion activities can also include marketing outside of the tasting room through an online presence, brochures, magazines and newspapers.

Next, in the section, wine consumers are described based on key differences such as gender, generation, group size and consumer self-confidence in the wine tasting room. Then
remainder of the section examines the connection between human resource management, customer satisfaction, and profitability. Wine tasting room variables, such as service and friendliness of staff, are discussed as they relate to customer satisfaction evidenced in recent literature. By customizing promotional tactics to a specific market segment wine tasting room staff and managers are able to improve customer satisfaction which will lead to higher sales and thus winery profitability. Finally, a review of wine marketing conducted through blogs, website design, and ratings is conducted to link the impacts of online marketing tactics to the overall tasting room experience as measured by the consumer who tends to buy wine online after visiting the tasting room.

4.4.1 Demographics and Segmentation

4.4.1.1 Overview

Segment marketing is defined as a move away from generalized mass marketing and includes a targeted marking plan for each customer segment. *Market segmentation* is “the process of grouping customers within a market according to similar needs, habits, or attitudes” (Wood, 2013). Targeting particular segments of customers allows marketers to provide a direction and focus for promotional activities, thus improving marketing efficiency and effectiveness by maximizing time and resources expended to reach the customer. Segment marketing also allows marketers to react to changes in the market to best fit consumer needs (Wood, 2013). It is important to first understand and review target wine consumers before developing marketing tactics for each consumer segment. Customer segmentation variables include behavioral, demographic, geographic, and psychographic characteristics. In this section, based on recommendations presented in the literature, the customer segments are structured according to demographics, behavior and psychographics.
Consumer demographics play an important role in successful marketing strategies. Wine consumer demographics are prevalent throughout the literature and represent key information needed by tasting room managers. According to national data, the United States’ wine consumer is affluent, with 64 percent earning above 100,000 dollars annually (Insel, 2009). The majority of wine consumers are married (75 percent), college educated (47 percent) and homeowners (87 percent) (Insel, 2009). The majority of the literature suggests that wine tourists are likely to be between 30 and 50 years old (Carlsen and Charters, 2006; Hall et al., 2002; Marzo-Navarro and Pedraja-Iglesias, 2009). Govindasamy and Kelley (2014) further investigated on-farm wine tastings, and conclude that the most common visitors are self-employed, above 50 years old and have at least a graduate degree. These consumers frequently learn about events through the newspaper and believe that superior products can be purchased directly from the farm. Marzo-Navarro and Pedraja-Iglesias (2009) looked at the differences between wine tourists and non-wine tourists, finding the only significant difference were income levels. Other studies found similar demographic characteristics when looking at younger wine tourists from age 25 to 34 (Tassiopoulos et al., 2004).

Wine tourists of all ages and backgrounds enjoy going to wine tastings and are attracted to the experience for a variety of unique reasons including the utilitarian factors such as the search for the right wine and hedonic factors involving the fun of trying new wines and visiting new places (Ho and Gallagher, 2005). Most visitors attend wineries with friends, family, or partners (Maddern and Golledge, 1996). Most tourists are attracted to the food, drink, arts and culture of the winery and region (Ministry of Tourism New Zealand, 2009). An extensive survey, administered by Wine Vision, of 6,715 wine consumers in the United States found that the top reasons respondents began drinking wine included wine fit better with food, they liked the taste
of wine, and their friends, family and co-workers drank wine (Olsen et al., 2007). This aligns with the previous findings of Alant and Bruwer (2004) who found tasting wine, sightseeing, and new information were top motivators for new wine tasting room visitors. In contrast, repeat visitors enjoyed purchasing wine, relaxing, and socializing. Barriers to attending a wine tasting include travel cost and time constraints (Getz and Brown, 2006).

4.4.1.2 Gender

Stereotypes have often polarized wine consumption between females and males. However, research paints a clearer picture of the true differences that exist and how they can be applied to increase profitability of wine tasting rooms. Fifty-six percent of wine consumers in the United States are women (Wine Market Council, 2009). Additionally, 77 percent of women buy wine for their households (Wenzel, 2005). While these numbers are significant, wine tasting room promotional activities should not be limited to female audiences, as regional variations are present in the literature. Contrary to research in the United States, Australian studies found that gender differences in wine consumption exist in terms of volume, wine style and grape variety between males and female consumers. Males tend to consume more wine than females, with males age 35 consuming the highest quantities of wine (Bastian et al., 2005).

In 2012, Bruwer et al. found that dollars spent on wine and quantity consumed of wine does not differ significantly between males and females. The authors concluded that the type of consumption varies significantly as females drink more white wine and males drink more red wine. This can be explained by the fact that women’s palates tend to be more sensitive to astringency and bitterness, thus affecting the sensory perception of wine (Fuhrman, 2001). Generally speaking, white wines have subtle acidity and do not contain the alarming astringency
and bitterness found from tannins in red wine. Women are also more likely to detect subtle
differences in wine. Other studies have supported this evidence, adding that females also buy
more wine from restaurants and food service outlets (Fuhrman, 2001; Sbrocco, 2003; Bruwer,
2012). Tasting rooms can customize sales strategies knowing that women often make wine
purchasing decisions for their family and drink more white wine. A regional based study in
California showed that women were more likely to purchase and drink wine during celebratory
occasions. Understanding significant gender differences may allow wine marketers to develop a
targeted plan towards a specific sub-set of customers in the tasting room.

4.4.1.3 Generation

Generation Y, also known as Millennials, are a primary focus of marketers today.
Millennials are defined as those born after 1978 which is a generally accepted definition in the
literature (Chrysochou et al., 2012). Millennials comprise over one-fourth of the population in
the United States (Lancaster and Stillman, 2002; Nowak et al., 2006). Wine markets must
capture the attention of Millennials now, not only to increase immediate tasting room profits, but
because most Americans have established their drinking preferences by the age of 40 (Murphy,
1999). Driven by popular wine styles of the time, Millennials in the United States began by
drinking red wines (Olsen et al., 2007). Generation X, those born between 1965 and 1978, were
introduced to the industry through wine coolers, and Baby Boomers began by drinking sweet
sparkling wines. Today, dry reds, whites, and champagne are most popular (Olsen et al., 2007).
However, today’s Millennials often enjoy sweet white wines (Olsen et al., 2007), and are more
inclined to drink fruit wines (Teagle et al., 2010) while purchasing most frequently from grocery
stores (Qenani-Petrela et al., 2007) and online venues (Wine Market Council, 2009). Generation
X tends to buy more from liquor stores and wineries (Chrysochou et al., 2012). Thus, we can
conclude that younger generations offer new market opportunities for wine tasting rooms and can be intrigued by a diverse number of wine varieties, styles and compositions.

The literature is consistent in demonstrating that Generation Y prefers creativity in wine factors such as one-of-a-kind wine labels (Qenani-Petrela et al., 2007), but creativity is appreciated throughout the entire experience. Generation Y places more value on the tasting room experience than any previous generation (Charters and Fountain, 2006; Chrysochou et al., 2012). Older groups place more importance on wine information (Chrysochou et al., 2012) such as the actual taste, quality of the wine, and efficiency in the service experience at the tasting room (Charters and Fountain, 2006). While Millennials may seem like the ideal market for wine tasting rooms, a Canadian survey on wine consumer behavior found that Millennials visit tasting rooms and other wine tourism activities much less than older consumers (Bruwer et al., 2012). Australian studies by the same author in 2002 and 2004 concluded that generations purchase wine at similar frequencies but vary in consumption volume, indicating that Generation Y consumes wine in smaller quantities than older groups (Bruwer 2002, 2004; Chrysochou et al., 2012; Teagle et al., 2010). Therefore it can be concluded that Millennials will drink less volume but frequent tasting rooms more often. Regardless of age, customers of all ages are visiting wine tasting rooms in search of a memorable experience. Using this information, tasting rooms can customize promotional strategies to sell more wine in the tasting room.

Consumers seek out particular attributes when choosing which wine tasting room to visit. A study of United States wine consumers by Chrysochou et al. (2012) revealed that Generation Y places the most importance on purchase decisions like “tasted wine previously” and “someone recommended it.” Millennials were also most likely to drink wine because someone they know drinks wine (Olsen et al., 2007). Older wine consumers, which comprised 55
percent of the 260 sampled, placed more importance on “grape variety” and factors like “I read about it” (Chrysochou at al., 2012). Beverland (2001) conducted research on Generation X consumers in New Zealand and found that these consumers placed a high degree of importance on the recommendations of friends when deciding on a wine. This is consistent with findings by Hoffrichter et al. (1999), who stated that Generation X places a higher degree of importance on views of their friends than views of family. Word-of-mouth recommendations continue to appear as the one linking factor between generations and wine consumption decisions. These word-of-mouth recommendations can drive tasting room sales with minimal promotional costs from the wine tasting room.

Customer recommendations through word-of-mouth are becoming increasingly important, especially within the Millennial generation. However, back in 1984 it was noted that “as much as 80 percent of all buying decisions are influenced by someone’s direct recommendation” (Voss, 1984). In a more recent study “75 percent of respondents from 47 markets across the world rated recommendations from consumers as a trusted form of advertising” (Nielsen, 2007). This ranked higher than newspapers, television, magazines, and search engines. Wine is a social event dictated by the presence of friends. One key predictor of wine consumption levels is often linked to the notion that the consumers’ friends drink on a regular basis (Atkinson et al., 2011). Studies have consistently found that the potential success of wine tourism can be linked to promotion, especially positive word-of-mouth recommendation (Alonso, 2015).

Regardless of age, consumers demand that the wine tastes good and provides value for the money spent. Generation Y is “brand conscious and quality oriented” (Thach and Olsen, 2006b). More than any other generation, Millennials drink wine because of the feeling associated
with drinking, and the “buzz” provided by alcohol (Olsen et al., 2007). An Australia study found that Millennials will pay more for wine when compared to older generations (Chrysochou et al., 2012). Despite the large number of Millennials in the world, a recent survey in Germany found that only 21 percent feel that age groups 18-25 and 25-35 are worthwhile for a target market (Koch et al., 2013). However, there is significant market opportunity as Millennials view that “wine is more classy and sophisticated than beer” (Olsen et al., 2007). Millennials are driven by marketing value-added activities and can be heavily influenced through continuous interaction with winery staff, a memorable experience, and point-of-sale contact (Chrysochou et al., 2012). Overall, consumers of all generations search for a “pleasing sensory experience” that is “stimulating, educational and memorable” (Carlsen, 2011) and often make decisions for buying wine based on “prior experience in tasting the wine” (Thach, 2008).

4.4.1.4 Group Size

The literature has yet to reach a consensus on the exact size of groups in tasting rooms that is more conducive to sales, but generally concludes that larger tourist groups are associated with lower expenditures. Smaller groups of tourists (less than five) have higher levels of gratitude, translating directly to wine sales and ultimately profitability of the wine tasting room (Kolyesnikova and Dodd, 2008; Laesser and Crouch, 2006). Groups of one and two tend to spend the most money in the tasting room (Kolyesnikova and Dodd, 2008). Additional research in this area of wine tourism purchases revealed that the firm incurred lower costs when larger groups visited the venue, and attribute this to finding to economies-of-scale in the wine tasting room (Laesser and Crouch, 2006). Another study states that groups of three or more are about three times more likely to make purchases as compared to smaller groups based on a survey in the Napa Valley region of California (Ho and Gallagher, 2005). A Michigan-based study
compared tour groups with a quantity versus quality factor and found that large groups of visitors, particularly tour buses, lacked interest in wine or the winery and thus purchase less wine (Wargenau and Che, 2006). While discrepancies exist, the literature suggests trends that custom experiences towards small groups of consumers in wine tasting rooms will lead to greater sales at the cellar door, thus increasing revenues for the winery.

4.4.1.5 Consumer Confidence and Education

Another factor that influences wine tasting room profitability includes consumer level of confidence in their ability to select wine. The literature revealed that a “sound” knowledge in wine is quality one of the most common characteristics of wine tourists (Hall et al., 2002; Carlsen and Charters, 2006). Ho and Gallagher (2005) argue that this influences wine purchases with well-informed, experienced wine consumers being the most likely to make purchases. The same authors directly state that “consumer self-confidence in wine selection leads to higher sales.” Wine tasting room customers enter the cellar door with a vast range of previous knowledge and experience about wine and tasting rooms, thus wineries have the opportunity to educate consumers.

The ability of the wine tasting room staff to educate each visitor and deliver high-quality customer service is extremely important to wine tasting room visitors (Carlsen and Boksberger, 2013; Thach and Olsen, 2006b). This promotional activity has been a priority focus for Michigan wineries as they expand tourism and sales (Wargenau and Che, 2006). Educating wine tasting room customers is a proven communication method that informs customers of wine products, the tasting room and the industry as a whole, thus increasing loyalty. Educational activities conducted by wine tasting room staff may be combined with wine tours and other tasting room experiences.
Increasing education and *consumer confidence* in wine tasting may ultimately change the dynamic of individual wine tasting room customers and lead to higher sales. Carlsen (2011) addressed “high and low involvement customers” in the wine industry, and his findings suggest that low involvement visitors do not think deeply about various wine cues. They are influenced at the point-of-sale, take a long time to make decisions and do not communicate much with sales personnel. However, high involvement consumers have tendencies similar to winery personnel. They think critically about wine cues, usually subscribing to wine magazines and talk frequently with sales personnel. While high involvement consumers represent only one third of total wine buyers, these customers buy more wine and spend more per bottle than low involvement buyers (Lockshin et al., 1997). As Carlsen (2011) argues, it is important to construct a unique experience for each of these groups that will best cater to their individual style of purchasing.

### 4.4.2 Personal Selling

Personal selling is a critical and costly component of promotional activities that involves the ability to reach customers one-to-one with the intention of building relationships and making sales (Wood, 2013). In this section, the connection between personal selling of wine tasting room staff, human resource management, customer satisfaction and profitability is examined. Factors such as service and friendliness of wine tasting room staff are discussed in relation to customer satisfaction.

As discussed in previous sections, a unique, memorable, and positive experience is consistently noted as crucial in wine tasting (Carlsen, 2011; Dawson et al., 2011; Pine and Gilmore, 1999; Roberts and Sparks, 2006; Thach et al., 2007). Consumers respond to marketing efforts centered on value-added activities and event attendance. Purchases are influenced through
continuous interaction with winery staff, a memorable experience, and point-of-sale contact (Chrysochou, et al., 2012). The literature highlights several qualities preferred by wine tasting room visitors. Customers seek “a genuine, or real, encounter with the winery and the winery staff” and to perceive “a memorable and worthwhile experience” (Pine and Gilmore, 1999; Fountain et al., 2008). Griffin and Loersch (2006) define wine service quality as “a blend of winery exterior, cellar door interior, service, staff, wine and convenience attributes.” Winery staff interactions include “personality, appearance, presentation skills, winery knowledge, rapport with customers and sales skills of staff members” that influence service quality in the tasting room (Carlsen, 2011).

Yeung et al. (2002) found there was a direct relationship between customer satisfaction in wine tasting rooms and profitability by analyzing a combination of customer service data and financial performance information. They stated that “it is hard to accurately measure the relationship between satisfaction and profitability due to the complexity of individual level customer measures with firm level measures,” but cited a linear, increasing relationship showing that higher levels of satisfaction led to higher profits. Therefore, wineries should pay close attention to analyzing factors that improve customers’ satisfaction during their visits to the tasting rooms.

The literature on winery profitability is limited, but consistent findings revealed that positive tasting room experiences are linked to friendliness of staff and the staff’s engagement with the customer. Customers desire “a special feeling about the product, brand and staff” (Thatch et al., 2007). Others studies agreed that visitor experience was a significant predictor of onsite sales (Corkingdale and Welsh, 2003; O’Neill and Charters, 2000; O’Neill et al., 2002). Service, environment, and winery attributes have been noted in the literature for decades as
indicators of customer satisfaction, customer loyalty, and repurchasing intention (Dodd and Gustafson 1997; Quintal et al., 2015) with no significant contradictory information (Kursunluoglu, 2014). Similarly, negative perceptions of service quality lead to lower expenditures on wine and related products in the tasting room (Dodd and Gustafson, 1997).

Griffin and Loersch (2006) looked at a variety of factors finding that “prompt service by welcoming, friendly and knowledgeable staff in a clean and well-presented tasting area is most important” to the success of the wine tourism venue. Agustin and Singh (2005) concluded that relational trust and value were linked more to loyalty and this impacted future purchase decisions. Younger customers demand and value more personal attention from tasting room staff than older winery visitors (Fountain and Charters, 2006; Getz and Carlsen, 2008). A number of customer communication strategies may lead to trust-building between the firm and the client at the tasting room. On-time delivery has recently been cited through a study that found 72.6 percent of customers gained trust as a result of timely delivery (Pelet and Lecat, 2014). Other literature links satisfaction, long-term loyalty and post-purchase perceptions together, stating that satisfaction has an impact on both factors (Mitchell, 2006; O’Mahony et al., 2006; O’Neill and Charters, 2006). Thus wine tasting experience should be unique, not just for the winery, but tailored to the individual customer as employee interaction with tasting room guests may help to determine the success of the tasting room (Root, 2004).

In sum, many findings from the literature revealed that wineries should invest time and resources to develop a training process aimed at enhancing the selling skills of tasting room staff (Shaw, 2007; Thach et al., 2007). These skills should not be overt but rather focused on relationships, trust, and education. It is also important to instill an “ongoing connection with the winery” (Roberts and Sparks, 2006). These tangible factors include the physical layout and
characteristics of the tasting room (O’Neill and Charters, 2000). Several authors stated that service-related factors play a greater role in purchase and re-purchase intentions than wine quality and firm investment in service had greater returns than investing in other winery factors. Charters and O’Neill (2001) conclude that “dealing with customers in a speedy, sensitive, and sympathetic manner is more important than the facilities, the decor, or the wine offered for tasting.”

Nowark and Newton (2006) revealed that it is common for many wineries to understand the importance of connecting emotionally with customers; however, implementing this becomes much more difficult. In order to achieve this goal, winery staff should focus on “imparting knowledge and enthusiasm” rather than the simple act of selling wine which can come off very commercialized and impersonal (Charters et al., 2009). Thach and Olsen (2006) cite that customer relationships may be enhanced through suggestions to customers that solve a specific need. Dawson et al., (2011) used the term “marketing without a sales pitch” to describe successful wine tasting room staff.

Small wineries excelled at customer service and were generally better at making more effective emotional connections with customers (Bruwer et al., 2008). Charters et al. (2009) indicated that tasting room personnel at smaller wineries exude passion. Dawson et al. (2011) claimed that small wineries provided a genuine tasting experience without making customers feel they were processed. This resulted in an increased visitor desire to purchase wine.

Small wineries appeared to have an advantage in customer service; however, a German based study indicated that small and medium-sized wineries lacked marketing and management skills (Koch et al., 2013). The authors noted that smaller wineries had fewer resources and thus
did not focus on developing the tourism aspect of the business. This is frequently seen in wine clusters that lack a wine route or connected form of communication and collaboration. A cluster is defined as “geographical agglomeration of firms operating in the same industry” (Bell et al., 2007). While the size of the winery may impact the overall satisfaction of the experience, it is important to note that the overall experience can be influenced, positively or negatively, by the individual wine tasting room staff members.

The literature also shows Old World wineries were profitable due to the production and sales of high quality wine through off-farm channels. Due to globalization, rising consumer expectations and increased competition within the wine tasting room industry, good quality wine will no longer ensure profitability. Koch et al. (2013) note that “Only four percent of the survey respondents have any education in tourism and only 12 per cent have any formal business education.” This provides a significant gap in the education of wine tasting room staff members. This gap may be addressed by employing personnel that are trained to provide genuine, engaging, customized experiences to wine tasting room customers.

It is important to note that good service will not suffice to ensure wine tasting room profitability and repeat purchases (Dowling and Getz, 2006). Instead, it should complement good wine quality, which remains a top factor for consumers (Griffin and Loersch, 2006). However, Bruwer et al. (2008) noted that some consumers who did not like the sampled wine still bought other items after receiving a positive service experience. Yeung (2002) noted that while increasing returns to satisfaction existed, a noticeable impact on profitability did not extend beyond a certain point. Therefore customer satisfaction will only marginally increase profitability beyond that threshold. This point is not numerically defined in the literature, but is
instead stated that a linear relationship was an acceptable way to measure the linkages between customer satisfaction and profitability.

4.4.3 Online Marketing

*Social Media Marketing* involves “the use of social media to facilitate value creation, communication, delivery, and exchange among marketing participants” (Wood, 2013). This section will review wine marketing promotional activities conducted using blogs, innovative website design and interactive ratings, with the objective of assessing impacts of online marketing strategies to the overall tasting room experience with an emphasis on the consumer who tends to buy wine online after visiting a tasting room.

A specific market of consumers exists who purchase wine after visiting the winery, and tend to use the internet to make their purchase. As previously noted, the literature revealed that 20 to 60 percent of customers will purchase a sampled product at a later date (Heiman et al., 2001). The Travel Activity and Motivation Survey (Lang Research Inc., 2006) shows that over 73 percent of Canadian and United States tourist that participate in wine and food tastings use the internet to plan travel. While wineries across the world use their websites to provide information to tourists and visitors, there are significant differences across nations with respect to the specific information provided for online customers. These studies also provided evidence supporting the importance of tasting room merchandising to online wine marketing.

Neilson and Madill (2014) found some marketing components like bottle images and wine labels were lacking online. This held true internationally, but was especially noted in Australia. Despite heavy wine tourism and tasting room visitor numbers, California, Australia, and France provided relatively poor results when it comes to appropriate use of a winery website.
However, over 70 percent of French wineries linked the website to professional critics’ reviews (Neilson and Madill, 2014). In terms of facilitating sales through online marketing, California and Australia topped the list (O’Mahoney et al., 2006). It is important to note that both of these New World wine regions, the United States and Australia, already have well established wine tourism and wine tasting routes.

The extensive, global and ubiquitous reach of online marketing via mobile devices has encouraged marketers to explore new levels of creativity. Websites should be considered a marketing tool that enhances and promotes the communication between a winery and its customers. This website should be designed for the specific target market but with the ability to reach geographically dispersed consumers. (Ferreira and Ferreira, 2012). It is important for the individual winery to stand out and provide a unique attraction to the customer. Winery websites should be designed for the However, consistency and credibility are key components of online marketing for the brand message. It is imperative that producers accurately and realistically depict the winery’s physical setting, layout, and facilities to avoid over-inflation of the customers’ expectations. The expectancy-disconfirmation paradigm has been noted throughout research in the wine industry, which noted that “satisfaction results from visitors’ perceptions of their experience matching or exceeding their expectations” (Griffin and Loersch, 2006). Thach (2009) cites research from a 2007 presentation by Light at the Unified Wine and Grape Symposium in California stating that large increases in website traffic occurred after placing a webcam in the vineyard. This form of social commerce, and similar types of interactive customer experiences outside of the tasting room demonstrated that consumers seek online marketing that is entertaining (Phelps et al., 2004; Watts et al., 2007).
Wine 2.0 is a concept related to using the internet to engage with wine consumers “in a time and manner of their choosing (Olsen and Hermsmeyer, 2008). This continually-updated form of communication is key to successful online promotion of winery products. Website quality should be professional and attractive, utilizing professional photographs. The website should be easy to navigate, mobile- and user-friendly. These factors were significant predictors of increased trust in the winery and increased perception of the actual quality of the wine (Nowak and Newton, 2008).

Today’s wine consumers have more choices than ever before. Whether they purchase wine on supermarket shelves, local wine shops, tasting rooms, or online, consumers are armed with the latest in digital technology and they are using these technologies to receive accurate, fast and reliable data from the click of a button. Wine consumers seek out information to research products, compare prices and order wine. Social media can play a major role in influencing these purchasing decisions. Consumers “seek out and disseminate information about a product using social media” (Pelet and Lecat, 2014). The goal of social media is to “observe, facilitate and participate in positive conversations about the brand” (Nicholls, 2012). Using systematic content analysis on social media, Nicholls (2012) found that interactive games and timely consumer participation in social media is on the rise, reflecting a branded conversation stimulus strategy.

Blogging, a form of social publishing, is a casual form of online conversations which are increasing in popularity, and is generally seen as a trusted forum for product recommendations. There are more than 700 wine blogs including 550+ in English, with top blogs receiving more than 40,000 hits daily (Yarrow, 2008; Thach, 2007). Beninger et al. (2014) completed a detailed analysis of five top wine blogs and noted the difference in wine evaluations with a growing trend in representing not only specific product attributes but the “experience surrounding wine.” While
blogging may seem informal, the ratings and critiques found on these blogs can influence wine tasting room sales and profitability. Langewiesche (2000) noted that highly acclaimed critiques can have their views felt “throughout the price setting and price distribution system.” Other consumer reviews are noted by potential buyers when the “comments added” are strongly positive or negative. Most neutral reviews do not have a major impact for consumers and the overall profitability of a wine tasting room.

Customer service has been consistently and extensively noted throughout the wine literature. A 2009 study found that 40 percent of wineries did not communicate with interested potential customers within 20 days of a customer initiating online commutation (Thach, 2009). This missing link between customer service and the internet represents a large opportunity that exists within the wine industry. Online wine marketing can provide a method to pull customers into the tasting room which can in turn help to attract customers to join a wine and become involved in other winery activities thus increasing winery profitability club (Franson, 2010). Research shows that a “website can develop a winery’s brand equity, which typically allows a business to increase their selling prices and enhances customers’ loyalty” (Ferreira and Ferreira, 2012). The next chapter assimilates the above information based on the four maintained hypotheses outlined in Chapter Three and identifies attributes of the tasting room that generate a positive customer reaction and can help winery managers increase profitability within the winery.
CHAPTER 5

Discussion and Implications

Literature results provide valuable information to winery tasting room managers, owners, and stakeholders on measures that can be used to improve sales performance. Identifying attributes of the tasting room that generate a positive customer reaction can help winery managers and owners make improved profit-maximizing decisions. The goal of this research is to determine whether marketing mix strategies have an impact on winery profitability and it addresses four maintained hypotheses specific to the marketing mix framework – product, place, price, and promotion. Implications pertaining to small and mid-sized New World wineries for each of the marketing mix strategies are addressed in this chapter. Throughout this review it is important to consider that marketing mix elements are interconnected and thus decisions made with one factor will have a direct effect on other factors within the marketing mix.

**H1: There is no difference in profitability between tasting rooms.**

Our comprehensive review of the literature revealed that the majority of studies demonstrated statistical evidence of variation in wine tasting room profitability; therefore, we reject the H1 hypothesis.

Findings from the literature presented in Chapter 4 highlighted major differences between wine tourism in the Old World and the New World as the New World is more dependent on direct sales and the Old World continues to make a large part of sales based on quality alone. Tasting rooms in the New World wine regions typically generate more revenue in tastings. However, revenue in the wine tasting room is not only generated from wine tastings but also direct to consumer wine sales. It is unknown if these tasting rooms are more profitable than Old
World wine tasting rooms. Both types of wineries value sharing the winery story. Old World wineries are more likely to give educational tours, but less likely to be open to the public. New World wineries can capitalize on this by offering an elevated experience for a premium price without jeopardizing the reputation of a wine region or quality. Research also shows that a well-planned marketing campaign cannot compensate for poor quality wine or the wine tasting experience (Robinette et al., 2002). The wine tasting room can make subtle, sometimes inexpensive changes that can increase sales in the tasting room. For example, the use of key sensory terms to describe wine increased sales, even when customers did not have the option of sampling the product (Charters et al., 2000; Tuorila et al., 1998; Wansink et al., 2005).

Investments should be made in creative labeling and branding of the wine bottle and wine tasting room. The brand associated with the wine tasting room should parallel the wine branding itself. Labels should be creative, unique, and easy to recognize. Wine labels should stand out in the tasting room, on a retailer’s shelf, or in a customer’s cabinet, wine cooler, or cellar. The customer should then be able to correlate a bottle of wine to the specific wine tasting room’s experience. This emotional connection with the wine and brand can be very effective in differentiating wine tasting rooms from competitor’s total experiences.

**H2: There is no difference in profitability due to tasting room physical characteristics.**

Our comprehensive review of the literature revealed that the majority of studies failed to demonstrate statistical evidence of variations in wine tasting room physical characteristics that directly impacted firm profitability; therefore, we fail to reject the H2 hypothesis. Some best practices can still be highlighted throughout the literature for small-sized to medium-sized wineries.
The majority of research in Chapter 4 shows that tasting rooms need to be aesthetically appealing. However, the specific factors described by consumers as aesthetically appealing differ greatly, making it difficult to prescribe a list of best practices useful to all wineries. Agreement exists that wine tasting rooms should provide a relaxing environment and that this ambience, combined with winery aesthetics impact the customer’s view of the winery (Alonso and Ogle, 2008). Across generations, consumers indicate that a good tasting room should have “character” (Charters, 2009). This character may be described as the layout of the bar, furniture style, decorations, history of the venue, or even the genre of the music played in the tasting room. The individuality of the winery should be apparent and follow a consistent theme throughout all aspects of the layout. Ambience, however it is defined by the consumer, continues to be a top factor in a positive customer experience (Shapiro and Miguel, 2014).

However, there exists an unclear link between satisfaction, intention and how it relates to the overall profitability of the winery. A simple cost-benefit analysis may be necessary to determine if the benefits of additional investments in infrastructure and improvements to a wine tasting room facility outweigh the costs. Regardless, there are simple changes that every winery can make to get the most return per square foot of the wine tasting room facility. One simple way is to work to generate visits year round. Many wineries focus total marketing efforts during a peak selling season in the tasting room, because seasonality plays a role in tasting room profitability, not just the grape growing season. A New Zealand study found that late summer and early fall were the most popular seasons for wine tasting room guests with some discrepancies in individual customer segments (Mitchell and Hall, 2003). The infrastructure of a tasting room can be utilized year round with tasting events, complementary events and dinners. This is a great opportunity to partner with local businesses in the area while offsetting fixed costs
throughout the year. Some events could include food and wine pairing, paint nights, crafting socials, weekly dinners. Generating visits year-round will make the winery a destination and not just a tasting experience. Complementary products such as services, lodging, dining, local attractions and entertainment all had a positive effect on the wine tourists’ attitude and experience (Quintal et al, 2015).

Wine tourists of all ages are seeking easy access to prominent or well-known wineries, yet tend to avoid a mass tourism experience (Getz and Brown, 2006). This type of hospitable encounter can be accomplished by avoiding the placement of large quantities of merchandise on the tasting room floor that would give the impression of a retail store and not a relaxing tasting environment. For example, pumping wine out of tubes is negatively viewed by customers (Charters, 2009). If wine cannot be poured out of bottles in the tasting room, then all tubes or “factory-like” equipment should be sufficiently hidden out of customer view. Avoidance of the mass-marketing feel should extend beyond the tasting room door and include exterior facilities in the winery. Posted rules, regulations, or customer information should match the theme and brand of the entire winery and not appear as an afterthought.

Brunori and Rossi (2000) stated that visiting the wine cellar is at the core of the wine tourism experience, and many small wineries have more success in attracting visitors than large wineries. This may be due to the perception of a more personalized experience and emotional connection to the customer as mentioned above. While findings revealed that customers favored smaller tasting rooms, it is not necessary for a winery to be small in order to have a successful tasting room. Rather, the winery may create a “small” environment, giving customers a personal experience and avoid the feeling of being lost in a process. This can be achieved through the tasting room layout and facilities. A “U” shaped bar may serve to facilitate conversation,
especially with larger groups. Multiple wine bars in the tasting room may help to prevent customers from feeling like part of a tasting procession by providing customers with avenues to flow through the tasting experience without interruptions. This requires additional staffing, but if it successfully creates a memorable and personalized experience, the benefits may outweigh the additional costs.

Tasting room wine sales may be facilitated directly at the wine bar. However, the tasting room layout should consist of ample selling outlets. This is more important for medium-sized or larger wineries, especially on higher traffic days such as Saturdays and Sundays. Bruwer and Alant (2009) found that wine was largely purchased from customers’ own initiatives. When the winery drives sales from the tasting room, it will increase revenue and profitability. The layout of the winery can help to facilitate smooth sales that do not disrupt tasting for other visitors. This can be done through the use of several small intimate tasting rooms, as opposed to a large banquet hall. Small spaces facilitate more direct conversation and lead to a more personal sales interaction.

Additionally, there is a negative stigma that exists within the wine tourism industry. This is apparent as winery atmosphere is more negatively perceived by those new to the wine tourism industry. Winery owners and marketers may overcome this with a positive tasting room experience that offers a relaxing layout to facilitate conversation, and providing an atmosphere that is casual, non-judgmental and educational for less experienced wine tasters. Holding complementary events is also a great way to attract new visitors to the winery who may not have wine tasting as a primary motivator for their visit.
Winery atmosphere, cultural activities, and family activities consistently ranked as top factors in determining winery visitor attendance (Cohen and Ben-Nun, 2009). While wineries do compete for sales and tastings, wine consumers enjoy visiting regions with multiple wineries and attractions. Wineries may benefit in terms of added sales from “cluster competitiveness.” This competitiveness was a main driver for German wine communities to enter into joint marketing efforts (Wang and Fessenmainer, 2007). Small wineries may also find it favorable to work together to achieve economies-of-scale in terms of wine tasting while simultaneously giving consumers a “small” winery experience. Recently, there has been an increase in this form of wine marketing though wine clusters and wine tours. Grape production, like many agricultural commodities, is subject to a biological time lag with significant sunk costs ranging from three to eight years prior to harvest. Turner (2010) argued that communitarian networks can help these infant wineries through the exchange of ideas.

In terms of marketing, it is important to get media coverage of the wine tasting room when possible. Many wineries send samples to wine critics on an annual basis. Wineries of all sizes are encouraged to invite wine experts to tour the facility, comment on the layout and take part in the total market experience. Marketers are encouraged to engage with writers, provide exceptional customer service and encourage frequent interaction with the media at events and tastings. Given the limited expense and time commitments, the benefits of these efforts may include attracting new customers and result in increased profitability.

In summary, the findings reveal that the wine market is unique in many ways and a one-size-fits-all model to wine tasting room profitability is not the ideal approach. A well-designed layout, comfortable atmosphere and facility may serve to enhance the firm’s offerings of high
quality wine and excellent customer service, generating higher revenues that reflect the overall value of the experience.

**H3: There is no difference in profitability due to tasting room pricing structure.**

Our comprehensive review of the literature revealed that the majority of studies failed to demonstrate statistical evidence of improved profitability resulting from wine tasting room pricing structures; therefore, we fail to reject the H3 hypothesis. However, our research revealed many alternative pricing strategies that resulted in profitable wine tasting rooms, and best practices are highlighted in this section. The relationship between willingness-to-pay, wine quality and the appreciation of the wine tasting experience is difficult to measure and subject to many interrelated subjective variables.

Pricing remains at the foundation of a solid marketing plan. Product sampling, one of the most common marketing tools in wine tasting rooms, was shown throughout the literature to be a highly effective tool. However, the costs associated with product sampling may outweigh any known benefits. More commonly, wineries have begun charging a fee for wine tasting, marketing the total wine tasting experience that is not limited to a sampled beverage. Established wineries rely on wine tasting as a way to educate the customer. However, smaller, lesser known wineries depend on wine tasting rooms as a selling outlet to maintain the viability of production (Kolyesnikova and Dodd, 2009). Larger wineries also usually charge for tastings, but the revenue from wine tastings tend to have a more direct impact on the bottom line for smaller and mid-sized wineries.

Therefore conclusions can be drawn that tasting room fees are not only appropriate but resulted in increased profitability when combined with some notable tangible item or an elevated
experience. Customers seemed to show some resentment to tasting room fees charged in the absence of any related tangible item or experience. Examples include, but are not limited to a wine tasting room glass, postcard, souvenir or a discount or coupon for a current or future purchase. Examples of elevated experiences can include increased customer service, distinct personalized experience, complementary vineyard tour or a tour through the wine making process.

Other alternative pricing structures include reimbursement of the tasting fee after a wine purchase. Tasting rooms can also compensate for the wine tasting fee by a discount on any item sold in the tasting room. One United States’ winery found that increasing the wine tasting room fee from five dollars to ten dollars but offering reimbursement of the entire fee on any wine purchase resulted in a 15 percent increase in the number of customers who purchased from the winery (Hass, 2010). Research has shown that even if consumers do not like the taste of wine or want to purchase wine, they may still purchase related items sold in the tasting room. Another strategy is to have wine glasses for sale in the store at the same price as the wine tasting. This allows the customer to bring a tangible item home, while generating revenue for the winery and saving on cleanup costs as the tasting room visitor can use the purchased glass to participate in a wine tasting.

The main objective of the winery is to maximize profits, but ultimately consumers will spend less if they feel the winery is not generous, rude or not a good value. Generosity is a critical element to success, and should spread throughout the winery in overt and discrete ways (Hass, 2010). Portion sizes should be substantial enough to appropriately taste the wine and wine tasting room staff should not hesitate to provide additional portions or complementary items to engaged customers as the benefits will outweigh the costs and the personalized touch will help
create a memorable experience in the eyes of customers. This includes offering small snacks, giveaways and making sure customers feel appreciated and valued.

The overarching theme in the industry suggests that it is appropriate to charge a fee for wine tastings or related experiences. Therefore wine producers may utilize quality wine and valuable wine consumer experiences to effectively receive a higher price for their product. Following taste, wine tasting value for money expenditure has proven to have significant influence on tasting room purchases (Lockshin and Spawton, 2001; Nowak and Newton, 2006).

This means that regardless of the pricing structure, it is imperative that the pricing of the total tasting room experience matches the quality of the combination of wine and experiences offered.

**H4: There is no difference in profitability due to tasting room promotional activities.**

Our comprehensive review of the literature revealed that the majority of studies linked specific promotional activities and customer service variations that resulted in statistical evidence of improved profitability in wine tasting rooms; therefore, we reject the H4 hypothesis. The leading factor involves intensive investment of time and resources in human resource management.

Studies have consistently found that the potential success of wine tourism can be linked to promotion, especially positive word-of-mouth recommendations. This word-of-mouth recommendation is the hardest type of recommendation to obtain. It is the most costly to the business as it can come in the form of positive or negative recommendations. Therefore, it is critical that word-of-mouth recommendations be carefully cultivated through numerous positive interactions with customers. Word-of-mouth recommendations may also provide long term recognition with customers and serve as part of a self-propelled marketing plan, thus greatly
reducing the winery’s future advertising expenditures. Word-of-mouth recommendations continue to appear as the one common factor across generations and wine consumption decisions.

In terms of gender and generations, generalizations can be made, but ultimately individual customers differ in terms of tastes and preferences with wine, atmosphere, and communication, which all influence the overall tasting experience. The tasting room manager is encouraged to invest in employees that are trained to understand the differences between different generations, while simultaneously overriding any generalizations with the individual needs of the customer. Tasting room employees should be sensitive to these consumer concerns. Once a consumer has visited a tasting room, research shows that this prior experience is likely to drive further sales (Thach, 2008) and contribute to brand awareness (Thach, 2007). Repeat visitors enjoy purchasing wine, relaxing and socializing (Alant and Bruwer, 2004). In general, older tasting room visitors tend to buy more at the tasting room (Shapiro and Miguel, 2014) and focus on wine quality rather than quality of service when making purchasing decisions (Dodd and Bigotte, 1997). However, younger generations offer new market opportunities and they can be intrigued by a diverse number of wine varieties, styles and compositions. Customers of all ages value that the wine tasting room has “character” (Charters, 2009).

In the United States, 56 percent of wine consumers are women (Wine Market Council, 2009). Seventy-seven percent of women buy wine for their households (Wenzel, 2005). These numbers are significant but not overwhelming and therefore neither females nor males should be discounted in the marketing process. Individual winery marketing strategies, trends and events may be tailored to best meet the customer needs based on generational, cultural, and gender differences, influence purchasing decisions and leading to an increase in firm profitability.
Smaller groups of visitors (<5) have higher levels of gratitude associated with the tasting room experience, translating directly to sales and ultimately profitability of the wine tasting room (Kolyesnikova and Dodd, 2008; Laesser and Crouch, 2006). Tasting room customers visiting the winery alone or with one other tend to spend the most money at the time of tasting (Kolyesnikova and Dodd, 2008). An increase in one-on-one personalized attention may reflect that smaller groups buy more wine in tasting rooms. However, lower costs were incurred from economies-of-scale when larger groups visited wine tasting rooms (Laesser and Crouch, 2006). Wine tasting with larger groups may detract from the goal of an individualized customer experience, especially when group members do not come from the same background. This is largely due to the time involved in pouring and explaining each of the wines. With larger groups, tasting room staff can become overwhelmed quickly and multitask, simultaneously working with multiple customers, which may detract from the overall experience. It is unclear if the sales revenue generated from increased purchases by small groups outweighs the decrease in average per person costs for larger groups. Wine tasting room managers are encouraged to understand staffing needs, and make hiring decisions that best manage large groups and create a customized experience that will result in sales in the tasting room.

Successful wineries around the world have managed to achieve positive consumer tasting experiences and maintain profitability. Thus, there is a harmony that must exist to provide for a large number of visitors, while adequately emphasizing atmosphere and experience. Small wineries may find it more natural to achieve a genuine personal tasting experience, but all wineries are capable of reaching a superior level of customer service to provide an adequate tasting experience.
Tasting rooms should equip customers with proper information to make educated purchasing decisions; thus to increase consumer self confidence in the tasting room. Consumers should possess knowledge about wine and become familiar with the wine before purchasing. This is especially critical for new wine tasting room visitors, who overall have a more negative opinion of wine tasting. Following the research of Lockshin and Rhodus (1993), there exists a gap in consumers’ perceived and actual understanding of wine quality. When consumers do not feel confident in understanding wine quality they rely on external cues as a crutch for wine quality. This opens the door for many wineries to enhance their customers’ perception of quality for new tasting room visitors, thus enhancing the customers’ experience and the firms’ ability to increase profits. One way to do this is by using sensory descriptors to describe individual wines in the tasting room. Thomas et al., (2014) found that bottle and dollar sales increased when tasting sensory descriptors were used on wine tasting room sheets. The study also found that consumers were more likely to choose unfamiliar products when expectations were created from sensory descriptors. Using sensory descriptors may prove to be a way for wineries to increase immediate sales and drive consumers to favor and purchase new wine sales, thus having a multiplier effect on future tasting room sales. Additional information that the customer may find helpful can include food pairing, complementary recipes, cooking with wine suggestions and events to pair the wine. Customers want to purchase wine with a vision of how they plan to use a wine with upcoming events that parallel their lifestyle.

Throughout the literature it is clear that the quality of tasting room staff and human resource management can have one of the most immediate and direct impacts on the total customer experience. Studies seem to indicate that investing in staff is likely to generate higher returns than investment in facilities and décor. Wineries should have a “recruitment process that
includes clear criteria for the staff selection with the personal attributes and technical ability, as well as interviewing and screening procedures to ensure these criteria are met” (Carlsen, 2011).

This investment in staff training is greatly underutilized by most wineries, not only in the wine tasting room, but the wine industry as a whole. This gap may be addressed by employing personnel that are trained to provide genuine, engaging, customized experiences to wine tasting room customers. This requires tough decisions, proper job advertisement, and greater time commitments by hiring managers initially, but the benefits of self-motivated, sensitive, and engaging tasting room staff members will extend beyond sales at the winery. Regardless of experience, training is needed to enhance the selling skills of winery staff in order to maintain superior staff quality. A survey of over 232 vineyards in Germany found that “all respondents stated that further training in tourism would be useful in order to further improve wine tourism” (Koch et al., 2013). Croce and Perri (2010) recommend that wine tasting room staff have knowledge in the areas geographic resources and attractions with written information available to customers. Staff members should also be trained on sales techniques to understand the demographics of the wineries’ customer base, how to engage with the customer, and how to ask for and ultimately complete the sale. This critical element to the tasting room experience may require more intensive human resource management.

Improving the quality of the tasting room staff performance also includes alternative pay structures for staff, the elimination of competition of tasting room employees and the encouragement of a family atmosphere. These personnel management practices require an increase in transactions costs for the winery, including personnel costs as well as supervising costs, but it is crucial to avoid inefficiencies which diminish the customer experience. Motivating and compensating employees have a significant influence on productivity. Employees can either
work on a salary, hourly wage, commission, or a combination of salary or hourly wage and commission. It is important for tasting room managers to understand the difference between effort-oriented measures and results-oriented measures, and to base rewards and compensation accordingly. Some examples of effort-oriented measures include number of calls made, number of tastings completed, number of tours given, or inquiries answered. Results-oriented measures include metrics such as sales volume, margins, number of new customer, or percentage sales volume increases (Peter and Donnelly, 2015). Both effort and results are important, but effort does not always show an immediate or direct correlation with results. This is especially true in service based industries where building customer relationships is important. When wine tasting room employees are compensated solely on commission, as is common in the wine industry, the overt sales function will translate directly to the customer. This may cause employees to miss out on cultivating relationships that could pay off exponentially in the long run for the winery. Instead employees should work as a team to be efficient, yet provide each customer with a unique, personalized and memorable experience. This will translate into improved service for exiting customers and reduction in staff turnover. Tasting room managers can use incentives like positive customer feedback, total sales and winery business profitability as complementary metrics to compensate employees.

In terms of online tasting room marketing, a winery must be portrayed realistically and the tasting room experience should match the expectations of the customer after visiting the winery’s website (Griffin and Loersch, 2006). More often it is New World wineries that use online marketing to generate wine tasting room sales. Therefore online tasting room sales prove a critical step for small to medium-sized wineries to increase profitability.
The literature is consistent in stating that online customer service is underutilized. A 2009 study found that 40 percent of wineries did not communicate with interested potential customers within 20 days of a customer initiating online commutation (Thach, 2009). This missing link between customer service and the internet represents a large opportunity that exists within the wine industry. Thus small and medium-sized wineries can stand out to customers by providing timely feedback and information in a timely fashion to current and potential customers throughout online platforms.

Websites and social media platforms should aim to engage the customer. This should include a push-pull marketing strategy that drives customers to the website from social media platforms and vice-versa. A push strategy involves taking the product directly to the consumer such as a wine festival or event. A pull marketing strategy allows the customer to seek out the brand and come to the product such as customers who retrieve winery information from an online platform and make a decision to visit a wine tasting room. Websites and other online platforms should be updated frequently with current events, winery activities, and personal stories to allow customers to feel like they are a part of the winery, thus creating a welcoming environment. Another way to increase winery website traffic could be through the use of a webcam that shows a live up-to-date feed of winery and vineyard activities. Customers should be encouraged to communicate with the winery and share opinions through comments, contests, and interactive questions.

Through and online presence, customers will form an opinion of a wine, the wine tasting experience and the brand image long before they step foot in the winery. Of current Generation Y wine consumers, 34 percent seek information on the internet, whereas only ten percent make wine purchases on the internet (Beninger et al., 2014). Based on this information, it is concluded
that consumers seek out information with plans to attend events or purchase wine at a later date. Wine tasting room managers can influence customer perception of wine though creative, accurate and the professional look of a winery website and social media platforms. After leaving the winery, customers will not hesitate to share their views and opinions to online platforms. These opinions could influence the winery positively or negatively. It is therefore important for wine tasting room employees to have a respect for each customer and the potential the customer has to be a positive influence for the winery and the brand.

The individuality of the wine industry should continue to be noted and maintained throughout all customer communications. A portion of consumers will never go to the internet in search of information on wine. An online marketing platform is just one component of the overall marketing strategy and should be viewed as an “and” not an “or” to other strong marketing strategies in and out of the tasting room.

Consistency and credibility are key components of brand marketing. Overall, the lack of marketing and management skills are only briefly cited in this research but represent a growing problem in the industry. Wine makers are not wine marketers and thus tend to under-value the importance of the marketing function in the overall sales process. A lack of education or investment in wine marketing and business skills could prove more detrimental to the wine tasting room than a sub-par knowledge in wine making. The marketing mix strategies recommended in this section are necessary investments for all wine tasting room managers to increase the profitability of a wine tasting room.
CHAPTER 6

Conclusion and Extensions

The world has seen an increase in wine tasting room competition that has been accelerated by increased quality and quantity of wine offerings. New World wineries are dependent on the revenue offered by direct-to-consumer marketing through wine tasting rooms. Wine tourism provides incentives to producers facing the competitive and complicated nature of wine distribution and wholesaling coupled with tedious regulations. Incentives of wine tasting rooms extend beyond the winery itself and have positive externalities on tourism, hospitality, and attractions for surrounding, often rural, community development.

Ample literature was available on wine marketing, but very little literature analyzing the drivers of profitability for wine tasting rooms was found. There is a noticeable shift over time in the literature from tangible factors associated with wine quality to more intangible factors associated with service and a positive, unique, and memorable tasting room experience. Overall, vineyards are encouraged to prioritize the quality of their wine and compliment this wine with a strong marketing campaign as neither factor is sufficient to ensure profitability alone. To ensure long term profitability, wine tasting rooms need to identify and cultivate a loyal customer base that will seek out the wineries’ brand after the tasting experience has concluded. The components of the marketing mix addressed in this study serve to communicate the firm’s marketing strategy, and are interlinked across the entire tasting experience.

Various policy recommendations are offered based on this analysis. First and foremost, education programs are needed to help wineries understand the full potential of marketing and the impacts of human resource management and promotional strategies on profitability. This could be done on a state or local level through wine boards or extension outlets. Programs that
help to financially support the additional startup costs of wine tasting room marketing would be beneficial to help wineries flourish as capital is often diminished or depleted after initial vineyard startup costs are incurred. Improved effects of promotion efforts for wine tourism and wine clusters will have positive externalities and spillovers for area businesses. The government and regulatory boards can play a critical role in encouraging tourism, promotion of wine events, circulating training information for wine tasting room staff, and helping to facilitate an exchange of information through profitable business and marketing strategies. Wine tourism should be a coordinated effort and focus not only on quality of wine but the perceived image of wine tasting rooms to customers.

Future research opportunities are plentiful to address key drivers of winery profitability using a quantitative approach to numerically gather profitability information. Data from the cited studies may be analyzed and regressed to identify only factors that have shown to be statistically significant to wine tasting room profitability. Some factors not addressed in this study include varieties tasted, time of tasting, and length of tasting. These would all merit additional research to determine the impact on wine tasting room profitability. Further research may be expanded to examine individual marketing mix components in more depth. In particular, additional research on specific social media platforms and consumer engagement techniques may provide new insights into profitable promotional activities, as this factor led to direct improvements in wine tasting room profitability.
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APPENDIX

Key Profit Drivers and Best Management Practices

Key Profit Drivers:

These marketing mix factors were found to influence profitability within the wine tasting room.

Product:

- Old World- derives largest portion of sales from high quality wine and off-farm channels
- New World – derives largest portions sales from direct-to-consumer sales, wine tasting rooms and customer experiences (especially small and medium-sized wineries)
- Tell the uniqueness of the winery story - Wine tasting room should be unique and memorable
- Utilize creative labeling and key sensory terms when describing wine to help the customer paint a picture of how the wine will fit into their lifestyle
- Consistency and credibility is critical with every experience as the second visit made by the customer tends to be the most important for driving future sales
- Branding of the wine bottle, marketing materials and wine tasting room should parallel the winery’s brand messaging.

Promotion:

- Invest time and money into recruitment and retention of tasting room staff that are information, friendly, and memorable
- Aggressively pursue word-of-mouth recommendations.
- Groups of one or two tend to spend the most at the winery
- Younger customers value creativity, personal attention and the overall experience
• Older customers value the quality, actual taste of the wine and efficiency of the experience
• Avoid an overt sales function from the tasting room staff
• Online marketing should be consistent, portrayed realistically, and promote engagement with the customer.

**Best Management Practices:**

These marketing mix factors were not found to influence profitability within the wine tasting room but best management practices can be highlighted that were cited to increase customer satisfaction, customer appreciation and related factors.

**Place:**

• Tasting rooms should be aesthetically appealing, relaxing and provide character
• Proper execution of placement of merchandise should be implemented to avoid a mass-marketing feel
• Seated formal tastings increase purchased while U shaped bars increase conversation
• Work to generate visitors year-round
• Provide ample selling outlets within the wine tasting room

**Price:**

• Sampling is effective
• Fees are appropriate and commonly used but are more accepted when combined with a tangible item or noted elevated experience