



Article Title

Experiential Marketing and Long-Term Sales

Citation

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Abstract

This study investigates the ability of winery tasting rooms to create brand awareness and build long-term brand loyalty. Specifically, we test the conjecture that if tasting rooms create brand awareness and a pleasurable tasting room experience, then those visitors are more likely to recognize and seek out those brands once they leave the tasting room.

Methods

To measure these effects, researchers exploit differences in tasting room characteristics to conduct a series of natural experiments from which they analyze differences in off-premise retail sales away from the tasting room. They use scan data on wine sold off-premise through traditional retail outlets to then test for differences among tasting room characteristics.

Results

The results indicate that tasting rooms act as a form of experiential marketing for wineries, creating brand awareness and generating greater growth in off-premise retail sales. Finally, they address issues of endogeneity and unobserved heterogeneity as potential sources of bias.

Conclusion

Tasting room managers must weigh the loss of high margin tasting room sales with potential long-term future sales away from the tasting room. Our analysis provides some insight into the cost-benefit analysis tasting room managers must make with respect to what kind of tasting room atmosphere they want to create. In three different natural experiments, using different samples, different regions, and different subsamples within regions, we show that tasting rooms are able to increase brand awareness and build brand loyalty through the use of tasting rooms. Our results from Sonoma tasting rooms (Highway 12 versus North Sonoma) show that more tasting room traffic is better than less tasting room traffic in increasing off premise sales through traditional retail outlets. These results are confirmed by our analysis of open and reserved tasting rooms along the Silverado Trail in Napa. Our results from Napa show that wineries along the Silverado Trail with more relaxed tasting room environments experienced greater growth in off-premise retail sales than the wineries along Highway 29 with more commercial oriented tasting rooms. These results were confirmed even more emphatically in our examination of open and reserved tasting rooms located along Highway 29. As noted, wine tasting is as much about the wine country experience as it is about the wine and this research has broad implication as to what kind of tasting room environment wineries may want to

create and how tasting room staff is trained and incentivized. Instead of concentrating on high margin tasting room sales, tasting room managers may want to instead concentrate on turning “A one off customer ...into a loyal advocate for the winery” (O’Neill & Charters, 2000). While those visiting a winery’s tasting room may be a small subset of consumers, these “loyal advocates” not only become long-time purchasers, but they also work to convert others who have not visited the winery tasting room into regular buyers.