REVISTA BRASILEIRA DE PESQUISA EM TURISMO

TASTING FEES AND THE YOUTH MARKET

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Abstract: Many wineries in Australia and New Zealand are seeking strategies to continue to develop in a highly competitive marketplace. One such strategy is via the development of wine tourism. Although there is a significant amount of literature of the relative advantages and disadvantages of wine tourism for small wineries, particularly with respect to its educational and market development function, there is very little research available on how wine tourism is perceived by the next generation of wine drinkers – the youth market. The purpose of this study is therefore to gain a better understanding of how the youth market perceives tasting fees at wineries and influences on purchasing and other wine behaviours. In late 2003, 599 surveys were distributed to ten universities throughout Australia and New Zealand, of which 448 were returned, representing a valid response rate of 74.8 percent. The results of the survey indicated that the majority of respondents who thought of wine tourism as an appealing activity, who had visited wineries previously, who normally consumed and purchased wine and who had some knowledge of wine all thought that a fee at the cellar door would impact on their decision to visit. Wineries need to maximise the return on their wine, however there also needs to be recognition of the potential trade-off between immediate returns from charging for tastings and cellar-door sales versus longer-term returns from direct and indirect sales. In some markets, and particularly the 'Generation Y' market, seeking short-term returns through charging may affect longer-term custom and loyalty. However, regardless of the strategy, it is important that it is effectively communicated to the market, particularly if individual wineries are interested in growing the market for the future.
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Introduction

Many small wineries in Australia and New Zealand are increasingly seeking strategies to prosper in an increasingly competitive and consolidated marketplace (HALL; MITCHELL, 2008). Difficulties in developing appropriate distribution channels for domestic and international markets, increased competition on the basis of price in an oversupplied market, and the limited infrastructure and marketing capabilities of these wineries constrains many efforts at development. Indeed, many small wine businesses face difficult decisions with respect to the development of their business strategies simply because they wish to remain relatively small producers and not engage in growth strategies with the increased need for reliance on external capital and the potential for reduced owner control that may bring (SIMPSON et al., 2004; HALL; MITCHELL, 2008). In these cases the comment may be made that small may be beautiful but will it survive?

In light of these circumstances, and especially considering the relatively poor economic position of many low production wineries (ANON, 2003), many wineries have focussed on the development of wine tourism as a means of gaining greater short and long-term returns from wine sales and adjunct products (accommodation, food, souvenirs). A number of industry commentators have noted that wine tourism can afford many opportunities to small to medium wineries (MITCHELL; HALL, 2006). These include reduced distribution costs, internal and external marketing opportunities; the creation of relationships with consumers intended to generate product loyalty and long term sales, often via direct marketing; and important revenue from the sale of auxiliary products such and food and beverage and merchandise (e.g. see BRUWER, 2002; DODD, 2000; HALL; SHARPLES; CAMBOURNE; MACIONIS, 2000). Although this is not to imply that wine tourism is an appropriate business strategy for all small wineries. In a number of situations, e.g. because of location, the nature of the desired business product, and decisions regarding the best returns on scarce capital, customer visits to the winery - wine tourism – will not be the best option (HALL; MITCHELL, 2008). Nevertheless, for those small wineries that do decide to utilise tourism as a business strategy then one of the most critical issues that they face is whether to charge a tasting fee for entrance to, or tasting at, the cellar door.

In wine regions with a strongly developed tourism strategy, such as the Napa Valley, “a fee system is firmly entrenched in the wine tourism industry, with wineries normally charging between $US5 and 10 for tasting” (GAITER; BRECHER, 2002, W1). However, the issue of charging for tasting is an issue of substantial debate in Australia and New Zealand. In New Zealand, a national winery survey conducted in 2003 found that 56.7 percent of wineries did not charge a tasting fee, with another 8.9 percent charging only for groups. Of those who do charge, 63.2 percent refund the charge upon purchase and a further 13.2 percent offer a partial refund (HALL; CHRISTENSEN, 2004a; 2004b). In comparison, a national survey of wineries conducted in 1997 (HALL; JOHNSON, 1997; 1998) found that 48.3 percent of New Zealand wineries did not charge a tasting fee, indicating that charging for wine tasting may have actually decreased slightly between 1997 and 2003. Accurate statistics do not exist for Australia, although Travers (1999) points out that charging at the cellar door is reasonably widespread, especially in well-established wine tourism destinations such as Victoria’s Yarra Valley and Western Australia’s Margaret River.

Clearly, the decision to establish and operate a cellar door facility at a small winery is a significant decision, based on balancing scarce capital and expected return. However, many wineries may be unsure of the benefits and costs of charging for tastings. For example, important issues arise when wineries either transmit confusing messages to the public about their services, or regions offer inconsistency in their product. If a winery is attempting to attract visitors to their cellar door for marketing and public relations purposes, than charging a fee to someone they have encouraged to visit may seem incongruous. Similarly, if some wineries charge and others do not, visiting

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tourists may be confused about whether they are a welcome visitor at wineries who do not charge, or an inconvenience, since they are not paying for services at one winery while payment is expected at others. Some wineries take the attitude that as their wine is a quality product people should expect to pay for it. In contrast, other wineries believe that wine tasting also serves as a means to educate the market, as well as get feedback on their wines, and are therefore happy not to charge. While the debate may be confusing for business decision-making, the issue of whether or not they will be charged is also often confusing to the customer.

Travers (1999) points out that tasting fees offer many benefits, including weeding out 'free loaders', covering the cost of tasting, and removing some of the pressure on visitors to actually purchase after tasting. In addition, he concludes that it is reasonable for tourism operations to charge for their services. Nevertheless, as noted by King and Morris (1997), there is no way for a winery to determine who the truly interested visitors and potential purchasers are, and therefore wineries charging for entry and/or tasting may be 'scaring off' legitimate buyers in both the short and long-term. Beverland (1999) found that a tasting fee certainly discouraged people from visiting, although their disinterest was reduced by offering a 'redeemable on purchase' fee structure. Furthermore, his research at wineries in New Zealand also found that the tasting fee was as much of a deterrence to those who did not spend at the winery, as it was to those who spent over $100. King and Morris (1997), conducting an investigation into winery visitors in Western Australia, also found that a $2 tasting fee could deter up to 36 percent of visitors, 83 percent of whom are regular purchasers of wine. Therefore, this suggests that the winery is effectively turning away a large amount of potential short and longer-term revenue.

In addition to the concerns noted above with respect to the strategic environment for small to medium wineries, another significant issue is the sustainability and viability of current production levels considering the apparent lack of interest that the youth market is showing for wine consumption (see BEVERLAND 2001; HARPERS, 2001; ROBERTS, 2001; BRUWER, 2002a; HALL; MITCHELL, 2008), given that they will be the next generation of wine consumers. Nevertheless, research does suggested that a positive method for encouraging the development of this vital market is through the personal and genuine selling situation found at cellar doors (see HOWARD; STONIER 2000; BRUWER 2002; TRELOAR, 2002; 2004). If the youth market, or the 'Generation Y' market (born between 1982 and 2000) (STRAUSS; HOWE, 1991), are not consuming wine in their normal social settings such as bars, clubs and at parties, attracting them to the cellar door may prove to be a positive alternative consumption setting, potentially increasing their overall interest in the product as well as providing opportunities for wine education and increased purchase. Such opportunities are also significant for the long-term future of the wine industry and wine tourism because of the potential for consumption habits, such as drinking wine and visiting wineries, to be maintained over a cohort as the cohort grows older (e.g. GLENN, 1977; GILLEARD; HIGGS, 2002; BAKEWELL; MITCHELL, 2003).

This article presents a number of findings from primary research into the Generation Y market's interest in, and consumption of, wine and wine tourism products in Australia and New Zealand. The aim is to identify the impact of tasting fees at the cellar door on the wine consumer behaviour of the Generation Y market.

METHODOLOGY

In late 2003, 599 surveys were distributed to ten universities throughout Australia and New Zealand, of which 448 were returned, representing a valid response rate of 74.8 percent. The demographics of the sample are reported in Table 1. These surveys incorporated a variety of questions, looking at the market's overall alcohol and wine consumption behaviour, their wine purchasing behaviour, and their previous experience with, and interest in, wine

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tourism products. University students were selected as the target sample based on the need for a convenience sample, as well as findings in previous research which suggest that people with higher education qualifications are more likely to participate in wine tourism activities than those who do not (see MITCHELL; HALL; MCINTOSH 2000; MITCHELL, 2004). Therefore, this research is not about trying to convert non-interested parties into wine tourism advocators, but rather it is looking at how to encourage marginal consumers to either participate with wine more, or start participating at an earlier age.

Table 1: Sample demographics

	Total	***Australia***	***New Zealand***
Age *(n=448)*	Mean – 20.47 Std. Dev. 1.71	Mean - 20.48	Mean - 20.46
Gender *(n=446)*	65.5% Female 34.5% Male	68.3% Female 31.7% Male	60.0% Female 40.4% Male
Income *(n=441)*	89.1% earning less than $20000	88.1% earning less than $20000	91.1% earning less than $20000
Living at home *(n=447)*	47.9% Yes 52.1% No	65.7% Yes 34.3% No	11.6% Yes 88.4% No

RESULTS

Through the research, it was found that wine consumption for the Generation Y market was a common occurrence, although overall spending on, and consumption frequency of, wine was low when compared to other alcoholic beverages. Spirits were the most consumed beverage by the sample, with 46.2 percent noting that they consume spirits at least weekly. Following this, beer was also noted as a popular choice, with 40.5 percent consuming beer at least weekly. In comparison, just 30.5 percent noted that they consumed wine at least weekly, while the majority consumed wine only monthly (24.2%) or just several times per year (24.2%). In addition, the average monthly spend for wine was found to be merely $23.10, compared to $39.10 for beer and $32.20 for spirits.

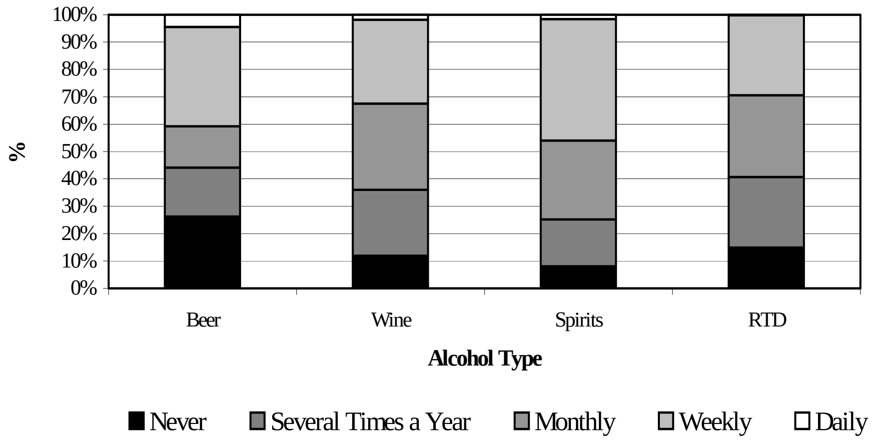

Figure 1: A comparison of Generation Y's alcohol consumption levels

The investigation also uncovered that the market prefer not to consume wine in most social settings, such as bars, nightclubs and parties. They did, however, indicate some interest in consuming wine when dining, both at homes or at commercial locations, and also with friends or family. Therefore, it is reasonable to interpret these results to suggest that wine has yet to establish itself as a part of the everyday lifestyle of the youth market, as the majority of alcohol consumption for this market is undertaken in licensed venues (see Alcohol and Public Health Research Unit, 2001), and the results suggest that wine is certainly not the beverage of choice in these settings.

Other areas of the investigation highlighted some important findings about the purchase behaviour of the Generation Y market sampled, especially relating to how they make their purchase decisions and what limits their wine consumption. When purchasing wine, it was found that previous experience with the product was the most important influence on their decision, as was the influence of friends. However, financial issues were consistently noted as a major consideration for this cohort, with price being one of the major influences on purchases, and also the most significant inhibitor to purchasing wine.

Table 2: Generation Y's wine purchasing influences (1 = not important; 5 = very important)

	Mean	Standard Deviation
Influences on the purchase decision		
Previous experience	4.18	0.986
Price	4.10	0.913
Variety/Blend	3.64	1.160
Discounts	3.35	1.225
Friends	3.31	1.073
Parents	2.87	1.335
Inhibitors to wine purchasing		
The cost of wine	3.53	1.244
My knowledge of wine	2.65	1.174
My friends do not drink wine	2.62	1.621

Clearly, therefore, the results indicate that wine consumption for the Generation Y market could certainly be labelled as marginal or infrequent, although positively it is clear that some wine consumption is occurring. The results suggest that wine consumption and purchasing behaviour are influenced significantly by a person's previous experience with the product, their knowledge about wine products and their personal reference groups. However, it was also found that financial issues are of paramount important for this market, as they were noted in many areas of the investigation as an important issue, and therefore attracting this important group towards increased wine consumption will involve some form of price competition.

Nonetheless, the results do indicate that room for growth within this market exists, and furthermore that many of their concerns regarding wine consumption centre around their knowledge and understanding of the product, and its accessibility. Many of these issues can potentially be overcome in a non-threatening, educative environment such as a winery's cellar door. In addition, the winery cellar door is a location, offering a social wine consumption setting, often involving food elements, important considerations uncovered through the research into this market. However, as cost was widely noted as an important issue for the Generation Y cohort, consideration of the concerns surrounding whether to charge a cellar door fee or not appear particularly relevant.

Overall, 57.8 percent of the sample noted that a fee to taste wines or to enter the cellar door would be a deterrence. Of the people who had visited a winery previously (59.2%), 66.0 percent said that tasting fees at the cellar door do deter them, while only 45.4 percent of those who had not visited previously said that it would deter them. Furthermore, 60.4 percent of those who thought of wine tourism as an appealing activity also thought a tasting fee would deter them from visiting. However, of those who said that they did not think of wine tourism as an appealing way to spend their leisure time, a smaller proportion (53.8%) thought a cellar door fee a deterrence, although a number of these people noted that it would not deter them because they would not visit a winery anyway. Table 3 offers a summary of these findings.

The results also showed that people with higher levels of self-ascribed wine knowledge were more likely to find a fee at the cellar door a deterrence than those with lower knowledge levels. Of the people who described themselves as having 'Advanced Knowledge' of wine, 75 percent thought a fee at the cellar door would deter them from visiting, compared to just 59.2 percent of people with 'Basic Knowledge', and only 47.6 percent of those with 'No Prior Knowledge'. An analysis of the two gender groups also found some minor differences, with 62.0 percent of males feeling that a fee would be a deterrence, compared to a lower 55.2 percent of females.

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Table 3: Summary findings on Generation Y's perception of Cellar Door Tasting Fees

	Is a cellar door fee a deterrence?		
	Yes (%)	**No (%)**	**Pearson's Chi-Squared***
Total for sample ***(n=433)***	**57.8**	**42.2**	
For those who think of wine tourism as an appealing activity *(n=264)*	60.4	39.6	0.181
For those who have visited a winery before *(n=265)*	66.0	34.0	0.000
For those who purchased when visiting at the winery *(n=101)*	70.4	29.6	0.255
For those who normally purchase wine *(n=320)*	58.5	41.5	0.874
For those who consume wine daily or weekly or monthly *(n=284)*	62	38	0.025

* - significant to the 0.05 level

Another interesting finding which may be of particular importance to wineries wishing to develop positive experiences at the cellar door for the post-visitation purchasing benefits which it may offer, 58.5 percent of respondents who noted that they did purchase wine said that they would find a fee at the cellar door a deterrence. Furthermore, 62 percent of those who said that they consumed wine daily, weekly or monthly felt that fees at the cellar door would deter them from visiting. These statistics suggest that a fee at the cellar door may have a detrimental effect on the ability of the winery to attract consumers who may purchase their products at other retail outlets.

Many of the respondents appeared to understand the commercial nature of the winery cellar door, and subsequently the majority of reasons given for both approving or disapproving of cellar door fees were generally well founded. For the people who opposed tasting fees, the majority of respondents noted that either wine purchases after tasting would cover the costs of the tasting (n=34), or that it is a marketing exercise encouraging people to purchase (13), and therefore should be free. Other groups of opposing responses noted that it would detract from their overall experience, as 'other wineries don't charge' (n=5), 'you expect to taste it for free' (n=5), 'it costs enough already' (n=6), 'it seems cheap to charge' (n=5), and simply that it would 'detract from the atmosphere and the mood of the visit' (n=10).

It should also be noted that a number of respondents suggested that they most likely would not visit a winery anyway, and therefore would only try it if it was free (n=17). Other reasons which were noted, which may perhaps be important but were not consistently noted, included that 'young people can't always afford it, even if they want to learn'; that there are 'too many other activities competing for my time that don't cost anything'. Furthermore, some respondents noted that the cost of travel is significant enough, and the added cost of a tasting fee seems excessive in terms of the overall trip cost.

Of those who said they would not be deterred by a tasting fee, the answers were similarly pragmatic, with the most common reason noted that the winery has to make a profit, and that producing and serving the wine is a major cost (n=28). Others simply noted that they would expect to pay for it (n=5), or that they did not care about the fee, but would go for the fun of it anyway (n=7). Additionally, a number of respondents who said that they did not mind a tasting fee also noted that it depended on at what price the tasting fee was set (n=19), and also pointed out that they would only be happy to pay if they felt they were receiving value for money.

CONCLUSION

Overall, the results have shown that for a winery wishing to attract the youth market, charging a tasting fee would not appear appropriate, at least in the Australian and New Zealand context. The majority of respondents who thought of wine tourism as an appealing activity, who had visited wineries previously, who normally consumed and purchased wine and who had some knowledge of wine all thought that a fee at the cellar door would impact on their decision to visit. The Generation Y market at universities in Australia and New Zealand did not have a high level of disposable income, and therefore any operation wishing to appeal to them needs to keep expenses to a minimum. Nevertheless, regardless of their financial position, they did have a reasonably significant level of expenditure on alcohol, plus they are also clearly consumers of the future.

The issue of charging for cellar door tastings is a vexed one for many small wineries. Wineries need to maximise the return on their wine, however there needs to be recognition of immediate returns from charging for tastings and cellar-door sales versus longer-term returns from direct and indirect sales. In some markets, and particularly the 'Generation Y' market, seeking short-term returns through charging may affect longer-term custom and loyalty.

Regardless of the charging policy, it is vital that wineries clearly determine the purpose of their cellar door facility, and ensure that they consistently convey this purpose in their operations, product decisions and strategies. Wineries need to decide the extent to which the aim of their cellar door outlet is to create awareness of, and experience with, their product for marketing and public relations purposes, in the expectation that this service creates on-sales at retail outlets, restaurants and direct sales from the winery, as well as the generation of positive word-of-mouth to friends and family. Alternatively, they may wish to operate their winery cellar door as a commercial facility with the immediate aim of making a profitable return on direct sales from the facility, and therefore charging at the cellar door would be necessary. However, regardless of the strategy, it is important that it is effectively communicated to the market, particularly if individual wineries are interested in growing the market for the future.

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