

HOW TASTING ROOMS CAN HELP SELL WINE

by *Raymond J. Folwell and Mark A. Grassel*

Wine tasting rooms can pay off, whether strictly in the form of on-site retail sales or by generating consumer product awareness that prompts future sales in restaurants, grocery stores and other retail outlets. The recent growth in wineries has prompted producers to consider how to best market and sell wines. Tasting rooms provide promotional arenas where wines are introduced, tasted and sold.

The Washington wine industry has experienced growth in all aspects of operations during the last two decades. The acreage of wine grapes grown increased from 431 in 1968 to 10,169 in 1987; the crush of wine grapes increased from only a few hundred tons in the late 1960s to 46,500 tons in 1988, and the number of wineries increased from less than 10 in the mid-1970s to more than 78 in 1989.

The relative annual growth rates of Washington wine sales are also notable. From July 1988 through June 1989, Washington wine sales within the state were up 20.9 percent, compared to the same time period the previous year. In contrast, the amount of commercially produced wine entering distribution channels in the U.S. was down 4.9 percent during 1988.

The growth in the Washington wine industry has resulted in several unanswered questions concerning the marketing and merchandising of wines. Of great interest is the role of tasting rooms as retail out-

lets. Tasting rooms are becoming a more common feature of Washington wineries.

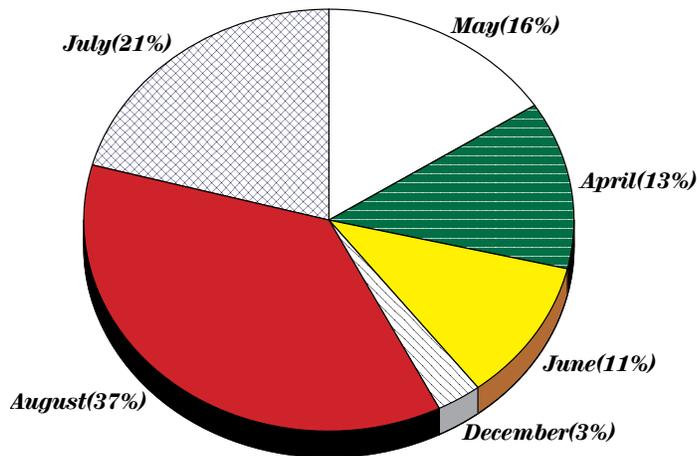
Extensive investment in furnishings and operational costs can accompany tasting room operations; however, these expenses can be offset by the sales of wine, food and wine accessories. Tasting rooms can also result in the customers' continued patronage of such wines in restaurants, grocery stores, and other retail outlets. The purpose of this research, and the basis of this report, is to establish

Photos: Jim Raney



A well-organized and attractive display sales room not only enhances the image of the winery, but it can serve as a good place to sell specialty foods and wine accessories. This sales room is located at The Hogue Cellars near Prosser, Washington.

Months with the Most Visitors to Winery Tasting Rooms (%)



38 Reporting Wineries

bench marks by which to evaluate existing operations and to provide a foundation for future economic feasibility studies concerning investments in tasting rooms.

Research Method

A questionnaire was mailed to each of the 62 wineries in operation, at that time, in Washington. Topics addressed included: (1) structural descriptions and costs; (2) hours of operation; (3) employment levels; (4) product lines; (5) pricing; (6) promotions; (7) special services; (8) visitor profiles; (9) customer traffic patterns; (10) sales volume.

Thirty-five Washington wineries (a total of 40 tasting rooms) returned the mail questionnaire. Four of the responding wineries had more than one tasting room. However, not all wineries returning the questionnaires provided responses to all the questions.

The 35 wineries that returned the questionnaire are representative of Washington wineries. They're located both east and west of the Cascade Mountains. Some have tasting rooms in Seattle facilities, as well as at the winery. The wineries

range in storage capacity from only 2,000 gallons of wine to four million gallons.

Investment Costs and Sizes

These results are based on Washington wine tasting rooms constructed between 1976 and 1987. Fifty-five percent of the tasting rooms were constructed between 1982 and 1985.

Tasting rooms range in size from 60 to 2,100 square feet. The average size is 612 square feet; 500 square feet is the most common. Construction costs average \$25,240. The most common construction costs reported are \$500 and \$10,000. Furnishing the tasting rooms costs anywhere from nothing at all, to \$75,000. The average expenditure for furnishings is \$9,334. Most producers report spending either \$5,000 or \$10,000. In Washington, furnishing costs make up about 40 percent of the total costs of constructing a tasting room.

Most tasting rooms have no seating capacity. Of those that do, seating capacity ranges from three seats to 49; the average is nine.

Employees and Operating Hours

The average number of full-time tasting room employees is one; the average number of part-time workers is three. Most wineries report employing one full-time and one part-time worker. However, the overall range of numbers of employees is wide, one to six full-time and one to 15 part-time. The hours worked per week for full-time employees averages 37 hours, while for part-time, the average is 16 hours. However, the most common work schedules are 40 and 10 hours per week for the full-time and part-time employees, respectively.

The operating hours for the Washington winery tasting rooms vary by season of the year. During the summer, May through

September, the reporting wineries operate their tasting rooms an average of seven hours per day on a daily basis, and five hours per day on a non-daily basis. Non-daily operations host visitors by appointment, 13 wineries run such operations during the summer season. In contrast, during the winter, October through April, the average is six hours per day for both daily and non-daily hours. Only nine of the 62 winery tasting rooms operate by appointment during the winter. The most frequent response given when asked open hours per day is seven during the summer, five the rest of the year.

Pricing and Sales

The range in the volume of wine sales through the winery tasting rooms each month in Washington is 30 to 2,777 gallons. Average sales per month total 367 gallons. However, the most frequent responses are 300 and 600 gallons per month.

Tasting room sales of wine as a percent of total wine sales range from one percent to 85 percent. Average sales through tasting rooms is 10 percent. Results indicate that the higher the percent of wine sales through tasting rooms, the smaller the actual volume of wine sold per month through the tasting rooms. Only five of the 32 wineries reporting such information indicate that over 40 percent of their wines are sold through tasting rooms.

Eighty-five percent of the 62 wineries surveyed sell wine-related accessories in their tasting rooms. The most commonly stocked items are glasses, pottery, clothing (hats, T-shirts, etc.), carafes, etc. Such items generate revenues ranging from one percent to 50 percent of total tasting room sales. However, most producers report sales from these items make up only one to five percent of their total.

There are significant differences in the average prices charged for wine sold through the tasting rooms. Per 750-ml.

bottle, low prices range from \$1.99 to \$7.50. High priced wines range from \$7.50 to \$165.00 per bottle. The most frequently mentioned low price was \$5, while \$13 was the most common high price. The average low price is \$4.97. The average high is \$19.09.

Only one of the reporting wineries does not give a case discount for wine sales through their tasting room. Case discounts range from 10 percent to 25 percent. Mixed case discounts run between 10 and 20 percent; 10 percent is the most common discount for either a straight or mixed case. Additionally, some wineries give discounts for multi-case and special releases, along with other specials for banquets and promotions.

Tasting room prices average 33 percent higher than wholesale prices. The most common response was 30 percent higher. Typically, the margin between tasting room and retail prices is three percent; however, most reported that their retail and tasting room prices were identical.

Product Mix

The product mix of wines sold through tasting rooms varies. The number of wines sold range from three to 38. Ten is the average. The range in number of wines offered for tasting ranges from three to 11. The average number of wines offered is five, half the average number of wines typically stocked. In general, as the number of wines stocked for sale in the tasting room increases, so does the number of wines offered for tasting.

Some wineries change the tasting selection daily; others don't change it at all. About 25 percent of the wineries indicate



Dora and Michael Hogue, of Hogue Farrns and The Hogue Cellars, have done an excellent job of utilizing a wine tasting room to promote sales. Mike started The Hogue Cellars in 1982 and is co-chairman of the Washington Wine Commission.

that they never change their selection; 14 percent say they change it daily. Overall, nearly half of the wineries reporting change the selection at least once a month.

Number of Visitors

The number of visitors per month at Washington wineries varies, depending on the season of the year. During the summer (May-September), owners report that anywhere from 12 to 5,500 people visit their tasting room each month, 368 is the average. During the winter season (October-April), the average number of monthly visitors declines to 135, ranging from zero to 2,100. Most report an average of one visitor per day, on a six-day weekly operation basis during the winter.

The months with highest visitor traffic in order of importance are: August, July, May, April, June and December. August is the most popular month for visitors. Over half of the responding wineries have less than 5,000 visitors per year. Still, 43 percent reported 5,000 or more. Here it is important to note that 35 percent of the wineries reported less than 2,500 visitors annually—less than 10 a day. This suggests that management decisions should take into consideration the profitability of such an operation.

The percentage of visitors purchasing wine in the tasting room varies from 25 to 100 percent. The average is 78 percent, which is a high level of penetration in this segment of the wine market. Most of those who purchase wine typically buy two bottles. Some wineries offer food services, but only 10 percent of the visitors take advantage of this service.

Visitor Demographics

Winery management and employees determine visitors' profiles—age, income, residence—on the basis of the visitor registries and observation. Half of the reports indicate that visitors are typically state residents. Out-of-state visitors are typical at less than three percent of the facilities. Of those responding, 14.7 percent say that their typical visitor is a local. A third of the wineries in Washington get a mix—locals, instate residents and out-of-state visitors.

The average age of the tasting room patron is 40. Visitors range in age from 28 to 53. Their average income is \$39,000, with a range from \$25,000 to \$60,000. Overall, the typical visitor can be stereotyped as some one who is middle-aged with an above-average income.

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