

OCTOBER 1990

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EVALUATION OF WINE TRAILS IN NEW YORK STATE

BY

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Acknowledgements

The authors express their appreciation to the New York State Wine and Grape Foundation who provided the funding for this project.

The substantial contributions of two Cornell Business Management and Marketing students are gratefully acknowledged. Kathy Skorusa designed the first questionnaire and interviewed winery management and trail presidents of the Cayuga and Keuka trails in the spring of 1989. Meg Talty improved the questionnaire and interviewed wineries and trail presidents in the summer of 1989.

Appreciation is also expressed to Professors Bruce Anderson and George Casler for reviewing an earlier draft of this publication.

Special appreciation is due to the persons from the 48 wineries who provided responses to our interviews, as well as the six trail presidents. Several people in industry were especially helpful in providing direction to the study and suggesting approaches to follow for the evaluation. These include Jim Trezise, President of the New York Wine and Grape Foundation; Dr. Robert Plane, who was Director of the New York State Agricultural Experiment Station at Geneva at the time this study was initiated; and Bill Brown of Lakeshore Winery.

Abstract

In 1985, the New York State legislature provided funds for the New York Wine and Grape Foundation to advertise and promote New York wines and to fund research in viticulture and enology. A total of \$650,000 was spent from 1986 to 1988 to support six wine trails. The major objective of this study was to evaluate the effectiveness of these wine trails and to make recommendations to improve their future effectiveness.

In 1989, the owners and/or managers of 48 wineries were interviewed. Each of these wineries was a member of one of the following wine trails: Cayuga Wine Trail, Chautauqua Wine Council, Hudson River Region Wine Council, Keuka Lake Winery Association, Long Island Wine Council, and Seneca Lake Winery Association. In addition, the president of each of the six organizations was interviewed.

Among the joint activities that various trails undertake, the preparation and distribution of brochures was rated as the most important activity. The erection of signs on roadways received the next highest rating, followed by joint tastings.

Twelve percent of the wineries estimated a large increase in the number of customers since the inception of these wine trails, while 25 percent estimated they had experienced a slight increase in customers. Trails contributed to increased public awareness of wineries and quality of wines (24 wineries) and increased exposure of wineries (23 wineries).

Based on the results of this research, the following recommendations are offered to improve the effectiveness of the Foundation's trail expenditures:

1. Improve the evaluation of individual winery marketing programs as well as trail efforts. Winery marketing programs should better identify desired customers and target activities to attract them.
2. Arrive at more agreement on the most effective promotion and advertising efforts for trails. This is related to the first recommendation.
3. Develop more creative local funding mechanisms for trails. Expand the "associate" member concept to local businesses with a vested interest in winery businesses: e.g. fine dining establishments, lodging, and other appropriate tourist attractions. Convince trail members of the worth of the trail and the need for increased member funding.
4. Evaluate the limitations of volunteer management of the trails and assess the need for paid staff.
5. Undertake long-range strategic planning to get beyond "one year at a time" budgeting. The plan should at least address: a) marketing, b) financial resources needed, c) human resources needed, and d) how to maintain a viable organizational structure for the trail.

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EVALUATION OF WINE TRAILS IN
NEW YORK STATE

by Brian Henehan and Gerald B. White*

I. INTRODUCTION

Background

In 1985, the New York State legislature provided funds for the New York Wine and Grape Foundation to advertise and promote New York wines and to fund research in viticulture and enology. Initial funding was established for five years, with the amount to be provided by the State on a decreasing scale while the amount to be funded by the New York industry was required to increase over the five year period. The amount of money granted to the Foundation was \$2.0 million in 1986-87, \$1.8 million in 1987-88, \$1.5 million in 1988-89, and \$0.935 million in 1989-90.

One of the major expenditures has been the support of Wine Trails. Wine Trails consist of groups of wineries within the viticultural areas of the State which organize to jointly and cooperatively promote member wines. There are currently six such organizations in the State (Table 1).

Table 1. New York State Viticultural Areas With Established Wine Trails, 1989

<u>Name of Organization</u>	<u>Viticultural Area</u>
Cayuga Wine Trail	Cayuga Lake
Chautauqua Wine Council	Lake Erie
Hudson River Region Wine Council	Hudson River Region
Keuka Lake Winery Association	Finger Lakes
Long Island Wine Council	Long Island
Seneca Lake Winery Association	Finger Lakes

Wine Trail Funding

Each of the organizations has received funds from the Foundation since 1986. The amount of funding granted to the various organizations is shown in Table 2.

The amounts shown in Table 2 are funds approved by the Foundation's Board of Directors on the basis of proposals, and are not necessarily the total amount expended. In most cases, however, the amount of funds approved is close to the amount spent; it cannot exceed the allocation. Budgeted expenditures totaled \$631,000 for the four years funded.

*The authors are Extension Associate and Associate Professor, respectively, Department of Agricultural Economics, Cornell University.

Table 2. Wine Trail Funding Received from the New York Wine and Grape Foundation, 1986-1989

<u>Name of Organization</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>
Cayuga Wine Trail	\$ 20,000	\$ 25,000	\$ 25,000	\$ 16,000
Chautauqua Wine Council	25,000	40,000	33,500	33,000
Hudson River Region	50,000	65,000	22,500	20,000
Keuka Lake Winery Association	20,000	20,000	11,375	10,000
Long Island Wine Council	25,000	40,000	40,000	28,000
Seneca Lake Winery Association	<u>15,000</u>	<u>20,000</u>	<u>22,500</u>	<u>5,000</u>
Total	\$155,000	\$210,000	\$154,875	\$112,000
Total for 1986-1990:				\$631,000

The amount allocated to wine trails represents about 10 percent of total funding by the Foundation. Given the importance of this activity in relation to total funds, the Foundation Board of Directors requested an evaluation of the wine trails to be conducted in the 1989-90 fiscal year.

Objectives

The purpose of this study was to assess the effectiveness of the wine trails.

Specific objectives were as follows:

- (1) Objectively describe the wine trails, their organizations and activities;
- (2) Evaluate the effectiveness of cooperative activities carried out by the organizations;
- (3) Identify factors contributing to successes of wine trails;
- (4) Determine how wine trails can be improved.

In the next section of this report, we describe the methods used to carry out the evaluation. The third section deals with the results of the survey conducted. Section four assesses the implications of the results for the wine trails while section five examines implications for the Foundation.

II. SURVEY METHODS

Data were collected in two stages. In the first stage, a questionnaire was developed and pretested by a senior in the Department of Agricultural Economics at Cornell. Working with the authors, the student developed the initial surveys for trail presidents and members. She interviewed winery managers and presidents of two trails, the Cayuga Wine Trail and the Keuka Lake Winery Route. This part of the project constituted an independent research project for the student.

Winery Questionnaire

The winery questionnaire was designed to elicit data regarding size of operation, past growth, number of customers, marketing channels used by percentage of volume, degree of participation in the trail, successes, barriers to success, types of activities, effectiveness of expenditures, and results attributable to trail expenditures. The winery questionnaire used is shown in Appendix 1.

Presidents' Questionnaire

The survey of trail presidents focused more on informational and organizational aspects. Trail presidents were asked for a brief history of the trail, how it was organized, requirements for membership, and type of support received from the Foundation. Presidents were asked about successes as well as barriers to success of the wine trails. A series of questions were asked regarding funding current budgets and future plans for funding. The Presidents' questionnaire is shown in Appendix 2.

Survey Pretest

The independent research project by the student comprised the pretest for both questionnaires. Six wineries of the Cayuga Wine trail and six wineries from the Keuka Lake Winery Route were interviewed in the spring of 1989.

Following an analysis of these data, the questionnaires were slightly revised to their final form as presented in Appendices 1 and 2. The results of the pretest were used in the final analysis even though several questions asked were slightly different because relatively minor revisions were made on the questionnaires.

Data Collection

Data from the remaining four trails were collected by personal visits and telephone interviews during the summer of 1989. All Chautauqua Wine Council members were interviewed personally. Data from the Seneca Lake Winery Association were collected through a combination of personal visits or telephone interviews. Members of the Hudson River Region and the Long Island Wine Council were interviewed by telephone.

Five trail presidents were interviewed in the summer of 1989. One trail president was interviewed early in 1990. Trail presidents were not sent questionnaires for wineries to avoid taking too much of their time.

III. SURVEY RESULTS

This section of the report presents the results of the survey of wineries as well as the survey of wine trail presidents. There was a high response rate to both surveys with 48 out of 64 or 75 percent of the wineries responding and 100 percent of the wine trail presidents responding.

Profile of Wineries

Forty-two, or 88 percent of the wineries responding to the survey, were members of the New York State Wine and Grape Foundation. These wineries represent a range of size and experience in wine making.

Table 3 describes the number of years which the wineries have been in business.

Table 3. Number of Years in Business

<u>Years</u>	<u>Percentage of Respondents</u>
Under 5	27%
5-10	46
11-15	17
Over 15	<u>10</u>
Total	100%

Twenty-seven percent of the wineries have been in business over 10 years and the same percentage have been in business less than five years. Most of the wineries, 46 percent, have been in business between five and 10 years.

The size of the wineries varied from annual production of under 1,500 gallons to over 100,000 gallons. Table 4 describes 1988 production for the group.

Table 4. 1988 Wine Volume

<u>Annual Volume in Gallons</u>	<u>Percentage of Respondents</u>
0 - 4,999	21%
5,000 - 6,500	19
6,501 - 15,000	29
15,001 - 30,000	19
Over 30,000	<u>12</u>
Total	100%

Twenty-nine percent of the wineries produced between 6,501 and 15,000 gallons of wine in 1988.

Most of the wineries, 56 percent, in the study showed growth in their wine production from 1986 to 1988 (Table 5). Thirty-five percent remained stable while nine percent of wineries decreased volume.

Table 5. Growth in Wine Volume, 1986-1988

<u>Rate of Growth</u>	<u>Percentage of Wineries</u>
Decreased volume	9%
Remained same	35
Moderate increase	41
Large increase	<u>15</u>
Total	100%

Fifteen percent showed a large increase in wine production over the previous two years.

Winery Sales

Winery marketing channels included direct sales to customers, sales to retailers, and sales to wholesale buyers. Table 6 describes the level of sales direct from the winery.

Table 6. Share of Wine Sales Sold Direct from the Winery

<u>Percentage of Total Sales</u>	<u>Percentage of Wineries</u>
Under 30%	12%
30 - 60%	32
61 - 80%	13
81 - 99%	25
100%	10
Not Available	<u>8</u>
Total	100%

Direct sales are an important market for most of the wineries with 48 percent of the wineries showing over 60 percent of wine sales direct to customers. Ten percent of wineries reported 100 percent of their sales were direct to consumers.

The marketing channel which is second in importance is sales to retail accounts. Table 7 describes the share of wine sales to retail buyers.

Table 7. Share of Wine Sales to Retail Buyers

Percentage of Total Sales	Percentage of Wineries
none	31%
1 - 10%	25
11 - 49	23
50 - 90	15
Over 90	0
Not Available	<u>6</u>
Total	100%

Thirty-one percent of wineries had no sales to retail accounts. No winery had over 90 percent sales to retail buyers.

The following table describes the share of wine sales to wholesale buyers. A majority of wineries, 63 percent, do not do any business with wholesalers. Six percent of wineries had significant sales, over 60 percent of their volume, to wholesale accounts.

Table 8. Share of Wine Sales to Wholesalers

Percentage of Total Sales	Percentage of Wineries
none	63%
1 - 35%	17
36 - 60	8
Over 60	6
Not Available	<u>6</u>
Total	100%

Wineries were asked to report the amount of average purchases by customers visiting the winery. Table 9 summarizes responses to that question.

Table 9. Average Wine Purchase by Customers

Amount of Purchase (\$)	Percentage of Wineries
1 - 10	40%
11 - 15	6
16 - 20	17
21 - 25	4
26 - 30	4
Over 30	10
Not Available	<u>19</u>
Total	100%

A majority of wineries, 46 percent, reported average purchases of 15 dollars or under per customer. Only 13 percent reported average purchases of over 30 dollars.

Wineries were asked whether or not they had a policy on charging customers for tasting wines. Table 10 describes winery tasting policy.

Table 10. Policy on Charging for Wine Tasting

<u>Charge for Tasting</u>	<u>Number of Wineries</u>
None	32
\$1 or less	7
Over \$1	3
Tasting charge credited toward purchase	6

Most of the wineries, 77 percent, did not charge for tasting. Six of the 10 wineries who did charge credited the charge towards wine purchases.

Profile of Wine Trails

All six wine trails operating in New York State were included in the study. Table 11 describes characteristics of the wine trails in each region.

Table 11. Profile of Six New York Wine Trails

<u>Region</u>	<u>Date Established</u>	<u>Number of members</u>	<u>Trail Length (miles)</u>	<u>Legal Identity</u>
Cayuga Wine Trail	1983	7	38	Informal
Chautauqua Wine Council	1985	7	35	Informal
Hudson Region Wine Council	1976	17	80	Association
Keuka Lake Winery Association	1986	6	42	Non-Profit
Long Island Wine Council	1986	12	15	Informal
Seneca Lake Winery Association	1985	14	45	Association

The trails vary in age, membership, length and type of legal identity. Most trails were started within the past seven years other than the Hudson Valley region trail which was established in 1976. Trail length ranges from 15 miles on Long Island to 80 miles in the Hudson Valley.

Wine Trail Organization

Wineries which participate in wine trail activities are required to be a member. Membership requirements and organizational structures for the six Trails are described in the following table.

Table 12. Wine Trail Membership Requirements and Organizational Structure

<u>Trail</u>	<u>Membership Requirements</u>	<u>Organizational Leadership</u>	<u>Hired Staff</u>
Cayuga	Located on or near Rte. 89, proximity to other wineries, \$850 basic annual assessment.	Chair Secretary Treasurer	None currently (did have part-time employee)
Chautauqua	None	President Secretary Treasurer	None
Hudson Valley	Located in Hudson Valley, operating licensed winery, member of NYS Wine & Grape Foundation and \$600 annual dues.	President Secretary	None
Keuka Lake	Located in Keuka Lake area.	President Secretary Treasurer	None
Long Island	Operating licensed winery on Long Island	President	None
Seneca Lake	Located on Seneca Lake, operating licensed winery and must have tasting room.	President V. President Secretary Treasurer	None

Most of the trails have membership requirements including winery location and member dues or assessments. All of the trail organizations have at least one officer with most having several officers who volunteer time to direct the affairs of the trail. None of the Trails currently employ any staff.

Foundation Support for Trails and Wineries

Since 1986 the NYS Wine and Grape Foundation has provided financial support to the six wine trail organizations included in this study. For the 1989-90 fiscal year, a total of \$112,000 in matching grants were awarded to the six wine Trails.

The Foundation has also provided various types of support to individual wineries. Wineries were asked to report the types of support received from the Foundation. Table 13 summarizes responses to that question.

Table 13. Type of Support Received from the New York State Wine and Grape Foundation

Type of Support	Yes	No	Not Applicable		Data Missing
			(percent)		
Promotional materials	71%	12%	13%		4%
Wine glasses	64	20	12		4
Resource materials	43	43	10		4
Signs	29	44	23		4
Other	26	58	12		4
Planning help	21	63	12		4
Legal help	8	75	13		4
Financial/accounting	8	75	13		4

Most of the wineries responding received promotional materials (71 percent) and wine glasses (64 percent). There were several new wineries or wineries in the process of opening tasting rooms who responded that this question did not apply to them as well as trails which did not have signs up when this survey was conducted. These responses are listed as not applicable in the third column of Table 13.

One of the primary focuses for both the Foundation and wine trails has been improving the visibility of Trails and wineries through increased use of road signs. Wineries were asked how adequate signage was. The following table summarizes the responses to that question.

Table 14. Assessment of 1988 Wine Trail Signage for 49 Wineries

Question	Response Scale					adequate
	not adequate	1	2	3	4	
Do you feel the 1988 signage is adequate?		90%	10%	0	0	0

It is clear from the response that all wineries felt that signage was not adequate in 1988. It should be noted that this survey was conducted before additional signage was installed during the summer and fall of 1989. Trail signs have been installed for the first time on several trails. Additional highway signage was added to several trails. One trail has purchased billboard space in addition to highway signage. Significant improvements have been made in trail signage since this question was asked.

Member Winery Benefits from Trails

Wineries were asked several questions about their assessment of wine trail activities and how they benefit from those activities. Table 15 summarizes how wineries ranked various activities on a scale from 1, not important, to 5, very important.

Table 15. Importance of Various Types of Wine Trail Activities

	Degree of Importance					Not Applicable	Data Missing
	Important	1	2	3	4		
	(percent)						
Brochure	2	2	3	10	79	0	
Signage	5	0	3	0	40	48	4
Joint tastings	6	12	12	11	20	35	4
Wine & food events	4	4	10	6	20	52	4
Newsletter	6	4	12	10	14	50	4
Press releases	9	2	10	9	10	56	4
Purchasing supplies	9	4	10	9	6	58	4
Barrel tasting	2	0	2	10	4	79	4
Vertical tasting	6	4	2	0	4	80	4
Nouveau tasting	10	2	2	0	2	80	4
Fall harvest events	4	2	0	6	0	84	4

Brochures were rated as the most important wine trail activity. Signage received the second highest rating with joint tastings next.

The last column in Table 15 lists the percentage of wineries for which the trail activity did not apply. In other words, all trails had brochures (zero responding in the "not applicable" category). Thirteen percent of the wineries participated in Fall Harvest events, while 87 percent responded that this activity did not apply to their situation.

Wineries were asked to select the most important results of trail activities from a list provided in the survey. Table 16 summarizes the response to that question. Promotion of winery visitations received the highest response with 29 percent of wineries indicating this was the most important result from wine trail activities.

Table 16. Most Important Results from the Wine Trail for Wineries

Result	Percentage of Wineries
Promotion of winery visitation	29
Pooling of advertising funds	28
Exchange of information between wineries	27
Public relations	22
Sell more wine	19
Cooperative events	18

Pooling of advertising funds was a close second with information exchanges between wineries selected third. Multiple responses were allowed.

Effectiveness of Wine Trails

Several questions in the survey were developed to evaluate the effectiveness of the wine trails. There are various ways to view trail effectiveness. Has a trail increased wine sales of individual wineries? How well do trail activities fit into individual winery marketing plans? How do trails contribute to the New York State wine industry overall? These are some other questions explored by the survey.

Wineries were asked to evaluate the effect of their wine trail on winery business. Table 17 summarizes the effect on the number of customers visiting wineries.

Table 17. Effect on Number of Customers Since Inception of Wine Trail

<u>Effect</u>	<u>Percentage of Wineries</u>
No effect	23*
Slight increase	25
Large increase	12
Cannot determine	15
Not available	25

Thirty-seven percent of the wineries indicated at least some increase in customers with 12 percent showing a large increase in the number of customers. Fifteen percent could not determine the effect on customers from the trail. Twelve wineries, 25 percent, did not respond to this question.

Wineries were asked how effectively wine trail funds were spent. The following table presents the responses to that question. Twenty-nine percent of wineries thought that their trail budget was very effective. There was a mixed response with at least 10 percent of the wineries selecting each degree of effectiveness.

Table 18. Effectiveness of Wine Trail Budget

<u>Question</u>	<u>Degree of Effectiveness</u>					<u>Not effective</u>
	<u>Very effective</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	
How effectively are wine trail funds spent?	29	22	27	10	12	

(percent)

Another measure of wine trail organizational effectiveness is how involved members are in planning events and participating in activities. Table 19 summarizes responses to a question on participation in planning trail events. A majority, 57 percent of wineries, selected the two highest degrees of participation in planning events. Twenty percent of wineries responded they were not active at all.

A related measure of member participation is how motivated are members to participate in trail events. Table 20 presents the degree of member motivation. Fifty-five percent of the members had a high degree of motivation to participate in trail events, while 22 percent reported low motivation to participate in trail events. Two wineries did not respond to this question.

Table 19. Winery Participation in Planning Wine Trail Activities

Question	Degree of Participation					Not active	Data Missing
	Very active	1	2	3	4		
How actively do you participate in planning wine trail activities?	47	10	13	8	20		2

Table 20. Degree of Member Motivation to Participate in Trail Events

Question	Degree of Motivation			Data Missing
	High	Moderate	Low	
To what degree do you feel motivated to participate in wine trail events?	55	21	22	2

Impact of Wine Trails

Wineries were asked to describe the impact of the wine trails on their own winery as well as the New York State wine industry overall. Table 21 summarizes responses in regard to how wine trails contribute to their own winery business.

Table 21. Wine Trail Contribution to Winery Business

Contribution	Number of Wineries
Increased public awareness of wineries and quality of wines	24
Increased exposure of winery	23
Increased the number of visitors to the winery	13
Does not contribute in any way	5
Has contributed to growth in the number of wineries	4

Twenty-four wineries, or 50 percent thought that wine trails increased public awareness of New York wineries and the quality of wines which in turn benefitted their individual business. Twenty-three wineries, or 48 percent

thought their trail increased the exposure of their own winery. Five wineries or 10 percent felt their wine trail did not contribute to their own business in any way. Multiple responses were allowed for this question.

Wineries were asked to list the contributions made by wine trails to the New York State wine industry at large. Responses are summarized in the following table. More than one response from wineries is included in this question.

Table 22. Wine Trail Contribution to the New York State Wine Industry at Large

<u>Contribution</u>	<u>Number of Wineries</u>
Improves public awareness of wineries and quality of wines	37
Increases NYS wine sales overall	10
Helps to keep industry alive and prosperous	6
Assists high quality wine producers in penetrating new markets	5
Does not contribute in any way	4
Other	9

Thirty-seven wineries, 77 percent, felt that wine trails increased public awareness of wineries and the quality of New York wines. Ten wineries, 21 percent, responded that trails help sell more New York State wine overall.

Barriers to Wine Trail Success

Wineries were asked to describe what were the key internal and external barriers to the success of wine trails. Table 23 summarizes the internal barriers which were mentioned by respondents.

Table 23. Internal Barriers to Wine Trail Success

<u>Barrier</u>	<u>Number of Wineries</u>
Lack of winery participation and cooperation	26
Conflicting views of wineries	21
Lack of personnel to carry out activities	14
Lack of sufficient funding	11
Diverse variety and quality of wines in region	8
Diverse goals	4
The Foundation	4
Dues structure	2
No internal barriers	2

The three most often mentioned internal barriers were: lack of participation, conflicting views of wineries, and lack of personnel. Two wineries thought that there were no internal barriers. Multiple responses were allowed for this question.

Wineries were asked what were the external barriers to success. Those responses are summarized in the following table. New York State Department of Transportation regulations and state bureaucracy along with insufficient funding were the three most common external barriers to wine trail success. Multiple responses from wineries were allowed for this question.

Table 24. External Barriers to Wine Trail Success

Barrier	Number of Wineries
Department of Transportation signage restrictions	16
State bureaucracy	14
Lack of sufficient funding	12
Distance between wineries in areas	9
Federal and state tax policy on alcohol	8
High cost of insurance	7
Difference in size of wineries	7
Labeling regulations	7
Lack of recognition of NYS wine quality	6
Other	10

Wine Trail President Survey

In addition to the survey of individual wineries which belonged to wine trails, presidents of wine trails were also surveyed. Each of the six wine trails has an elected president who provides leadership to the organization. All of the trail presidents participated in the survey.

Several descriptive questions in the president survey have already been summarized under the profile of wine trails section of this report. This section will summarize the responses to questions asked of trail presidents about objectives and future plans.

Trail Objectives

Presidents were asked what were the three most important objectives of their wine trail. The following table summarizes the responses to that question. Promoting their region ranked first with five out of six presidents. Cooperative advertising was the second most mentioned objective. Two trail Presidents, 33 percent, emphasized the importance of the ability to share and exchange information among trail members as an important objective. This sharing included exchanging information on grape production, wine making, and marketing. Customer referral was also mentioned as an important aspect of information exchange.

Table 25. Most Important Objectives of Wine Trails

<u>Objective</u>	<u>Percentage of Presidents</u>
Promote region	83%
Cooperative advertising	67
Increase awareness of wine quality	33
Exchange information	33
Pool member resources	33
Increase number of visitors	17

Major Successes

Trail Presidents were asked what were the short term and long term successes of their trails. Presidents in general found it easier to list short term successes and more difficult to describe long term successes other than general improvements in winery business.

All presidents thought that the development of a trail brochure was a major short term success. Other successes mentioned were: increased cooperation and communication among members, additional advertising, organizing symposiums for members, increased number of winery visitors and the development of creative tasting events.

Long term successes mentioned include: obtaining area appellation, increasing awareness of the region and wine quality, and developing group insurance programs.

Presidents were asked what were the major barriers to trail success. In general their responses were quite similar to the winery survey results (see Tables 20 and 21). Department of Transportation signage restriction were seen by all Presidents as a major external barrier to trail success.

Contribution to the Industry

Presidents were asked how the trails contribute to the New York State wine industry overall. All presidents thought that the trails have helped to improve consumer awareness of New York produced wines. One president felt strongly on this point saying, "the wine trails have been the single most effective tool in improving people's awareness of New York State wines."

Future Trail Plans

Presidents were asked to describe plans for the future of their trails. Increased advertising and promotion efforts were mentioned by all six presidents. One trail was planning to closely evaluate their advertising and promotion activities to be able to better allocate resources to the most effective activities.

Several trails were planning to hire a firm to distribute their brochures in order to gain wider and targeted distribution. One trail was concentrating on activities aimed at improving member wine quality such as sponsoring technical seminars and sharing production ideas.

Presidents were asked how their trails would respond to future funding needs in light of decreased Foundation funding. Two presidents thought that trail activities would be reduced if funding was cut. Three presidents thought the trail would increase dues to compensate. One president replied "we don't have a plan at this point. We operate one year to the next."

Summary

This section of the study reported the results of a survey of wineries which are members of the six New York wine trails as well as a survey presidents of those trails. The response rate to both surveys was very good. Given that no prior research had been performed, much of the survey data is of a descriptive nature. A profile of wineries and wine trails was developed.

The next section of the study analyzes the results of the surveys. The implications of the results will be presented.

IV. ANALYSIS OF SURVEY RESULTS

This section of the study analyzes the results of the two surveys which were conducted. Implications for the wine trails as well as for the New York State Wine and Grape Foundation are discussed.

Wine Trail Comparison

Several factors can be used to compare trails with each other and show some of the significant differences in trails. Table 26 compares winery volume, type of sales and growth in winery production for the six trails.

Table 26. Winery Proximity, Volume, Sales and Growth for Six Wine Trails

Trail	Winery Proximity (miles/winery)	Average Volume per Winery (gallons)	Average % Direct Sales for Wineries (percent)	Total Growth in Winery Volume, 1986-88 (percent)
Cayuga	5.4	9,667	78	19
Chautauqua	5.0	16,200	69	22
Hudson Valley	4.7	8,931	83	30
Keuka	7.0	42,600	49	18
Long Island	1.3	17,571	26	44
Seneca Lake	3.2	29,636	68	61

The average distance between wineries varies from 1.3 miles per winery for Long Island to 7 miles for Keuka Lake wineries. Although the Seneca Lake Trail seems to have a close proximity of members, wineries are split into two groups located on each side of the lake making access more difficult than it would seem from the 3.2 miles per winery listed.

The average volume of production for wineries ranges from 8,931 gallons for the Hudson Valley trail to 42,600 gallons for the Keuka Lake trail. It should be noted that one large winery on the Keuka trail skews the volume figures to a higher average production than is representative of the other wineries.

The proportion of direct sales by wineries varies from 26 percent for the Long Island trail to over 80 percent for the Hudson Valley region. Over the years 1986 to 1988, the growth in total winery production for wineries in the six trails ranged from 18 percent to 60 percent.

The different composition of trails and emphasis on various market channels, makes it difficult to compare trail performance. Although all of the trails utilize common types of advertising and promotion activities, such as brochures and joint tastings, each trail has its own unique situation. It is understandable why slightly different marketing and promotion strategies have been developed for each trail.

Trail Performance

Both surveys included several questions which can be used to measure the success of trails. Table 27 summarizes the response for four measures of success for each of the trails. At least 50 percent of wineries reported increased numbers of customers due to trail activities (see Table 15.). Assuming some portion of increased sales should be due to trail efforts, the level of increased sales for wineries on a trail provides some measure of success. Other measures of performance used are: perceived effectiveness of the trail budget, degree of member participation in planning trail activities and the level of motivation to participate in trail activities by members.

Table 27. Comparison of Wine Trail Measures of Success

Trail	Wineries With Increased Sales (percent)	Effective Budget Rating 1-5 (1=very effective)	Degree of Participation in Planning 1-5 (1=very active)	Degree of Motivation in Activi- ties 1-3 (1=high motivation)
Cayuga	67	2.33	1.33	1.00
Chautauqua	17	3.00	2.43	1.28
Hudson	46	2.23	3.00	1.92
Keuka	40	1.80	2.00	2.00
Long Island	43	2.62	2.00	1.00
Seneca Lake	27	2.82	2.45	1.90

As was previously discussed, there are clear limitations to comparing trail performance. However, these measures in conjunction with measures specific to each trail should be useful for trails to objectively evaluate their performance over time.

Marketing Issues

An analysis of the results of the surveys points out several marketing issues which should be considered by the trails. A significant number, 19 percent, of the wineries were not able to determine whether the trails had an effect on their business. This would indicate that wineries and perhaps trails need to look for better ways to evaluate the effects of trail promotion and activities.

Wineries were asked to describe who they thought were their "ideal" customers. Although there was some disagreement on how to describe the most desirable customers, a profile did emerge. The "ideal" customer was: over 30 years of age, came from New York State or an adjoining state, lived in a Metropolitan area, had a middle to upper income level, owned a small to mid-sized wine cellar and maintained an open mind on wines.

Undesirable customers were described as follows: tourists, those who are "wine snobs" and those looking for a "cheap buzz". It is always a difficult challenge to identify the ideal customer and then develop an effective method of targeting a marketing program to reach them. Wineries and trails need to give more consideration to this issue and develop an agreed upon marketing strategy.

Organizational Issues

There are various healthy signs of successful trail organizations. In general, members seem to be very active in each of the trails and value their organizations. Given that the trails have existed from the beginning as voluntary associations and have relied heavily on member volunteer labor, their continued survival is evidence of strong member support.

The trails have made notable accomplishments on a limited budget with little or no hired staff. They are indeed "lean" organizations. With the resources currently available, trails have probably reached a limit on the number of activities which can be undertaken.

Several organizational issues were identified from the results of the surveys primarily in the areas of finance, management and strategic planning. Trails will have to address these issues in order to assure long term viability. Given that external funding for trails is shrinking, financing trail efforts will become an increasing challenge. Trail presidents were not clear on how to insure adequate funding of trails in the future. Most thought members would have to bear more of the financial burden. Several others thought trail activities might have to be cut back.

Management of trail affairs and activities rests with a volunteer group of members. Many of these members have been involved since the inception of their organizations. Given the business commitments of winery owners and the need for rotating officer responsibilities, trails are faced with the

challenge of insuring that an active group of members continues to assume the ongoing responsibilities of managing trail affairs. Many new organizations find that there is significant volunteer energy available in the early phase of the organization's life but this energy wanes as the years go by.

Trails appear to have a very short term vision of the future. Most presidents viewed trail operations on a year by year basis. With an annual funding cycle and budget process, this planning horizon is understandable. However, for the trails to achieve long run success, a longer range view is essential. Strategic planning could assist in establishing a clearer focus on the mission and objectives of each of the trails and in developing a long range plan for trail operations.

Limitations to the Study

There are many external factors beyond the control of wineries and wine trails which affect their operations. Overall trends in wine consumption, access to high population centers, volume of tourist activity and other external variables directly influence demand for wines marketed by New York State wineries.

Individual winery performance is also affected by various internal factors such as wine quality, winery management, location and individual promotional activities. Wine trails also have a set of external and internal factors which influence the level of trail success including: proximity of wineries to each other, scenic beauty of the area, proximity to other tourist attractions, management and leadership ability of trail members as well as the effectiveness of specific promotional and advertising strategies.

This study did not attempt to evaluate the influence of these factors on the performance of the trails. The scope of this study was limited both by funding and the lack of any previous research conducted in this area.

Areas for Future Research

The results of this project suggest several areas of research for the future. First, it would be desirable to analyze specific types of promotional activities to determine their relative effectiveness. This study, in effect, evaluated the total package of promotional activities rather than attempting to determine the effectiveness of any one individual activity.

Secondly, more research is needed to identify the most effective ways of targeting desired customers. It would also be useful to study how to most effectively segment customers and serve each market channel. Having the results of this suggested research would enable a more rational, informed, and cost-effective allocation of the Foundation's limited promotional dollars.

Finally, further research is suggested to evaluate the marketing strategies an individual winery may undertake to improve long-run profitability. It would be helpful to analyze how individual winery marketing plans can complement generic promotional schemes by the Foundation, and vice versa. Furthermore, not all wineries are able to join a wine trail

because of location or other factors. For the New York wine industry to progress, these wineries need to improve their marketing and promotion as well.

Recommendations

Based on the results of this research, the following recommendations are offered to improve the effectiveness of the Foundation's trail expenditures:

1. Improve the evaluation of individual winery marketing programs as well as trail efforts. Winery marketing programs should better identify desired customers and target activities to attract them.
2. Arrive at more agreement on the most effective promotion and advertising efforts for trail. This is related to the first recommendation.
3. Develop more creative local funding mechanisms for trails. Expand the "associate" member concept to local businesses with a vested interest in winery businesses: e.g. fine dining establishments, lodging and other appropriate tourist attractions. Convince trail members of the worth of the trail and the need for increased member funding.
4. Evaluate the limitations of volunteer management of the trails and assess the need for paid staff.
5. Undertake long range strategic planning to get beyond "one year at a time" budgeting. The plan should at least address: a) marketing, b) financial resources needed, c) human resources needed, and d) how to maintain a viable organizational structure for the trail.

APPENDIX 1

CORNELL UNIVERSITY
DEPARTMENT OF AGRICULTURAL ECONOMICS
WINE TRAIL STUDY
WINERY QUESTIONNAIRE

Confidential

All information will be held strictly confidential. Only data summarized from all sources will be presented in forthcoming reports.

Name and Title _____

Trail Name _____

Address _____

State _____ Zip _____ Telephone() _____

1. How long has your winery been in business? _____

2. Are you a member of the NYS Wine and Grape Foundation? _____

3. How large was your operation in 1988? (Gal./Yr.)
 0-5000 25000-50000 exact # _____
 5000-10000 50000-100000
 10000-25000 100000+

4. How does this compare to the two previous years?

 1986 _____

 1987 _____

5. How many customers visited your winery last year? _____

6. How much has the number of customers increased since the inception of the trail?

7. What is the average customer purchase? \$ _____

7a. No. of customers X Ave. customer purchase = Sales at Winery \$ _____

8. What percentage of your sales occur at the winery? _____%

9. What percentage of your sales occur to wholesalers? _____%

10. What percentage of sales occur to retailers? _____%

11. Who do you consider to be your ideal customer?

 Area:

 Out of state _____

 Locals(within 100 miles) _____

 In state _____

 Other _____

12. Do you charge for tastings?

Yes _____

No _____

12a. If so, how much do you charge per person? _____

12b. Is the tasting charge used as credit toward a purchase? _____

13. Do you feel the 1988 signage is adequate? (Not adequate) 1 2 3 4 5 (Very adequate)

14. Do you feel that your location on the trail affects the number of visitors?

15. Of the following, which do you feel have been the most important results of the wine trail?

_____ Sell More Wine

_____ Public Relations

_____ Exchange of Information Between Wineries

_____ Pooling of Advertising Dollars

_____ Cooperative Events

_____ Promotion of Winery Visitation

_____ Other _____

16. How effectively do you feel money is spent by the trail?
(Very effectively) 1 2 3 4 5 (not effectively)

17. How important is it for the trail to have a formal planning committee?
(Not important) 1 2 3 4 5 (Very Important)

17a. If important, what should its role be? _____

18. Do you use sub-committees to plan for special projects? _____

18a. If so, is the sub-committee arrangement adequate for the special projects? _____

19. How actively do you participate in planning wine trail activities?
(very active) 1 2 3 4 5 (not active)

20. Do you feel it is appropriate for the trail to hire part time staff? _____

21. What alternative do you feel is best for hiring staff for the wine trail?

part time staff _____ sub-contractors _____

full time staff _____ other _____

22. Should staff from one of the wineries act as staff for the trail? _____

23. What type of support does your winery receive from the Foundation?

Glasses _____ Promotional materials _____ Legal Help _____ Financial accounting _____

Signs _____ Planning help _____ Resource material _____

Other _____

24. To what degree do you feel motivated to participate in your wine trail events?

Highly Motivated Moderately Motivated Not Motivated

25. To what degree do you feel pressured by other member wineries to participate?
Very Pressured Moderate Pressure Do Not Feel Pressured

26. How are member wineries encouraged to participate in the events?

27. Which Wine trail activities best fit into your marketing plan?

28. What are major successes of the wine trail?

Short Term _____

Long Term _____

29. What are major barriers that you see to the success of the wine trail?

Internal _____

External _____

30. How does the wine trail contribute to your business?

31. How do you feel the wine trail contributes to the NYS wine industry overall?

32. What other types of support would your winery like to receive from the foundation?

33. Do you feel that your trail will continue after the funds are no longer provided?

34. What are some of your suggestions for future plans of your wine trail?

APPENDIX 2

CORNELL UNIVERSITY
DEPARTMENT OF AGRICULTURAL ECONOMICS
WINE TRAIL STUDY
TRAIL PRESIDENT QUESTIONNAIRE

Confidential

All information will be held strictly confidential. Only data summarized from all sources will be presented in forthcoming reports.

Name and Title _____

Trail Name _____

Address _____

State _____ Zip _____ Telephone() _____

1. When was the trail established? _____

2. How many miles long is the trail? _____

3. How many signs does the trail have up? _____

4. How adequate was the signage in 1988? _____ in 1989? _____

5. What are the three most important objectives of the Wine Trail?

- 1) _____
- 2) _____
- 3) _____

6. What is the legal identity of the trail?

Corporation _____ Association _____ Cooperative _____ Non-Profit _____ Other _____

7. Of the wineries in the region, how many are members? _____

8. What are the requirements for membership in the Trail?

Size _____ Location _____ Distance from other wineries _____

Dues \$ _____ Other _____

9. What is the organizational structure of the trail? _____

Officers? _____

How do they function? _____

10. Does the trail hire any staff or consultants? No _____ Yes _____ If so what type?

Part time staff _____ Sub-contractors _____

Full time staff _____ Staff of member winery _____

Other _____

How many months? _____ Hours per week? _____ How much did they cost? _____

11. What other type of support was received from the Foundation?
Glasses _____ Promotional materials _____ Legal help _____ Financial accounting _____
Signs _____ Planning help _____ Resource material _____
Other _____

12. How are member wineries encouraged to participate in the events?

13. What are major successes of the wine trail?
Short term _____
Long term _____

14. What are major barriers to the success of the wine trail?
Internal _____
External _____

15. How does the trail contribute to the NYS wine industry overall?

16. Other than funding, what type of support would you like to receive from the foundation ?

17. How does your trail generate the matching funds?

18. Given that the Foundation funds are decreasing, how does your trail anticipate meeting funding needs in the future?

19. What are the future plans of the trail?

20. What do you see as the role of the Foundation in the future?

Types of Advertising and Promotion efforts sponsored by the trail:

List Type of Advertising or Promotion	Adv. or Promo. Co-sponsored? If yes, with whom?	Geographical Area Covered by Adv. or Promo. efforts	Type of Consumer Targeted	Estimate Number of New Customers
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List the activities sponsored by the Trail:

<u>Name of Activity</u>	<u>Number of Producers Participating</u>	<u>Estimated Number of Customers Participating</u>	<u>Admission Fees Charged</u>	<u>Amount of Budget Allocated to the Event</u>	<u>Money Generated from the Event</u>
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ADDITIONAL COMMENTS:

Other Agricultural Economics Research Publications

No. 90-1	Quarterly Northeast Farmland Values, 1985 Through 1989	Loren W. Tauer
No. 90-2	A User's Guide to NEMPIS: National Economic Milk Policy Impact Simulator	Harry M. Kaiser
No. 90-3	1990 Budget Guide, Estimated Prices for Crop Operating Inputs and Capital Investment Items	Darwin P. Snyder
No. 90-4	Whey Powder and Whey Protein Concentrate Production Technology Costs and Profitability	Susan Hurst Richard Aplin David Barbano
No. 90-5	Potential Effect of Decoupling on the U.S. Rice Industry	Satoko Watanabe B. F. Stanton Lois S. Willett
No. 90-6	Determination of Butter/Powder Plant Manufacturing Costs Utilizing an Economic Engineering Approach	Mark W. Stephenson Andrew M. Novakovic
No. 90-7	Field Crop Enterprise Budget Update, 1990 Cost and Return Projections and Grower Worksheets, New York State	Darwin P. Snyder
No. 90-8	An Economic Analysis of Freshwater Finfish Aquaculture in the Mid-Atlantic States	Minot Weld Wayne Knoblauch Joe Regenstein
No. 90-9	Agricultural Risk Modeling Using Mathematical Programming	Richard N. Boisvert Bruce McCarl
No. 90-10	Organic Field Crop Production, A Review of the Economic Literature	Wayne A. Knoblauch Rebecca Brown Martin Braster
No. 90-11	Dairy Farm Management Business Summary, New York, 1989	Stuart F. Smith Wayne A. Knoblauch Linda D. Putnam
No. 90-12	Strategic Directions in Supermarket Deli/Prepared Foods	John W. Allen Edward W. McLaughlin Thomas R. Pierson