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Department of Applied Economics and Management
Cornell University, Ithaca, New York 14853-7801 USA

Marketing New York Wine in New York City

Trent L. Preszler

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MARKETING NEW YORK WINE IN NEW YORK CITY

By

Trent Prezler*

The finest restaurants in Portland, Oregon, feature primarily Oregon-produced wines. Likewise, strong regional pride dictates that most fine restaurants in Seattle carry predominantly Washington wines; and the same generalization can be made about the presence of California wines in San Francisco. Wines produced in the State of New York (NY), however, have traditionally been shut out of the upscale New York City (NYC) market. Industry leaders have spearheaded a surge in the quality of New York's *vinifera* wines in the past quarter century, and are now questioning more seriously why their products do not enjoy broad acceptance in what is the biggest, most important, and closest urban market for the NY wine industry.

WHY NYC?

Why should you care about NYC when you can more easily sell the wine you make close to home? Understandably, winery owners need justification in economic terms before they should be expected to commit precious resources to marketing efforts in a previously untapped market. In the U.S., the world's third-largest consumer of wine, the metropolitan NYC area is the #2 market after Los Angeles, but a clear #1 in imports. For all the wine that is imported into the U.S. each year, NYC consumes 30 percent of it while L.A. consumes only 9.5 percent. NYC is where foreign wine regions invest most of their marketing dollars because the returns on

Trent L. Prezler recently completed a M.S. in Agricultural Economics (Marketing and Food Distribution) from the Department of Applied Economics and Management at Cornell University. He is currently Managing Partner of Cluster Strategies, LLC, a market research firm focused exclusively on the New York wine industry.

investment there are greatest: getting a wine featured in NYC restaurants and wine publications is the most effective way to enhance global brand visibility and build brand equity. Because the NYC market is most important *and* most competitive, NY industry leaders must find strategic urban marketing approaches that are savvy, effective, and tailored to meet this market's specific needs.

WHY MARKETING?

One of the more recent trends in the global wine industry, in general, has been the proliferation of good-quality wines that make it more difficult (than 5, 10 or 15 years ago) to buy a "bad" wine. Wine which is technically superior or artfully endowed with numerous competition medals is no longer enough. **Wineries can't compete in a globally competitive industry on the basis of production alone.** The best wineries understand this, and know that financial success in the wine industry is no longer only about producing consistent wine, but is also dependent upon how attentive they are to customer loyalty, distribution networks, marketing, sales, and overall brand awareness. Managers of high-end restaurants and luxury hotels are beginning to emphasize mid-priced wines from lesser known locales that offer value and innovation. Effective marketing can help NY wineries tap this niche.

RESEARCH METHODS

In order to examine key indicators of product perceptions of NY wine in NYC, qualitative research and exploratory interviews were first conducted with leaders in the NY wine and food industries. Exploratory interviews took place in April and May of 2001, and focused on isolating the information needs and management decisions currently facing the industry. For quantitative surveying, myriad methods exist, each with its own strengths and weaknesses. Paper-copy mailed questionnaires was selected as the survey methodology of choice, based largely on the convincingly effective strategy for mail-in surveys outlined by Professor Don

Dillman at Washington State. One of the principal difficulties of this type of marketing research, where the main goal is to assess brand image and willingness to buy, is the task of quantitatively measuring ephemeral terms like satisfaction, reputation, and prestige in a way that is consistent with how other researchers have measured them. The approach taken in this study was to ask multiple questions to assess these constructs from several different dimensions. For example, survey respondents were asked how important it is to them to have a wine with a good value or profit margin potential. Then, later in the questionnaire, they would be asked to name, off the top of their head, the one wine region in the world that provides the best value/profit margin potential. And again, near the end of the questionnaire, they were asked how they would rate NY wine for its value/profit margin potential. This allowed an assessment of the importance of the wine value construct through three different lenses. Immediately after the questionnaire was finalized and approved by Cornell's committee on human subjects, it was piloted with several leaders in the wine and food industry and Cornell faculty.

A database of the names and business addresses of 215 of NYC's finest restaurants and wine purveyors was compiled for surveying. The particular businesses solicited for the study are among the most influential and trendsetting globally, for their particular genre. A code number system was used to maintain confidentiality of responses, and overall a 32.1 percent response rate for the NYC survey was achieved. Forty of the responding restaurants also returned copies of their working wine lists, which were analyzed along with their responses to the 25-question survey.

RESEARCH RESULTS

The research I conducted while an M.S. student at Cornell University examined product perceptions for NY wine among upscale restaurants in NYC. Several conclusions can be summarized from these results, each of which carries with it a set of management implications for the NY wine industry.

Wine List Presence and Pricing

A primary conclusion of this research was that NY wines make up less than five percent of total wine list offerings at upscale NYC restaurants, and over 70 percent of those NY wines come from Long Island. This information could be encouraging, disheartening, or inspiring, depending on one's perspective.

When given the chance to rate NY wine on several attributes, NYC restaurateurs rated NY wine as being the strongest in “prices compared to other regions.” This perception held true when analyzing the respondents' wine lists. *Figure 1* illustrates the comparison between red and

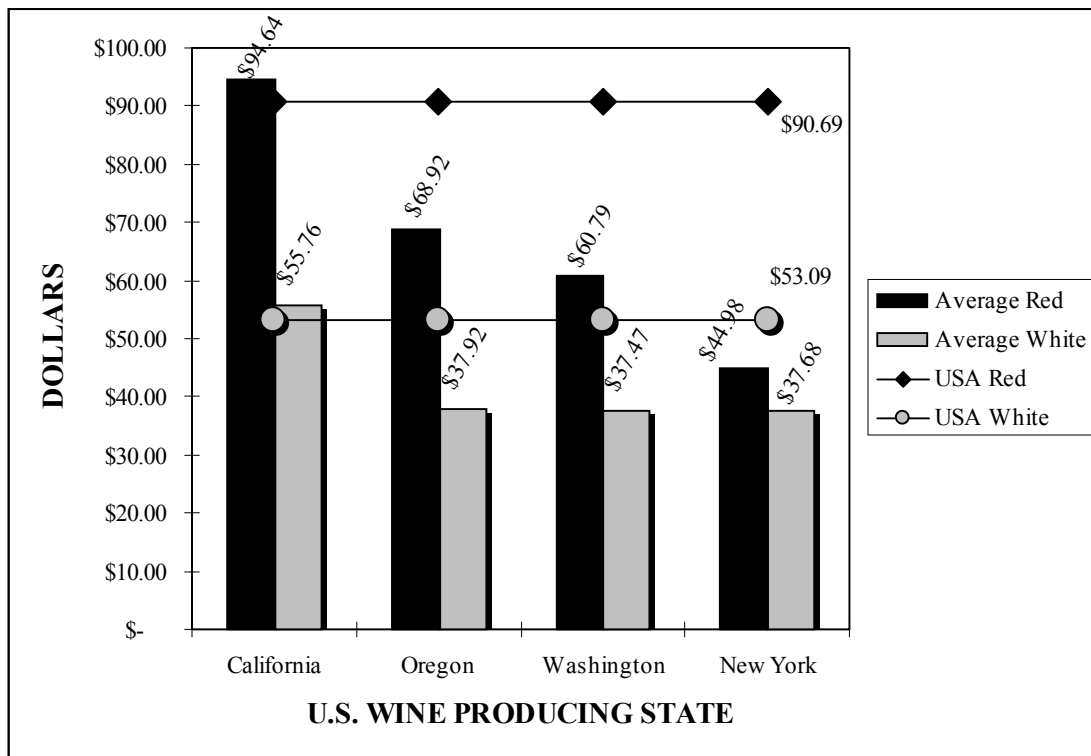


FIGURE 1 – AVERAGE RED[†] AND WHITE[‡] WINE PRICES FOR NEW YORK VERSUS OTHER DOMESTICS ON NYC WINE LISTS

[†] $n=1,783$ for California red. $n=77$ for Oregon red. $n=62$ for Washington red. $n=55$ for New York red. Virginia ($n=5$) and New Hampshire ($n=1$) were the only other U.S. states with red wines in this sample.

[‡] $n=722$ for California white. $n=38$ for Oregon white. $n=22$ for Washington white. $n=60$ for New York white. Virginia ($n=4$) and New Hampshire ($n=1$) were the only other U.S. states with white wines in this sample.

white NY wine prices and those of other domestic wines on the survey sample wine lists. The obvious conclusion from this figure is that NY wine prices (per bottle) are lower than all other domestics, having an average red wine price of \$44.98 and an average white price of \$37.68.

The graph also shows that California is the only state in this sample whose wines met or exceeded the national average for reds and whites, due to the fact that CA is responsible for 90 percent of U.S. production totals, and hence has price-setting latitude. But the prices of California wines may also reflect their lofty reputation, particularly for the high-end red wines such as Cabernet Sauvignon and Zinfandel, for which they have created a distinct and successful consumer niche. In Oregon, their flagship varietal is Pinot Noir, and they produce it in world class quality that can compete with some of the best wines from Burgundy. Washington has forged a reputation for outstanding Merlot. Consequently, these two states' red wine prices are significantly higher than New York's. Similarly, neither Oregon nor Washington has established a distinctive consumer identity for a particular white wine varietal (like New York has with Riesling) and this is reflected in the fact that their white wine prices are almost identical to New York's.

The same trend exists for imports. *Figure 2* shows the average red and white wine prices for NY alongside the average prices for the four biggest wine producing countries outside the USA: France, Italy, Spain and Australia. It is evident in this figure that France has a large effect on pricing, as they are the biggest in volume in the NYC market and they are the only region whose wines are at or above the average imported wine prices (\$101.80 for reds, \$59.56 for whites). One possible encouraging note from these two figures is that the average prices of NY white wine are nearly identical to the prices of white wines from Italy, Spain, and Australia.

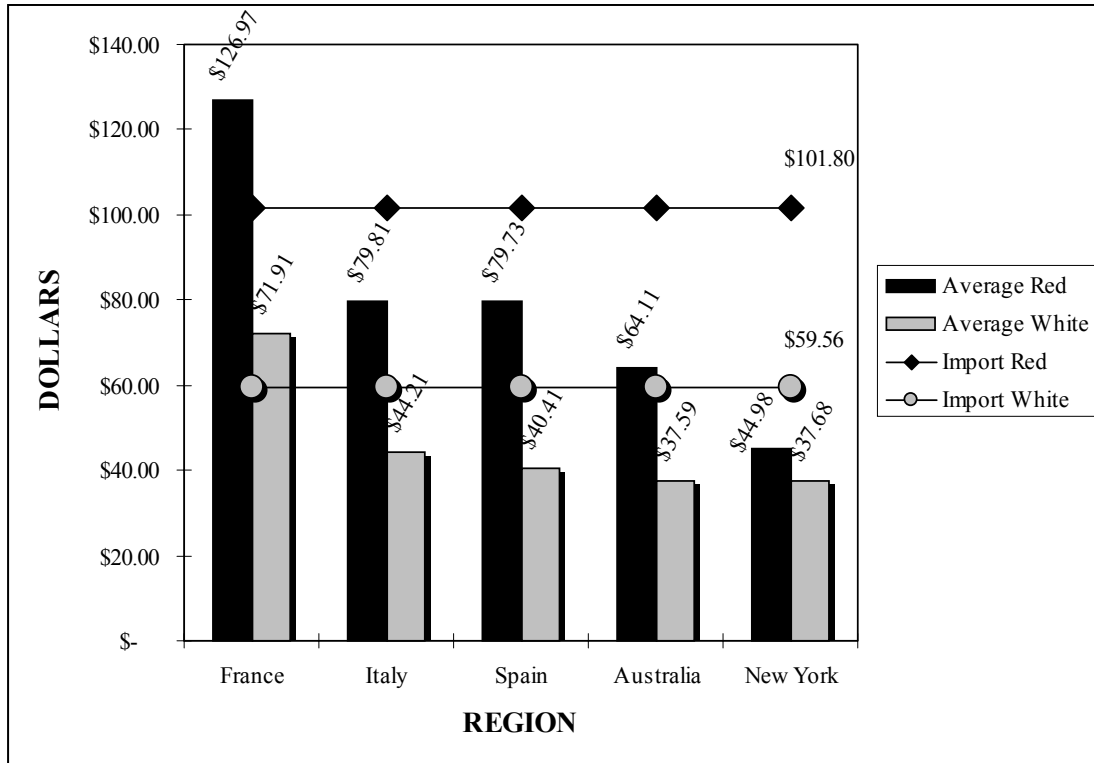


FIGURE 2 – AVERAGE RED[†] AND WHITE[‡] WINE PRICES FOR NEW YORK VERSUS MAIN IMPORTS ON NYC WINE LISTS

[†] $n = 1,234$ for French red. $n = 904$ for Italian red. $n = 105$ for Spanish red. $n = 134$ for Australian red. $n = 55$ for New York red.

[‡] $n = 1,030$ for French white. $n = 344$ for Italian white. $n = 26$ for Spanish white. $n = 51$ for Australian white. $n = 60$ for New York white.

The NYC wine lists provided additional information on the prices of the various grape varieties. *Figure 3* breaks down the average wine list price for each of the 34 still wine varieties represented in the wine lists, excluding dessert, sparkling, and rosé. The top eight varieties in terms of price points in restaurants are red, with Chardonnay the highest ranked white in 9th place (\$71.94 average). Only six of the top 20 varieties are white. Notice that Cabernet Franc (#18) and Riesling (#22) have been highlighted. These are the two varieties most commonly promoted as the competitive strengths of the NY wine industry. However, NY Gewürztraminer is rapidly

gaining positive attention, and remarkably it's the second-highest ranking white varietal behind Chardonnay.

FIGURE 3 – AVERAGE PRICE OF 34 STILL WINE VARIETALS ON NYC WINE LISTS, RANKED DESCENDING

	VARIETAL	AVERAGE PRICE		VARIETAL	AVERAGE PRICE
1)	Meritage ¹	\$ 141.91	18)	Cabernet Franc	\$ 48.19
2)	Cabernet Sauvignon	\$ 113.94	19)	Spanish Varietal(s), white	\$ 46.75
3)	Nebbiolo	\$ 105.47	20)	Italian Varietal(s), white ²	\$ 46.23
4)	Pinot Noir	\$ 93.94	21)	Pinot Meunier	\$ 45.67
5)	Tempranillo	\$ 79.60	22)	Riesling	\$ 44.03
6)	Rhône Varietal(s), red ³	\$ 74.91	23)	Sauvignon Blanc	\$ 42.03
7)	Sangiovese	\$ 74.78	24)	Pinot Blanc, Pinot Gris ⁴	\$ 40.99
8)	Italian Varietal(s), red ⁵	\$ 74.31	25)	Arneis	\$ 39.40
9)	Chardonnay	\$ 71.94	26)	Albariño	\$ 37.56
10)	Gewürztraminer	\$ 64.55	27)	Dolcetto	\$ 37.20
11)	Merlot ⁶	\$ 60.99	28)	Tocai Friulano	\$ 36.10
12)	Barbera	\$ 60.98	29)	Chenin Blanc	\$ 35.17
13)	Spanish Varietal(s), red ⁷	\$ 59.82	30)	Muscat	\$ 33.95
14)	Grüner Veltliner	\$ 59.38	31)	Gamay	\$ 30.95
15)	Rhône Varietal(s), white ⁸	\$ 51.39	32)	Müller-Thurgau	\$ 30.67
16)	Zinfandel	\$ 50.64	33)	Sylvaner	\$ 29.00
17)	Malbec ⁹	\$ 48.46	34)	Seyval Blanc ¹⁰	\$ 24.33

¹ *Meritage* is the word used to describe American wines made with an unspecified blend of the five traditional red noble varietals of Bordeaux, France: Cabernet Sauvignon; Merlot; Cabernet Franc; Petite Verdot; and Malbec. All red wines from Bordeaux, France, are blends of varying proportions of at least two of these varietals.

² Among other native Italian white varietals, this includes Fiano, Greco del Tufo, and Vermentino.

³ Includes varietally pure (100%) Syrah wines in addition to blends of Cinsault, Grenache, Mourvedre and Syrah, and also includes Petite Syrah from California, and “Shiraz” from Australia and South Africa.

⁴ Called Pinot Grigio in Italy and known as such worldwide, but will be referred to throughout this thesis as Pinot Gris.

⁵ Includes varietally pure wines as well as blends of native Italian red grapes such as Aglianico, Cannonau, Negroamaro, Nero d'Avola and Primitivo. This category *excludes* the more widespread Italian red varietals such as Barbera, Dolcetto, Nebbiolo, and Sangiovese.

⁶ Throughout this thesis, any reference to Merlot also includes Carmenere from Chile, the clone of which is often mistakenly identified as Merlot.

⁷ Includes all Spanish red varietals except Tempranillo.

⁸ Includes Grenache Blanc, Marsanne, Roussanne and Viognier, both in blends and as 100% varietals.

⁹ Only refers to varietally pure (100%) Malbec wines, generally from South America, not Meritage wines which include varying proportions of Malbec in the blend.

¹⁰ One of the most successful crosses between French and American grapevines, it was made by French plant breeder Seyve-Villard and is extremely cold hardy. The only hybrid grapes found on any of the NYC restaurant wine lists reviewed for this study were Seyval Blanc, Vidal Blanc, and Vignoles.

Based on these wine list presence and pricing results, I offer three management recommendations to NY wineries:

- (1) Emphasize your ability to make truly world-class Gewürztraminer, Cabernet Franc, and Riesling. These varietals have an established demand and market presence in NYC, and NY wineries are ideally suited to position themselves as locally-produced, better-valued alternatives to Riesling and Gewürztraminer produced in Germany and Alsace, and Cabernet Franc from the Loire Valley.
- (2) Focus on placing your wine in the best and most popular restaurants because that will positively reflect on your product's reputation. Educate the staff of those restaurants about your wine so they can sell it with confidence.
- (3) Alter quality image, establish customer loyalty, and penetrate consumer niches in particular varietal tastes. Once you have established customer loyalty and brand niche, you will have more latitude in your own strategic price planning and will gain price independence from larger rivals.

Product Perception and Reputation

The survey also contained several questions meant to gauge the restaurants' perceptions of NY wines, and responses overall indicated that these wines ranked highly in terms of perceived value, but suffered in regard to two important qualities: consistency of wine quality and consumer awareness. To a significant degree, NYC restaurateurs and retailers repeatedly cited individual winery brand name as the *least* important concern to them. Factors related to product consistency, supplier service, and regional reputation ranked much more highly. Survey respondents agreed that NY wine has made great strides in improving product quality in recent years, and even admit that they have heard of several exceptional NY wines. But they're even

more adamant that NY wineries need to do a better job of monitoring product consistency before they will purchase NY wine whenever “given the choice.” The implication here is that, in general, the wine market values brand reputation only if the buyer can actually put the wine in his/her mouth and decide whether they like it over several tastings, cases, and vintages. Based on these product perception and reputation results, I offer the following management recommendations to NY wineries:

- (1) Hold an immovable commitment to product consistency.
- (2) Move your winery from a “production orientation” to a “marketing orientation” by focusing on consumer needs and niches.
- (3) Pay close attention to the quality of supply services your major restaurant clients receive.
- (4) Meticulously craft opportunities for potential buyers to taste your highest quality and most consistently produced wines in a venue that reflects the desired brand position of your wines. (Remember that every opportunity to highlight NY wine in a prominent or sophisticated context is important because consumer perceptions shift downward more easily than upward.)

CONCLUSIONS

The main objectives of these management recommendations are to increase sales of NY wine outside the tasting rooms, particularly in NYC, and to increase NYC restaurateur awareness of the region’s ability to produce world-class wines in select *vinifera* varieties which already have an established market demand among NYC consumers. It is believed that if the industry first concerns itself with strategic, urban marketing approaches that are savvy, effective, and can

succeed in penetrating NYC's elite culinary establishments, then global recognition is sure to follow.

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