



The Cellar Door: Cornerstone of the direct-to-consumer marketing channel

WAS the Australian wine industry's renaissance in the late 1980s and early '90s confined to cutting-edge grapegrowing, winemaking technical know-how and many innovative product launches that landmarked the era of the New World's wine brand building movement?

By no means. It also spearheaded the movement of building a direct, close relationship between winery and consumer – and the marketing vehicle with which to achieve this was the cellar door.

As a result, cellar doors opened up all over the country and by the end of 2013 around 70 per cent of all Australian wineries operated one (Winetitles, 2014).

Today the cellar door is the pivotal entity within the triad of modes (cellar door, wine club, and direct online) that became known as the DTC (direct-to-consumer) channel.

The use of the DTC channel is most closely interconnected with tourism activities as people have to select and travel to a wine region which is often remotely located in order to visit cellar doors, in the process becoming wine tourists.

However, setting up, staffing and operating a cellar door is an expensive proposition.

Researchers **Johan Bruwer, Larry Lockshin, Anthony Saliba** and **Martin Hirche** have been funded by the former Grape and Wine Research Development Corporation (GWRDC project USA-1204) to boost the industry's understanding of the role of the cellar door in the direct-to-consumer channel of the Australian wine market.

Despite the fact so many Australian producers have invested millions of dollars in cellar door infrastructure and human capital at their wineries, the impact of cellar door visitation on changes in the wine consumption, relationship with the wine brand, etc. has not been measured.

REAL MEASUREMENT

In what is a first in more ways than one, GWRDC (now part of the Australian Grape and Wine Authority) has funded one of the first opportunities to date to measure the classical 'who, what, when and how much' questions pertaining to cellar door visitors across Australia.

The project basically sought to unlock the information needed to optimise DTC sales and marketing opportunities through a foundation study.

The research was executed through a first-time formal collaboration between senior wine marketing researchers from two of Australia's leading 'wine universities' namely the University of South Australia (UniSA) and Charles Sturt University (CSU) under the leadership of A/Professor Johan Bruwer of UniSA.

The research findings discussed here are from the first of three research stages, predominantly quantitative in nature, utilising a combination of descriptive and quasi-experimental research designs.

During the first stage 3368 visitors in 15 wine regions (from Margaret River in the West to Hunter Valley in the East) at 79 cellar doors, representing large, medium and small wineries across Australia were intercepted to complete a survey to determine:

- Who the cellar door visitors are and their relationship with the winery brand and wine region
- The nature and extent of the visitors' buying behaviour at the cellar door and the likelihood of them buying the wine brand in future.

WHY THE CELLAR DOOR IS CENTRAL IN DTC MARKETING

In Australia, 70-80 per cent of wineries crush less than 100 tonnes (± 7500 cases produced) per year.

For the vast majority of these wineries to survive there is little choice but to steer the majority of their sales direct to their customers through the winery cellar door and/or its associated DTC channels.

The cellar door is the sales channel where wineries have the most control, aside from the fact it also yields the highest financial return on wine sold compared with other channels. It is without doubt the main catchment area for an ongoing direct marketing opportunity to convert visitors into entering into a more enduring relationship with the winery (Alant and Bruwer, 2010; Bruwer, 2002).

For the winery, the cellar door represents 'its own retail store', the arena within which it can perform the act of introducing visitors to the organisation and its wines, staff, winery, vineyards and setting. Wine tourism thus offers small wineries in particular many advantages (Bruwer, 2002, p.85).

The actual value of the cellar door as a unique entity to educate, change wine consumption behaviour, and act as catalyst for future sales in the retail sector, is nevertheless unclear.

We contend the potential of cellar door to act as change agent in these ways is significant, although DTC sales via cellar door are estimated at 'only' 5-6 per cent of all wine volume sold in Australia (ABS, 2013).

The cellar door is the most 'obvious' sales vehicle to reach people with high tourism activity levels who also happen to be the high usage consumers in the wine market (Bruwer et al., 2012).

PROFOUND IMPLICATIONS

The strong association between the heavy consumption of wine and wine tourism activity level factors has profound implications in practice. It highlights the potential of wine tourism that could be harnessed by wineries as a DTC sales vehicle beyond just the cellar door and to reach people who are likely to be the opinion leaders (influencers of other wine consumers).

Wine tourism activity is an extension of the rather complex relationship between wineries, wine region and the

visitor-consumer (Bruwer and Alant, 2009; Bruwer et al., 2012).

It is recognised as a modern, economically-based construct embedded in consumptive behaviour and viewed by producers as a direct wine selling opportunity. More importantly, it is also regarded as the starting point for the long term wine consumer-product relationship to be nurtured in perpetuity.

It is possible to target marketing strategies at wine consumers in accordance with their gender and lifecycle stage as far as certain behavioural and sensory aspects of the product is concerned (Bruwer and Lesschaeve, 2012).

The finding that heavy usage of wine is strongly associated with wine tourism activity level factors underlines wine tourism's potential would be better used by wineries as a DTC sales vehicle and a driver of ongoing sales through the off- and on-trade retail sectors where 90 per cent plus of all wine volume is sold.

SOME KEY FINDINGS

As far as establishing who the cellar door visitor is, the research found the majority of visitors to the cellar doors of Australia are females (55 per cent). ▶

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Table 1: Duration of trip or period of stay in the specific wine region during the visit

Duration of trip/period of stay in the wine region	n	%
Live in the region - not staying overnight	509	15.1
1-day trip from elsewhere - not staying overnight	1273	37.8
Multi-day trip	1586	47.1
Multi-day trip:	-	Mean
- Number of days stayed over in the region	-	3.52 days
- Number of nights stayed over in the region	-	2.78 nights
When Final Decision to Visit the Winery was Made	%	Cumulative %
As I was/we were passing by	20.4	20.4
During the last 24 hours	38.2	58.6
During the last week	20.4	79.0
During the last month	10.0	89.0
During the last 3 months	4.8	93.8
During the last 6 months	4.5	98.3
Other	1.7	100.0

Table 2: The winery's wine brand - previous awareness/actual experience framework

Awareness/actual experience of the wine brand	%
Ever HEARD of THIS WINERY (corporate brand)	78.7
Ever HEARD of any of this winery's WINES (product brands)	75.7
Ever TRIED (DRUNK) any of this winery's WINES (product brands)	64.3
Ever PURCHASED any of this winery's WINES (product brands)	57.7
PURCHASED or CONSUMED any of this winery's wines in the LAST 3 MONTHS	33.8

Table 3: Whether visitors left the cellar door with knowledge about where the winery's wines can be bought from in future (other than at the cellar door)

Statement	%
I knew this already before visiting today	57.4
The cellar door staff told me where to buy it today	28.6
I did not ask and I am not interested in knowing	10.2
I did not ask and I was not told by the cellar door staff	1.6
I did not ask but I am interested in knowing	1.0
I asked, but the cellar door staff did not know	0.7
I did not ask but assumed I will be able to figure it out (i.e. buy online)	0.5

From an age/generational viewpoint, the distribution is skewed towards older visitors with only 39 per cent in the Millennial/Gen-Y age segment (18-34 years). Another 19 per cent belongs to the Gen-X segment (36-44 years) with the remaining 42 per cent belonging to the Baby Boomer and Traditionalist segments (45 years and older).

By comparison with the Australian national population average, the Millennial/Gen-Y (18-34 years) segment among cellar door visitors is about 6 per cent higher, while the Traditionalists (65+ years old), are 7 per cent below.

People have choices when selecting a destination to visit as a tourist and this decision process also pertains to deciding which wine region and cellar door(s) to visit.

There is a direct relationship between the fact 91 per cent of the cellar door visitors were from Sydney, Melbourne, Adelaide, Perth and Brisbane, or their surrounds, and the fact that 65 per cent of people were repeat visitors to the wine regions. With the number of first-time visitors at 'only' 35 per cent, this could be an indicator of stagnation, or lack of promotion, but also of strong brand

awareness.

The high level of repeat visitation means there is a high level of familiarity with the wine regions among visitors with 47 per cent having visited the region more than once in the past (average number of previous visits = 3.3 times).

With some wine regions located a long distance from a main city, the majority of visitors (47 per cent) were on a multi-day trip to a region (Table 1). Whereas most of them stayed overnight in the region they were visiting, it is insightful that 9 per cent of the multi-day visitors stayed overnight outside the region and drove back and forth – which could be an opportunity lost for the local regional economy.

In terms of one-day visitors, 15 per cent originated from within the region as they live there permanently (an indication of loyalty and/or convenience), while 38 per cent are from elsewhere.

IMPULSE VISITATION

While planning the trip to the wine region might happen well in advance, the final decision to visit the winery's cellar door was made a very short time beforehand, for example 79 per cent decided within one week and 59 per cent within the 24-hour period before actually visiting.

This could be testimony of impulsive (unplanned) cellar door visitation evoked by aspects such as road signage when driving past, recommendation from a nearby cellar door, etc.

The overall purpose of this project was to track the effect of the cellar door visit experience on future sales of the wine brand. In order to achieve this, benchmarks relating to the current situation had to be established first.

Techniques developed to measure loyalty (Bhattacharya, 1997) and those for brand awareness and recall (Driesner and Romaniuk 2006; Jarvis et al., 2006), were used. In the process a 5-tier awareness/actual experience framework for the winery brands was developed (Table 2).

The true potential of wine tourism as the activity that brings people to the cellar door and thus in contact with the winery's brand is apparent in that 21 per cent of visitors have not ever heard of the winery, meaning they are completely unaware even of the corporate brand.

At its cellar door, a winery has the opportunity to deploy its DTC marketing strategies on both the unaware and aware visitors. It is insightful that 64 per cent of visitors had actually tried a wine of the winery before visiting the cellar door, with that figure diluting somewhat to 58 per cent who have actually purchased it in the past. Furthermore, 34 per cent

purchased and/or consumed it in the previous three months before visiting the cellar door.

This means the perception thereof is still quite 'fresh' in their memory and one would expect the visit to be instrumental in reinforcing and strengthening that perception. Using a Juster scale to measure the likelihood of the visitors buying the brand of the winery visited during the period 3-6 months following the cellar door visit, showed a 41 per cent likelihood of that happening.

When a visitor leaves the cellar door, perhaps never to return again, it is essential he/she knows where the winery's wines can be purchased (Table 3). Because most cellar door visitors would interact with a brand in either a retail setting or the DTC mode, our research went further in as far as finding evidence the cellar door visit in fact had an influence in imparting key brand information.

It is therefore insightful 57 per cent of cellar door visitors stated they knew this even before they visited the cellar door.

Two aspects are important here:

1. Those who already knew through either past visit experience and/or buying and/or consuming this wine in the past, had this knowledge reinforced first-hand at the cellar door.
2. This also means 43 per cent did not know where the wines can be purchased. Furthermore, 67 per cent of those who did not know received this knowledge firsthand direct from the cellar door staff.

Both these 'interventions' underline the importance of the cellar door and of

Table 4: Incidence of buying and the amount spent on non-wine (accessory) items and on wine product items at the cellar door

Non-Wine Items	% Buying	Amount Spent (\$)*
Food/dining	17.1 %	\$85.76
Merchandise items (eg. clothing, artifacts, etc)	4.6 %	\$37.45
Wine tasting fee	4.3 %	\$6.92
Wine tour/attendance of seminar/event	2.9 %	\$93.12
Total amount spent on non-wine items#	25.7 %	\$75.58

Wine Product Items	% Buying	Amount Spent*
Bought wine by-the-glass to drink at winery	7.6 %	\$19.92

	% Buying	% Not Buying
Bought bottled wine to take away	66.7 %	33.3 %

	Bottles	Amount Spent*
Bottles bought and amount spent on wine	4.42 bottles	\$104.05

	Bottles	Amount Spent#
Total amount spent on wine (incl. non-buyers)	(2.94 bottles)	\$69.35

All Items	% Buying	Amount Spent**
% Visitors buying something and total spend	74.6 %	\$90.30

* Average expenditure of only the visitors who actually bought the item

**Average expenditure of all visitors whether they bought an item or nothing at all

Average expenditure of all visitors on the item

the staff actually using the marketing opportunity presented to them.

One of the main reasons for operating a cellar door in the first instance is to sell wine direct to the visiting public, usually at full margins which makes it a very attractive financial proposition for wineries.

The research therefore measured buying and non-buying incidence, across product categories (wine, food, merchandise etc.) plus the volumetric and dollar values relating to the buying of wine (Table 4).

DOUBLE SPEND

Cellar door visitors spent money on both non-wine and wine items. In total, 75 per cent of visitors spent some money at the cellar doors.

Based on previous research this is a good yield rate, as most wineries of similar type have a yield rate varying between 65 and 75 per cent. The average amount of money visitors parted with is just over \$90. Not surprisingly, wine items made up the majority of the amount spent, while non-wine items ▶

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accounted for the balance. The visitors who bought wine (67 per cent overall) took away around 4.4 bottles with them for later use which was destined to be mainly for normal at home consumption (38 per cent), at home with guests (20 per cent), at home celebration occasions (10 per cent), and gift-giving (7 per cent).

Finally, the research examined wine club membership incidence, duration, and the buyer metrics of wine club members visiting the cellar doors (Table 5).

The incidence of wine club membership of any winery is 19.6 per cent overall, while 10.7 per cent of the visitors are wine club members of the winery they visited on the day of completing the research survey, and they have been a member for almost two years on average.

Another 11.1 per cent of the visitors are not a member of the visited winery's wine club, but members of another wine club. Retention of wine club members is an ongoing challenge in the sense that they remain members of a club for about 24 months (two years), while the comparative figures are 20 months in the US and 18 months in Canada (Silicon Valley Bank, 2013; Bruwer and Lesschaeve, 2012).

Table 5 also provides some further insights and regards the buying metrics of wine club members as opposed to non-club members at cellar doors. Clearly, wine club members are by far the premium customers of wineries as their buying metrics massively exceed that of non-club members.

These buying metrics of wine club members underline the fact a winery needs a good strategy to attract visitors to the cellar door, recruit them into the wine club, and of course thereafter retain them for as long as possible.

CONCLUSIONS

In a nutshell: to optimise the direct-to-consumer (DTC) marketing opportunity, a winery needs a cellar door which informs visitors about the wine products and familiarises them with the brand. This is however, only possible if the region (and the winery) can attract the 'right' number of wine tourists to the winery and its cellar door.

In the current market, with retail consolidation manifesting more and more, competition for shelf space increasing, and the total number of wineries increasing, selling more wine through the cellar door may allow wineries to lower marketing costs and increase revenue.

Table 5: Wine club membership metrics of the cellar door visitors

Wine Club Membership of the Winery Visited on the Day		
Yes - I am a member of the winery's wine club I visited		10.7 %
Period of membership of the winery's wine club I visited (mean)		24.3 months
Wine Club Membership of Any Other Winery's Wine Club		
Yes - I am a member of another winery's wine club		11.1 %
Wine Club Membership (Overall)		19.6 %
Buying Metrics at the Cellar Door	Non-Club Members	Club Members
Buying wine at the cellar door to take home	64.6 %	83.8 %
Number of bottles bought*	2.51 bottles	7.07 bottles
Amount spent on wine*	\$61.37	\$167.15
Amount spent on all items*	\$82.52	\$196.00

* Average metric for all visitors (incl. non-buyers)

The proliferation of wine groups/clubs, commonly generated from sign-ups at cellar doors has found only limited success. Marketing 'push' activities of this kind will continue to under deliver until a better understanding of consumer preferences has been developed and can deliver offers that are desired by the end user. Further research probing the wine club scenario in particular, is thus essential.

This project is one of the first opportunities to date (and by far the most in-depth) to measure core metrics of cellar door visitors across Australia and to track these visitors' post-visit consumption changes and associated buying behaviour.

It recruited visitors at cellar doors from a representative set of regions and wineries across Australia and measured their wine consumption behaviour and initial brand image of wineries and regions visited.

It then followed consumers with two more surveys to measure the ongoing purchasing of wine in the subsequent six months.

The full interim report can be downloaded at: www.gwrdc.com.au/wp-content/uploads/2014/03/Interim-Research-Report-GWRDC-USA-1204-Stage-1-Cellar-Door-20131.pdf

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Contact: Johan Bruwer

P: 61 8 830 20135

E: johan.bruwer@unisa.edu.au

ABOUT THE AUTHORS

Johan Bruwer: School of Marketing, Ehrenberg-Bass Institute for Marketing Science, University of South Australia

Larry Lockshin: School of Marketing,

Ehrenberg-Bass Institute for Marketing Science, University of South Australia

Anthony Saliba: School of Psychology and NWGIC, Charles Sturt University

Martin Hirche: School of Marketing, Ehrenberg-Bass Institute for Marketing Science, University of South Australia

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