

[DOI: 10.20472/IAC.2015.019.100](https://doi.org/10.20472/IAC.2015.019.100)

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THE IMPACT OF WINE TOURISM BUSINESS: CASE STUDY OF NEWFOUNDLAND WINERIES

Abstract:

Wine tourism has been defined as the visiting of vineyards and wineries where wine tasting and purchase of the wines are the main purpose of the visit. Over the past quarter-century, Canadian vintners have increased their production of high-quality wines. Although Canada is not a major wine producer by global standards, the industry has evolved into a niche maker of internationally-respected ice wines and late harvest wines due to cool-climate influences. The study of wine tourism and their management offers many opportunities to reflect on the importance of sustainability and the possibilities of implementing new tourism approaches in a new direction in the province. Newfoundland province has only two wineries and could be a major player in this type of tourism. However, literature of wine tourism in the province is lacking even though the results in this study reveal there is sufficient interest and knowledge of wine tourism industry. Hence, this research has attempted to conceptualize the growth of wine tourism products, experiences, impacts and their management in the Newfoundland region.

The research which adopts both quantitative (surveys) and qualitative approaches (interviews and participatory approaches) examines the potential impact of wine tourism in Newfoundland and how wine tourism is being managed based on the two distinct case studies in the Province. The findings of this research therefore have implications for wine tourism development and promotion in the Province, in Canada and internationally. As with all research, this study had some limitations which will serve to identify and future research needed. Since the data was collected through purposive sampling approach, it would be suggested that any generalizability beyond this context of study be used with caution.

Keywords:

Canada, Impact, Newfoundland, Tourism, Wine

Introduction: Wine Tourism in Canada

Globally, Canada is competing against other wine producing regions in the world such as Australia, France, Italy, South Africa, Hungary, Greece and Cyprus. Over the past quarter-century, Canadian vintners have increased their production of high-quality wines. According to Statistics Canada, wine accounted for about 1% share of the Canadian beverage market (www.agr.gc.ca). In 2006, one of Canada's largest wine companies was purchased by a US-based international, but continues to operate as a Canadian subsidiary. For the most part, the industry is owned and managed by Canadians. The larger firms have wine production interests in two or more provinces, including investments in a number of estate wineries and wine-blending establishments that produce and bottle blended wines from imported and Canadian content. However, the Canadian wine sector is largely located in Ontario, British Columbia (BC), and to a much lesser extent, in Quebec and the Maritimes (primarily Nova Scotia).

The majority of Canadian production takes place in the Niagara region of Ontario. Since the wine industry in Ontario and BC is closely linked to the grape-growing sector, it is directly affected by provincial agricultural policies. In Ontario, the vintners, represented by their marketing board, negotiate prices with the grape growers on an annual basis. In BC, the grape market is not regulated; therefore growers and wineries contract with each other privately. In Quebec, the wine sector is based primarily on value-added activities such as bottling and blending of imported bulk wines. A number of grower/estate wineries are concentrated in the south-western part of the province. These small wineries usually have no more than 10 hectares planted to grapes. In the Maritimes, Nova Scotia is by far the region's major wine producer (although production is still relatively very small) and new operations are being added, but there are also a few small craft wineries in New Brunswick and Prince Edward Island. Due to climatic conditions the Newfoundland wines are made of berries as opposed to grapes found in other parts of Canada which makes it a very unique market.

However, there is very little information on wine tourism in Newfoundland in general and lack of data and statistical analysis on the impact of wine in the Province is lacking. This research is timely because the Newfoundland region is a player in wine business growth in Canada but about which relatively little is known. The paper examines the interest of Newfoundland wine business, assessing the quality and economic perspectives as well as evaluating the challenges of wine business in Newfoundland.

The role of wine business in regional development

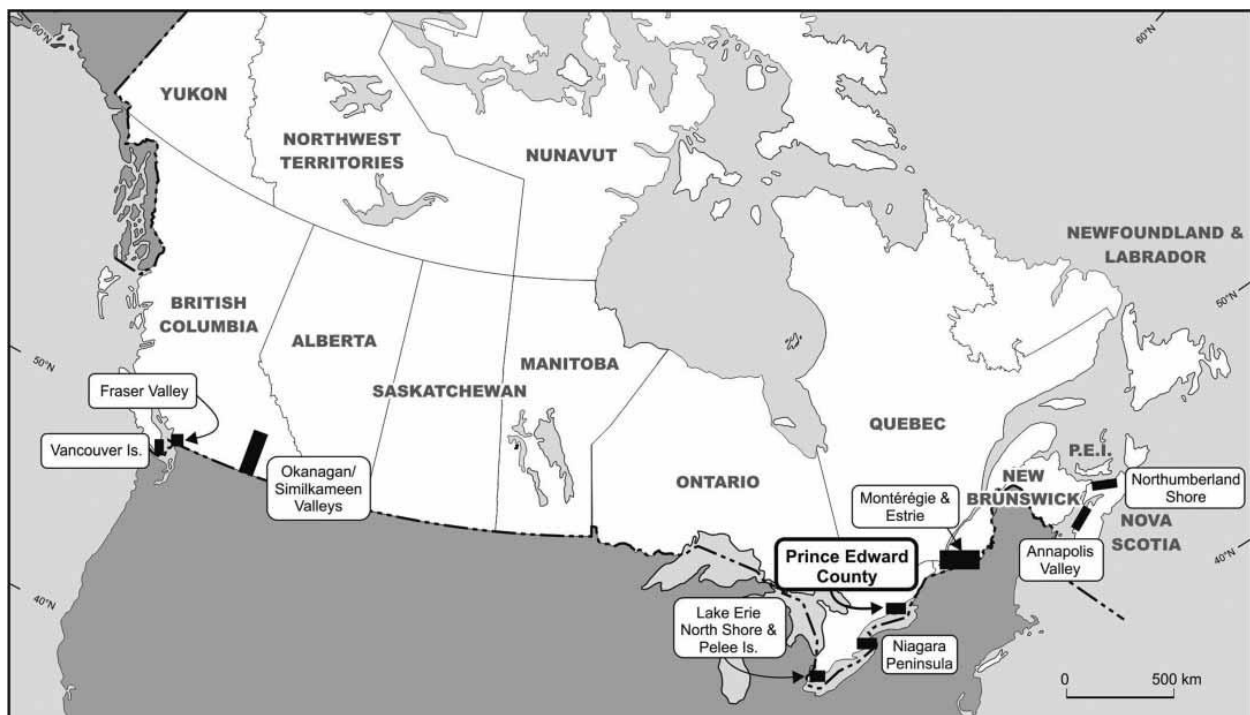
Several studies have investigated the role of wine tourism in regional development. Hall et al. (2000) suggest that the economic restructuring measures taken as a result of a rapidly changing global economy have increased the importance of wine tourism as a driver of rural development. Wine tourism may be implicated in development directly (through the creation of jobs and sale of local merchandise) and indirectly (e.g. regional promotion for investment through wineries, vineyards, and wine) (Mitchell & Hall, 2006). According to Cambourne et al. (2000), the development of wineries and vineyards as tourism products has encouraged entrepreneurs to enter the wine industry with small-scale production and lifestyle as motivations. While most wine regions have at least some

wineries that host visitors, the percentage of “cellar door” business as a part of wine tourism is significantly greater in “New World” wine regions, especially in Canada and the USA. For example, while the Burgundy region of France has some 5,000 wineries, in 2000 less than 1% of them hosted winery visits (Cambourne et al., 2000).

In Champagne, Charters and Menival (2011) found that the nearly 5,000 small producers who sell wine at their cellar door do not believe they are involved in wine tourism, while the large wineries that are increasingly visited by tourists view wine tourism as irrelevant to their marketing strategy (Mitchell, Charters, & Albrecht, 2012). In contrast, in the Okanagan Valley of British Columbia, close to 70% of wineries sell their product on-site (Williams & Dossa, 2003) and these wineries are all listed as part of the Okanagan wine route (Holland, Smit and Jones, 2014). The threat of competition from various wine markets, with different levels of quality and price on offer, has also led to reactive measures from some wine regions.

For instance, excess wine production, saturated domestic demand, and a crisis in competitiveness have forced many Spanish wineries to redouble their exporting efforts (Bardají & Mili, 2009; Fernández Olmos, 2011; Martíñez-Carrión & Medina-Albadalejo, 2010), or consider wine tourism as an additional source of sales (Clemente-Ricolfe, Escriba-Pérez, Rodríguez-Barrio, & Buitrago Vera, 2012). In the case of British Columbia (BC) wineries, winery entrepreneurs have experimented or shifted production, growing other grape varieties (Carew & Florkowski, 2012). Increasing knowledge among BC consumers, especially concerning wine price and quality has been a key factor (Alonso, Bressan, O'Shea & Krajsic, 2014).

Figure 1: Viticultural areas in Canada.



Source: Holland, Smit and Jones, 2014

Methodology

The study was conducted with the only two wineries of Newfoundland. Data was collected via through a self-administered survey to provide insights into the wine making process, wine business development and the challenges as well as the overall economic impact of wines in Newfoundland. The participant observation in the wine tours was used to provide additional insight into the wine experience and observe the regional settings and winery conditions.

Study Area I: Auk Island Winery

Auk Island Winery located in Twillingate (Fig. 2), Newfoundland Province is a town of about 3,000 inhabitants situated on two islands, connected by causeway, in Notre Dame Bay. The building in which the winery is housed was a former academy school. In 2006, a local resident purchased the winery as sales were not doing well prior to this time and with his marketing experience, he felt there was untapped potential for growth in distribution and local tourism sales. In 2014, the winery exchanged hands and was bought by the current owners.

Figure 2: Map of Twillingate



Source: www.twillingate.com (Accessed February 1st 2015)

Results

The following section highlights the results from the wine business in Newfoundland.

Management survey/interview results

Auk Island winery is named after the great Auk which was North America's only flightless bird and the world's original penguin which has since become extinct in 1844. The winery

first established in 1997 employs 12 people in the summer, opens year round and is also home to traditional Newfoundland souvenir shop called the Downhome Gift Shoppe. The decision to open the winery came after an idea to utilize local berries in the area to make wines for distribution and sales was born. The unique feature of the wine making process is that the berries are hand-picked locally thus supporting small business. The main sales market for the wines is within the Province of Newfoundland, Liquor Corporation and retail sales at the winery itself. The wines are shipped nationally to other Provinces within Canada however, in Newfoundland they are only sold in liquor stores or at the winery itself. According to the owners, there are collaborations with interest groups in China and so they are setting themselves to export their wines abroad.

The owner further stated that 40% of the visitors come from Newfoundland, 20% from Ontario, 25% represents the remaining provinces with varying degrees. Fifteen percent of the visitors come from Europe and USA. This shows that 85% of the visitors are domestic tourists encouraging and supporting local produce and businesses. The winery is working towards improved customer service and offer premium products to position themselves to be the top wine tourism destination for the area. As of 2014, the wine sales were at 12,000 bottles per year. The winery also houses a sub and ice cream shop which makes homemade wine ice cream in many flavors. The winery website indicates they have 27 varieties or flavors of wines ranging from 187ml (small), 375ml (medium) and 750ml (large) size bottles. The indicative prices excluding taxes are: \$14.37 for 750ml bottle, Iceberg wine costs \$14.09, Bakeapple Iceberg \$18.11, Outport \$15.22 and 187ml small bottles usually packed in a box of 4 retails at \$4.49 each. The management identified the need to develop a complete culinary experiences to pair their wines with food. The management also want to develop premium products and be the top wine destination in Newfoundland.

However, the business has not been without some challenges. Some of those highlighted by the management include: the operation cost since they are based in the island. Currently, they are not shipping during the winter season due to cold climatic conditions. Secondly, the distribution is a challenge due to freight cost and also the limited number of employees. In the interim they could diversify the use of berries to other products as with the ice cream to attract visitors locally. Conversely, when asked where they would like to see their wine business in 5 to 10 years, the management responded that they would like to be a major tourism destination for Newfoundland and Labrador. They also not only want to expand their business nationally including a location in the Avalon, but also export internationally to countries like China where they have collaborations and interests.

Participant observation results

As a participant observer in the research, the wine tour itself is very short and are conducted every half hour, and reservations are encouraged for large groups to accommodate their schedules. Photography is not allowed of the wine making area and visitors don't see the actual process of wine making. The wines are made out of berries among them are blueberries, bakeapple and partdridgeberries. The tasting is done inside the shoppe which interferes with other visitors who may not be interested in wine tasting but would like to shop for other gifts. Also, given the large number of wines available, it is

a bit overwhelming for the visitors to taste them all and make a decision on which ones they prefer especially for those who would want to try them all.

Overall, directions and signage are a very important factor in visitors trying to access a destination. The signage to the winery is clearly marked on the highways and is easy to find within the vicinity of the town. The wine tour and tasting tours cost \$5, tasting only costs \$3.00 and tour only costs \$3.00. There are special group rates for 10 or more at 25\$ for tour and \$1 per person for tasting. The researchers observed that some visitors preferred the wine tasting and not the tour. This could be because of the schedule of wine tours since when the visitors arrive, their first point is the gift shoppe where incidentally the wine tasting takes place. So it would be conceivable to just do the wine tasting and not the tour.

Perhaps a short video or slide show on iceberg harvesting, berry picking and processing unique to Newfoundland would be useful and act as an educational tool for the visitors even as they wait to take the tour or before making purchases. The sale of iceberg water would also increase interest since the wines and ice-creams are made using the iceberg water. Since this is also a gift shoppe most visitors also bought gifts and souvenirs and some also came to have wine ice-creams (Aurora, Moose Juice and Crooked Cod flavors) and snacks in the nearby Puffins eats and treats.

Study Area II: Rodrigues Winery

Rodrigues Winery located on the Avalon Peninsula in Markland road, Whitbourne (Fig. 3) is a small town of about 1,000 inhabitants located approximately one hour's drive (80km) west of St. John's the capital city of Newfoundland Province, Canada.

Figure 3: Map of Markland, Whitbourne



Source: www.baccalieutrailnewcomers.ca (Accessed February 1st 2015)

Management survey/interview results

In 1985, the owners purchased the building in which the winery is currently housed, a former Markland Cottage hospital (1935-1985) making it the first winery facility in Newfoundland. This was because Newfoundland has the best blueberries in North America and the owners wanted to bring back Newfoundland old tradition and create long term sustainable jobs. The owners began making wines at the basement in 1993 while subletting the top floor of the building to a government courthouse. They produced 500 cases of wine at the first attempt. Nearly two decades later, Rodrigues winery, a family-based business is the largest primarily fruit winery in Canada and the only fully Kosher certified winery. In addition to the wines, the company makes brandy, liqueur and vodka.

Within Canada, the wines are distributed to Manitoba, Ontario, British Columbia and Alberta provinces. Internationally, they export wines to China, Japan, Germany and New York though in small amounts. The company which is the only distillery in Newfoundland (situated in a 25acre land) employs eight people, opens year round with wine price ranging from \$14.95 to \$26.48. Since these are Kosher wines, the yeast used to make the wines comes from Kosher plant in Denmark.

In 1998, the winery was Kosher certified and a Rabbi comes once a month to inspect the quality and standards. The Newfoundland liquor corporation also does their audit once a month. The winery has state of the art equipment and facilities which produces high quality wild blueberry wines that grows in a free pesticide and pollution environment and hand crafted with care. The winery is working towards improved marketing and publicity since many people don't know that they exist in order to position themselves to be the top wine tourism destination for the area. As of 2014, the wine sales were at 30,000 bottles per year. The winery sells a variety of wine flavors and liqueurs with different price ranges in 375ml and 750ml size bottles. However, the business has not been without some challenges. Some of those highlighted by the management include: heavy subsidies from the European Union and other governments; heavy subsidies from the European Union and other government in transportation which makes it easier for EU to land bottles of wine from Newfoundland cheaper. Also, high tax costs on cottage wineries that have continued to affect the wine business in Newfoundland.

Participant observation results

As a participant observer in the research, the wine tour costs \$10 for tour and tasting and \$5 for either tour or tasting only. The wine processing plant is very clean and their wines are made from natural ingredients. There are no schedule times for the tours, though reservations are taken for large groups to accommodate their schedules. Visitors don't get to see the actual process of wine making or production most of the time. The wines are made out of wild blueberries, strawberry and raspberry. At the wine tasting area there are a few seating places including a wooden bench, furniture that were left over from when the area was rented as a courthouse before being converted to a wine tasting area. In fact the booth which was a witness stand has been converted into a sink with good clean drinking water.

The researcher also observed price differences in the wines. Two of the most expensive are cloudberry (\$26.48) and raspberry (\$23.44). Apart from the wine tasting, visitors were also encouraged to taste the liqueur. There are a variety of pictures on the walls of awards that the winery has received over the years both nationally and internationally. The Rodrigues wines were also served at the Matthew Landfall luncheon held in Bonavista where Her Majesty Queen Elizabeth II graced the occasion in June 24, 1997. This clearly shows that the wines in Newfoundland are recognized at a high scale and can be a viable product. The researcher also noticed on sale are products made from wild blueberry and cranberries blended in with milled Chia seeds. This is a sister company known as Sedna Nutra which has been formed to advance nutritional products for healthy living. This is a very useful approach of diversifying the use of berries and for all who are health conscious.

Conclusion

Based on the review of the literature at the beginning of this paper, successful wine tourism depends on a number of factors; those highlighted in this framework are the wine tourism product (i.e. wineries, wine routes, and wine festivals), the viticulture and winemaking, and a reciprocal linkage to regional development. These factors intersect to produce a unique regional identity that can be used to attract tourist visitation.

Increasing competition, sophistication, modernization, consumer trends, and economic crises are increasing the complexity in which tourism, food, entertainment, and other leisure alternatives are offered, managed, and delivered. Such complexity is further magnified as a result of more demanding consumer segments searching for unique products, services, and experiences, including with regard to wine products (Alonso et al., 2014). The wine sector is arguably an area where the impacts of competition, changing or new consumer choices, and perceived product quality have been serious and often negative. In addition, with many wineries involved in wine tourism, the service component is yet another element that requires special attention, increasing the level of complexity for wineries' management. At times when rural regions and other tourism destinations are eager to protect their assets, develop, and achieve tangible as well as intangible benefits from tourism, the role of different stakeholders in rural regions becomes essential.

In this context, wineries play a key role in drawing visitors, as well as in serving as a link between the local wine product, hospitality, and consumers. Thus, wineries' role in tourism development cannot and should not be ignored. However, many winery entrepreneurs may be unaware of their important role, or may not have the resources or support to invest time and energy in educational activities that transcend the winery's cellar door or gate. The findings of this study are not generalisable, either to other destinations where wineries are located in Canada. The number of businesses are too limited to allow such generalisations. However, the study does provide insights that could be of assistance and support to wine regions and their stakeholders, especially in their efforts to establish or further develop a culture of educating consumers. By increasing educational efforts, wine regions could make various gains, including better positioning their wine products, and, in cases where tourism might potentially blend with the wine region, raising the profile of the region as a wine tourism destination. For researchers,

this study also provides a platform to encourage their engagement in investigations that include more than one region or country.

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