

PROMOTIONAL STRATEGY FOR WINE TOURISM DEVELOPMENT

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Abstract:

This paper presents the results from an investigation on the nature of wine tourism, highlighting concrete opportunities for its development and, on that basis, it aims a concept of a promotional strategy to be applied at this purpose. The research is focused in a sample of selected wineries located in the South Central Region of Bulgaria. An analysis of the financial statement ratios, market segmentation and strategic development of the wine tourism product has been conducted, as well as an analysis of the promotional activities by the considered wineries.

As a result, a conceptual model for promotional purposes has been designed and a strategy for the development of wine tourism in Bulgaria has been proposed.

Keywords: *promotion; market segmentation; wine tourism; tourism product*

ESTRATEGIA PROMOCIONAL PARA EL DESARROLLO DEL TURISMO ENOLÓGICO

Resumen:

Este artículo presenta los resultados de una investigación sobre la naturaleza del turismo enológico, destacando oportunidades concretas para su desarrollo y, sobre esa base, su objetivo es un concepto de estrategia promocional que pueda aplicarse para dicho propósito. La investigación se centra en una muestra de destacadas bodegas ubicadas en la región Sud-Central de Bulgaria. Se ha realizado un análisis de los ratios de estados financieros, la segmentación del mercado y el desarrollo estratégico del producto de enoturismo, así como un análisis de las actividades promocionales de las bodegas consideradas.

Como resultado, se ha diseñado un modelo conceptual para fines promocionales y se ha propuesto una estrategia para el desarrollo del turismo enológico en Bulgaria.

Palabras clave: *promoción; segmentación del mercado; turismo enológico; producto turístico*

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1. Introduction

The growing demand of tourism services at global level becomes a crucial issue to develop the sector in Bulgaria (Vázquez et al. 2005). In this sense, the country has got a huge and diverse tourism resources potential, which provides unique opportunities for the development of tourism sector in the country, allowing diversification strategies accordingly to the trends at European level (Zheliakov et al. 2013; Milev et al. 2014).

In defining the range of specialized forms of tourism, the purpose of the visit is one of the components. Namely, wine tourism is defined as a visit to the vineyards, wineries, wine festivals and wine providers where testing wine and/or experience specific to wine regions is the main motivation of visitors (Hall et al., 2000). It combines travel –whose primary object is the wine–, but to have complete experience, it should be combined with something else (history, culture, nature and cuisine).

Alternatively we could rely on a product-geography approach by including in the definition various components of the wine tourism product, i.e. outdoor dining, active participation in cultural and historical attractions or diverse regional peculiarities (regional cuisine, architecture, heritage, scenic landscapes...), visits to wineries, participation in some technological operations, wine tasting, wine-related cuisine, visits to vineyards and/or wine museums, attendance to “folk and more” programs, festivals and celebrations of wine.

When aiming to clarify the nature of wine tourism we should keep in mind that the focus is on the special interests towards wine. Tourists can be motivated either by means of their concrete interest towards a specific destination (wine region), or by a particular activity, such as testing wine, production technology, etc. At any case, wine is perceived as main *leitmotif* and related to history, culture, religion, technology and gastronomy as combines national characteristics and traits.

Regardless discussions wine tourism has confirmed itself as an alternative way of tourism. It is closely related to the culinary, eco and rural tourism, so it expands worldwide its scope in several directions, including: i) a variety of manifestations and services; ii) presence and importance for the development of certain destinations; and iii) wishes and preferences of tourists.

Wine tourism is practiced by those individuals who are interested in everything which is associated with wine or who are fond of wines. It could appear not only as related to, but also as a part of other types of tourism (e.g. rural tourism, agro tourism, cultural tourism), or just use and/or combine some elements of the concerned tourism products. In addition, wine tourism could be combined with a variety of events related to wine, as festivals, fairs, wineries, wine festivals, as well as feasts, rites and rituals associated with the lifestyle of the local people.

Seasonality and regional peculiarities are specific features of wine tourism. For example, this type of tourism is highly dependent on the season of the vintage and wine making. Agriculture and technological practices associated with it are at the heart of the wine tourist product. That is why this alternative way of tourism is characterized by a certain seasonality.

As in case of other tourism offers, aiming a quick and sustainable development of wine tourism requires in-depth studies of consumers who visit wine regions and knowledge on the factors that enhance their experiences. In this sense, typical “wine grapes” or the “characteristics of the region with wine grape varieties” are frequently mentioned as the concrete reasons for visiting wine regions (Hall et al. 2000). Such areas are usually characterized by three main features: i) the presence of vineyards; ii) the existence of activities related to the production of wine; and iii) the presence of wineries, where the wine is produced and stored. (Tefler 2000).

The characteristics of the wine regions as availability of landscape, nature and outdoor areas are also factors encouraging visits to the place (Getz et al. 1999). Moreover, the real fact is that a challenge for wine regions is to provide full and complete experience for tourists in addition to visits to wineries (Beames et al. 2003. All these issues require a deep study of consumer demand.

On the above basis, the aim of this study is to outline the nature of wine tourism considering some theoretical and methodological aspects, as well as to reveal opportunities and potential for wine tourism development in an actual winery, as a concept for its promotion to be developed. At this purpose, the research has been located in the South Central Region of Bulgaria, so assessing its opportunities and potential for wine tourism development.

2. Analysis of the efficiency and liquidity ratios of a tourism company

On the basis of the financial statement of an actual wine tourism company, the revenue efficiency ratio (*RE*) has been estimated as 0.9910 for 2011 and 0.9839 for 2012. Similarly, the cost efficiency ratio (*CE*) has been calculated as 1.0093 for 2011 and 1.0163 for 2012. Considering these results it seems clear that for the entire period revenues exceed costs, which means that the company is profitable. The revenue/cost ratio remains positive and there is a tend the cost efficiency to increase. The same applies to $CE / 1 \text{ BGN}^1$ revenue decrease.

The company is flexible in a challenging economic environment and manages to maintain a balance between revenues and costs on a relatively stable level. Liquidity indicators are shown in Table 1, where current liabilities are the sum of short-term debt and the accounts payable on long-term obligations. In 2012 they were BGN 624,000 while in 2011 they were BGN 664,000. That means that they are equal to current liabilities, since there is no account payable during the period. Considering these data, we can calculate the total, rapid, immediate and absolute liquidity of short-term debt.

So, liquidity, presented as a ratio of available current assets (stock inventory, accounts receivables, cash assets and short term investments) of the company and its current liabilities was 2.55 during the observed period (1.61 in the basic year, then registering an increase of 0.94 points, or 58.4 %). More precise indicators of liquidity are those obtained on the basis of current liabilities, as these embody not only short-term debt, but also repayment of long-term liabilities. Such amount for the period under review, however absence, and therefore the values of the ratios are the same as the liquidity of short-term debts.

The results obtained should be judged accordingly to the length of the production cycle, the speed of turnover and the specific activities carried out by the company. It is normal for total liquidity ratios to range around or slightly above the unit. In this case the company reported ratio is above the recommended limit. The reason for this is that a significant part of the working capital is engaged in stock inventory that could not always be attributed to quick liquid funds. An unfavourable fact is the sufficiently high proportion of the stock inventory of the company current assets.

Table 1. Liquidity ratios

Item	2011 (BGN)	2012 (BGN)	Difference (BGN)	Difference (%)
1. Stock inventory	179,000	236,000	57,000	31.8%
2. Accounts receivables	816,000	1,307,000	491,000	60.2%
3. Short-term investments	0	0	0	0.00%
4. Cash assets	75,000	50,000	-25,000	-33.3%
5. Current assets [(1) + (2) + (3) + (4)]	1,070,000	1,593,000	523,000	48.9%
6. Short term debt	664,000	624,000	-40,000	-6.0%
7. Accounts payable	0	0	0	0.0%
8. Current liabilities (6+7)	664,000	624,000	-40,000	-6.0%

Liquidity of short-term debt				
9. Total liquidity [((1) + (2) + (3) + (4)) / (6) ≥ 1.5]	1.61	2.55	0.94	58.4%
10. Quick liquidity [((2) + (3) + (4)) / (6)]	1.34	2.17	0.83	62.2%
11. Immediate liquidity [((3) + (4)) / (6) ≥ 0.2]	0.11	0.08	-0.03	-29.1%
12. Absolute liquidity [(4) / (6)]	0.11	0.08	-0.03	-29.1%

Liquidity of current liabilities				
13. Total liquidity [((1) + (2) + (3) + (4)) / (8) ≥ 1]	1.61	2.55	0.94	58.4%
14. Quick liquidity [((2) + (3) + (4)) / (8)]	1.34	2.17	0.83	62.1%
15. Immediate liquidity [((3) + (4)) / (8)]	0.11	0.08	-0.03	-29.1%
16. Absolute liquidity [(4) / (8)]	0.11	0.08	-0.03	-29.1%

¹ Bulgarian Lev Real (BGN) is the currency of Bulgaria. At the time of publishing this paper (December 2014) the exchange rate with Euro was around 0.51 (1 BGN = 0.51 €) and 0.71 with US\$ (1 BGN = 0.71 US\$).

3. Promotional opportunities for the development of wine tourism

As mentioned in the first section of the paper, wine tourism product is complex. Most times it should involve providing access and stay facilities as well as one or more ways to meet the interests of tourists in a particular wine region. This product can be formed on the basis of conceptual combinations such as “wine and architecture”, “wine and culture”, “wine and music”, “wine and crafts”, “wine and creativity”, “wine and relax”, “wine and romance”, “wine and nature”, “wine and gastronomy”, “wine and entertainment”, “wine and health”, etc. The particular combination depends on the proper orientation of the marketing-mix for those who offer the product to selected target markets or types of customers.

Regardless the concrete one of the above combinations, an emphasis should be made on availability of good local wine. When somebody decides to put the emphasis in the development of wine tourism, the wine’s characteristics should be taken into account, including colour, consistency, taste, aroma and other organoleptic features, and also the grades in which they are preferred by consumers –strong, moderate or light–, the characteristics of grape varieties, fermentation process and aging, etc.

The next step is to connect the particular wine and its enveloping characteristics with the leading attraction of the place or the region or, alternatively, to design and implement what is appropriate at this purpose, then providing an adequate tourist infrastructure and superstructure (including, e.g., walking walks through vineyards, parking lots, signs, tasting rooms, places of residence, museums of viticulture and winemaking, etc.).

Along with the original options offered to tourists in various locations for wine tourism (visiting wineries, participation in technological operations, wine tasting, regional cuisine, visiting vineyards, folk shows, wine museum, festivals and celebrations of wine, etc.) the “redesigned” or “new offered” national and regional wine tourist products require current, accurate and timely information and advertising. Among others, messages on wineries included in brochures, leaflets and websites should be part of the overall promotion policy (Font et al., 2001).

4. Promotional strategy of a winery

When designing a conceptual model for strategic promotional purposes, a wine cellar or winery can be considered as an object of wine tourism in case some appropriate conditions for such activity exist, which include availability of: i) modern infrastructure facilities; ii) suitable conditions for demonstrations, reception and accommodation of guests and organization of special events; and iii) effectiveness of channels providing information on promotional activities.

Wine tours are a suitable and attractive addition to other types of tourism (holiday, business, rural, educational, culinary...). These thematic tours contribute to increase the wine culture of the tourists who have specific interests in the area, but they also increase their interest in viticulture and winemaking in case of programs or activities combining cultural tourism with presentations and tastings in the visited wineries.

Regarding Bulgaria, the recent idea of establishing a wine cluster in order to develop wine tourism through nine routes throughout the whole country has found a strong support in potentially involved businesses, municipalities and professional organizations. This idea is based on the need of diversification of the tourism product (Milev et al. 2014) in order to attract more tourists to domestic tourism and to reduce the seasonality in the sector (Bulgarian Marketing, Promotion and Information in Tourism Directorate 2013).

Then, designing the way to prepare and organize the visits to wineries becomes the next step. It includes reception and accommodation facilities for tourists, conduction of tastings and presentations, etc. and can transform the winery from a mere tourist location into a saleable tourism product.

In this regard, it is appropriate to select special and unique events aimed at the educated audience of connoisseurs for the development of the promotional strategy. So, for example, emphasis could be put on the connection between wine and art and poetry, presenting wine as a philosophy of life (McCool et al. 2004).

When developing a promotional plan for a wine tourism company, the main objective is to find and/or expand opportunities for wine tourism in the winery as far as current and potential consumers are informed about the qualities of its products.

Facing this task under a strategic approach leads to consider different stages in the development process of the promotional plan. Concrete steps will be:

1. Planning of promotional activities.
2. Defining the advertising purposes.
3. Determining the intended target audience.
4. Fixing the promotional budget.
5. Deciding the promotional program (promotional-mix).
6. Implementing the campaign.
7. Evaluating the effectiveness of the campaign.

In order to determine the expected effectiveness of an example of a promotional campaign of the winery, we use a coefficient considering a figure on expected sales based on spending BGN 100 in promotional activities (i.e. promotional costs of 100 BGN). On this basis, sales specialists foresee expected revenue from wines sold amounted to BGN 150,000. The budget is specified in Table 2.

Obviously, the index taking into account the effectiveness of the promotional strategy shows the generation of nearly four times more sales revenue of every BGN 100 costs in the promotional budget. The assumption is that sales revenue is due to the promotional strategy, as in the absence of such it can only rely on accidental buyers.

Table 2. Example on promotional budget

Promotional purposes	Promotional channel	Means	Financial resources required
To draw attention and to provoke interest among potential consumers on the wines from the winery by developing an active promotional campaign focusing on specific product features	Personal sales	Handing out free bottles of 250 ml. with samples of wines to the distributors and the dealers	Cost of samples (production cost): 1 sample = BGN 1.20 6 samples in the range = BGN 7.20 Preparation of 15,000 sample bottles: 15,000 x 1.20 = BGN 18,000 In order to be motivated the dealers will receive as a gift set of 6 samples for every 10 bottles sold
		Tasting sample bottles during the sessions of wine tourism	The average expected sales in a degustation are 50 products
	Supporting sales	Every customer who buys a bottle of wine of type "Premium Gallery" receives an advertising bottle of <i>Mavroud</i> wine white and <i>rosé</i>	
		Advertising	
To enhance the image of the winery	Advertising	<i>Horeca</i> magazine	Price for 1 post = BGN 1,000 Ad making costs (per page) = BGN 500 1,000 + 500 = BGN 1,500
		<i>Bacchus</i> magazine	Price for 1 post = BGN 1,500 Ad making costs (per page) = BGN 2,500 1,500 + 2,500 = BGN 4,000
	An art concept for the new boutique wine "Thracian mysteries"	Conception and production of bottle and front label	BGN 5,000
	Conducting a competition "Philosophy of life and wine"	Co-financing of the organization of the competition	BGN 10,000
Total funds required:			BGN 38,500

5. Conclusion

Wine tourism is becoming more and more a possibility of direct marketing and a sales tool for winemakers and wineries. This is a not so expensive (sometimes even inexpensive) but effective way to promote and popularize their production through the establishment of direct contacts with customers as well as an improvement opportunity based on their feedback.

In case of small wineries located in well-developed tourist region, this kind of activities could easily be part of the product portfolio and, moreover, sometimes even the only way to sell their production. In other cases, wine tourism may play an additional role as a distribution channel intended to promote the product or to influence the consumers. We should keep in mind that most wine producers in many Bulgarian regions are Small and Medium Enterprises (SMEs) which do not have reserves and resources enough to enter the foreign market (or even to intend it). Then, in order to maintain the high quality of their products, they should look for activities that generate revenue relating to their business. Therefore, wine tourism has the potential to be an important component of the marketing and sales compound in the wine business.

Regarding potential proposers of tourism services (hotels, tour operators, travel agencies, etc.), wine tourism also means an opportunity to diversify the tourism product and offer. Tourist destinations are already also interested in incorporating wineries as an attraction in their territories. From the region view, this is a way to promote its image also as a wine-oriented and perennial inclusion of the wine interest in the complex tourism product. However, further research on representative samples both of wine tourism establishments and tourists is required in order to properly obtain and generalize conclusions.

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