

# Results from the First North Carolina Wine Industry Tracker Survey - 2009

Dr. Michael R. Evans

Director and Professor of Hospitality and  
Tourism Management

and

Dr. James E. Stoddard

Professor of Marketing

John. A. Walker College of Business

Appalachian State University

Boone, NC 28608

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Evans & Stoddard



# Research Sponsorship

- Research assistance by:
  - The North Carolina Wine & Grape Council  
4324 Mail Service Center  
Raleigh, NC 27699-4324
  - The North Carolina Winegrowers Association  
P.O. Box 2495  
Yadkinville, NC 27055
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- Grant managed by:
  - Appalachian State University Enology & Viticulture Center



# Purpose of the Research

- To develop an industry tracker tool to assess the financial performance of the NC wine industry and compare future performance data with this baseline study.



# N. C. Wine Industry Milestones

- 1835 - First winery
- 1972 - Westbend winery - Vinifera grapes
- 1976 - Duplin winery - Muscadine grapes
- 1978 - Biltmore winery opens
- 1981 - Germantown winery - hybrid grapes
- 1999 - Shelton winery opens
- 2000 - 25 wineries now open
- 2004 - Childress winery opens
- 2011 - 100+ wineries now open



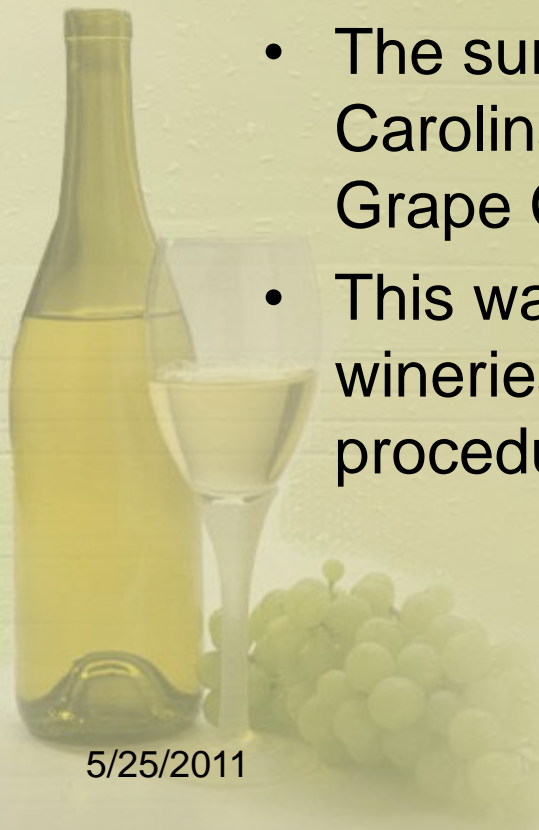
# State Support for NC Wine Industry

- 1972 - State excise tax lowered to foster wine industry for NC grapes.
- 1986 - NC Winegrowers Association formed.
- 2006 - Name change to N.C. Wine & Grape Council – moved to Dept. of Commerce under Tourism from Dept. of Agriculture



# Research Procedure

- The survey was developed in conjunction with the North Carolina Wine and Grape Council and the North Carolina Winegrowers Association.
- The survey was mailed to all 92 wineries in North Carolina identified by the North Carolina Wine & Grape Council in 2010.
- This was followed by two successive requests for wineries to complete the survey online. This procedure resulted in a 46% response rate (N = 43).



# Research Survey Instrument

## GENERAL QUESTIONS

1. Please tell us the region of North Carolina where your winery is located:

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Coastal Region    | <input type="checkbox"/> Piedmont Region | <input type="checkbox"/> Mountain Region      |
| <input type="checkbox"/> Yadkin Valley AVA | <input type="checkbox"/> Swan Creek AVA  | <input type="checkbox"/> Haw River Valley AVA |



2. Please tell us the number of cases of wine your winery sold in 2009?

\_\_\_\_\_ Cases

3. Please tell us the number of months your winery was open to the public in 2009?

\_\_\_\_\_ Months

4. Please tell us whether your winery has any of the following (Check all that apply):

- |                                    |  |   |
|------------------------------------|--|---|
| <input type="checkbox"/> Wine Club | <input type="checkbox"/> Customer Mailing List | <input type="checkbox"/> On-Site Wine Festivals |
|------------------------------------|--|---|

5. Please tell us the types of wine varietals that your winery specializes in, in order of most sales first (Please be specific):

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_
- d. \_\_\_\_\_
- e. \_\_\_\_\_

\* Special thanks to the North Carolina Winegrowers Association for use of their map.

6. Please tell us the capacity of your winery in terms of the number cases of wine your winery can produce in one year:

\_\_\_\_\_ Cases

**Please do not skip the following sections. It is very important that you answer these questions so that we can develop programs to assist your business operations.**

## WINERY SALES or REVENUES

7. Please tell us the average price for a bottle of your wine:

\$ \_\_\_\_\_

8. Please estimate the percentage of your total winery sales that comes from **WINE ALONE** (does not need to be 100%, don't include accommodations, events, food service, etc.)?

\_\_\_\_\_ %

9. In 2009, please estimate the percentage of your firm's total wine sales **SOLD ON SITE** at the winery or sold **DIRECT TO CONSUMERS**?

\_\_\_\_\_ %

10. In 2009, please estimate the percentage of your firm's total wine sales **SOLD TO WHOLESALE DISTRIBUTORS**?

\_\_\_\_\_ %

11. In 2009, please estimate the percentage of your firm's total wine sales that was **SOLD DIRECT TO RETAILERS, RESTAURANTS AND HOTELS**?

\_\_\_\_\_ %

**Note - Questions 9, 10, & 11 should add up to 100%**

## WINERY VISITATION or ATTENDANCE

12. Please estimate the number of yearly visits to your winery (i.e., gross attendance)?

\_\_\_\_\_ People

13. Please tell us the percentage of your gross attendance that are tourists (i.e., come from at least 50 miles from home)?

\_\_\_\_\_ %

## NUMBER OF EMPLOYEES

14. Please tell us how many Full Time and Part Time employees you have?

\_\_\_\_\_ Full Time      \_\_\_\_\_ Part Time

## COSTS, EXPENSES AND PROFIT

15. Please tell us the percent of your gross sales that represents your **cost of goods sold** (e.g., grapes, bottles, corks etc, but not labor)?

\_\_\_\_\_ %

16. Please tell us the percent of your gross sales that represents your **labor costs**?

\_\_\_\_\_ %

17. Please tell us the percent of your gross sales that you spend on **marketing**?

\_\_\_\_\_ %

18. Please tell us the percent of your gross sales that represent **the rest of your expenses** (e.g., general & administrative expenses)?

\_\_\_\_\_ %

19. Of your gross sales, please tell us the percent that represents your **net profit before taxes**?

\_\_\_\_\_ %

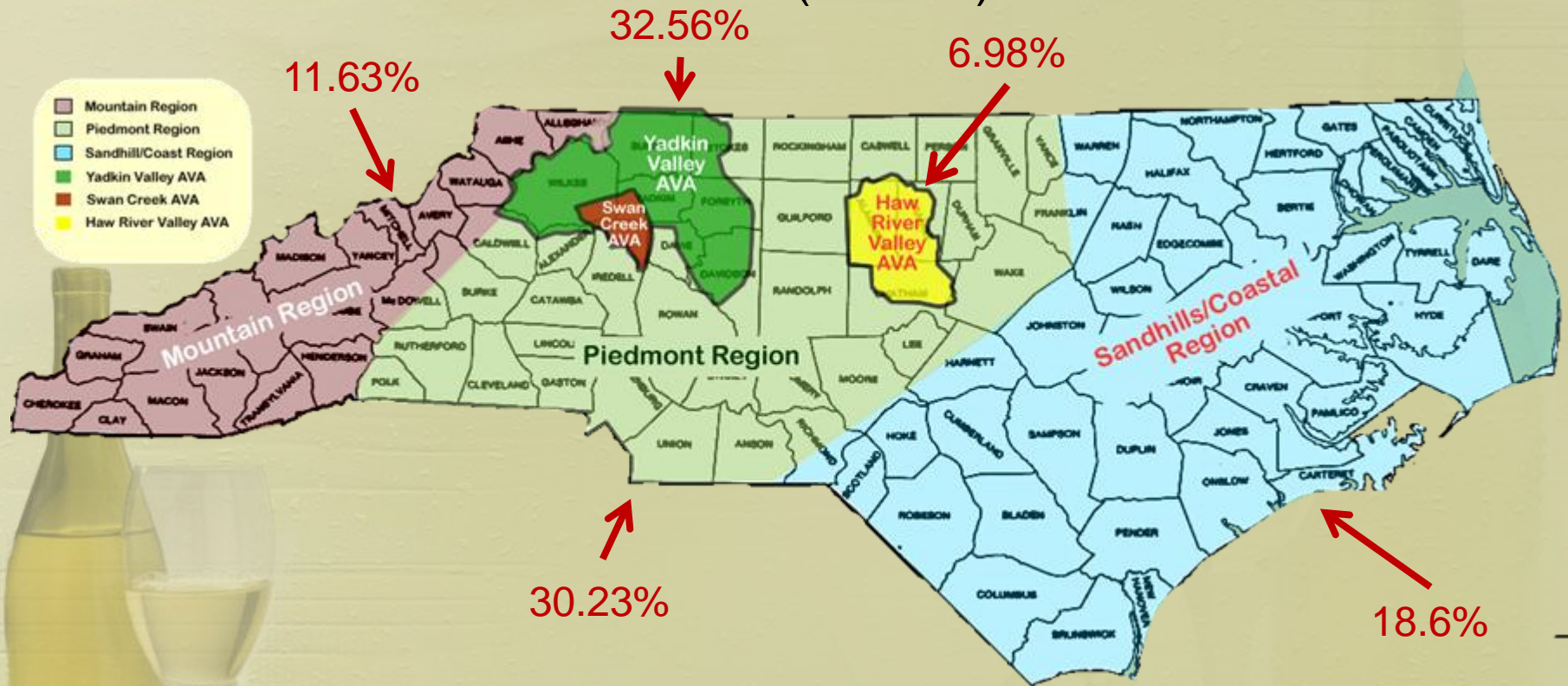
**Note: Costs, Expenses and Profit should add to 100%**

20. Please tell us the dollar value of your in-kind or monetary charitable contributions for 2009:

\$ \_\_\_\_\_

We thank you for completing this important survey!

# Percentage of Respondents from North Carolina Wine Producing Regions: All Reporting Wineries (N = 43)



Map courtesy of the North Carolina Winegrowers Association (<http://www.ncwinegrowers.com/generalinfo/vineyards-a-wineries>)



# North Carolina Winery Operations: 2009

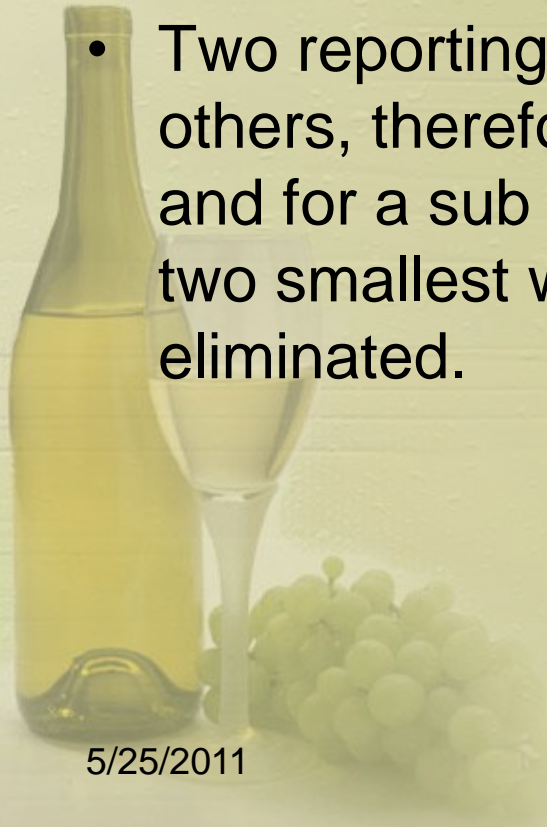
Winery operations include:

- Winery Sales
- Months Winery Was Open
- Winery Customer Relationship Strategies
- Winery Varietals
- Winery Capacity & Capacity Utilization
- Average Wine Bottle Prices
- Winery Distribution Strategies
- Winery Visitors & Tourists
- Winery Employees



# Winery Sample Statistics

- Although 43 wineries responded to the questionnaire, not all wineries completed all questions. Therefore, the sample size varies.
- Two reporting wineries were much larger than the others, therefore statistics were computed for all wineries and for a sub set of wineries where the two largest and two smallest wineries (measured by cases sold) were eliminated.



# Average Number Wine Cases Sold in 2009 Per Winery

## Full Sample of Wineries

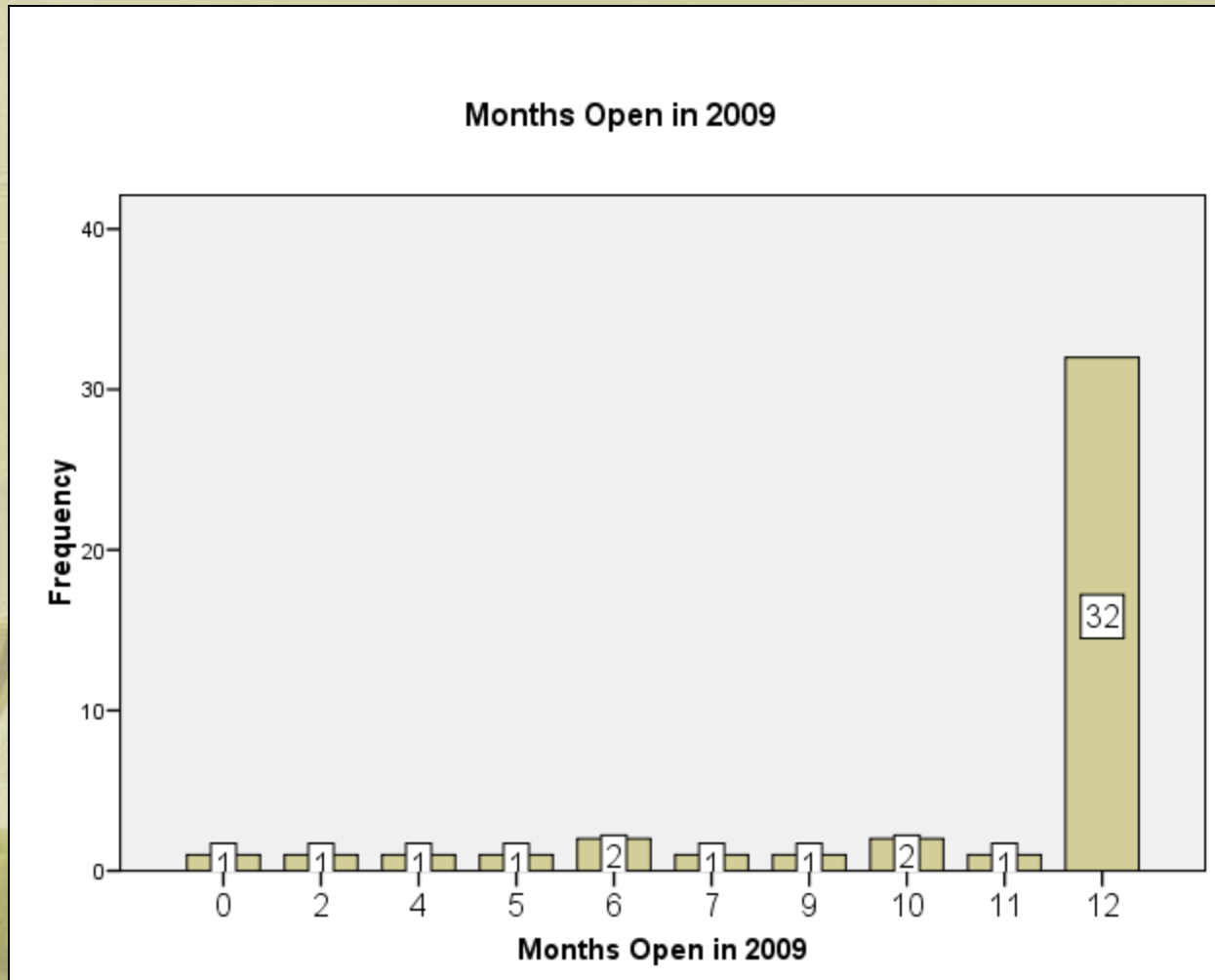
N	Minimum	Maximum	Mean	St. Dev.
36	0	303,000	11,075.26	50,306.01

## Sub Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
32	100	11,000	2,067.39	2,353.53



# Number of Wineries Reporting Months Open in 2009, N = 43 (One Winery Opened This Year)

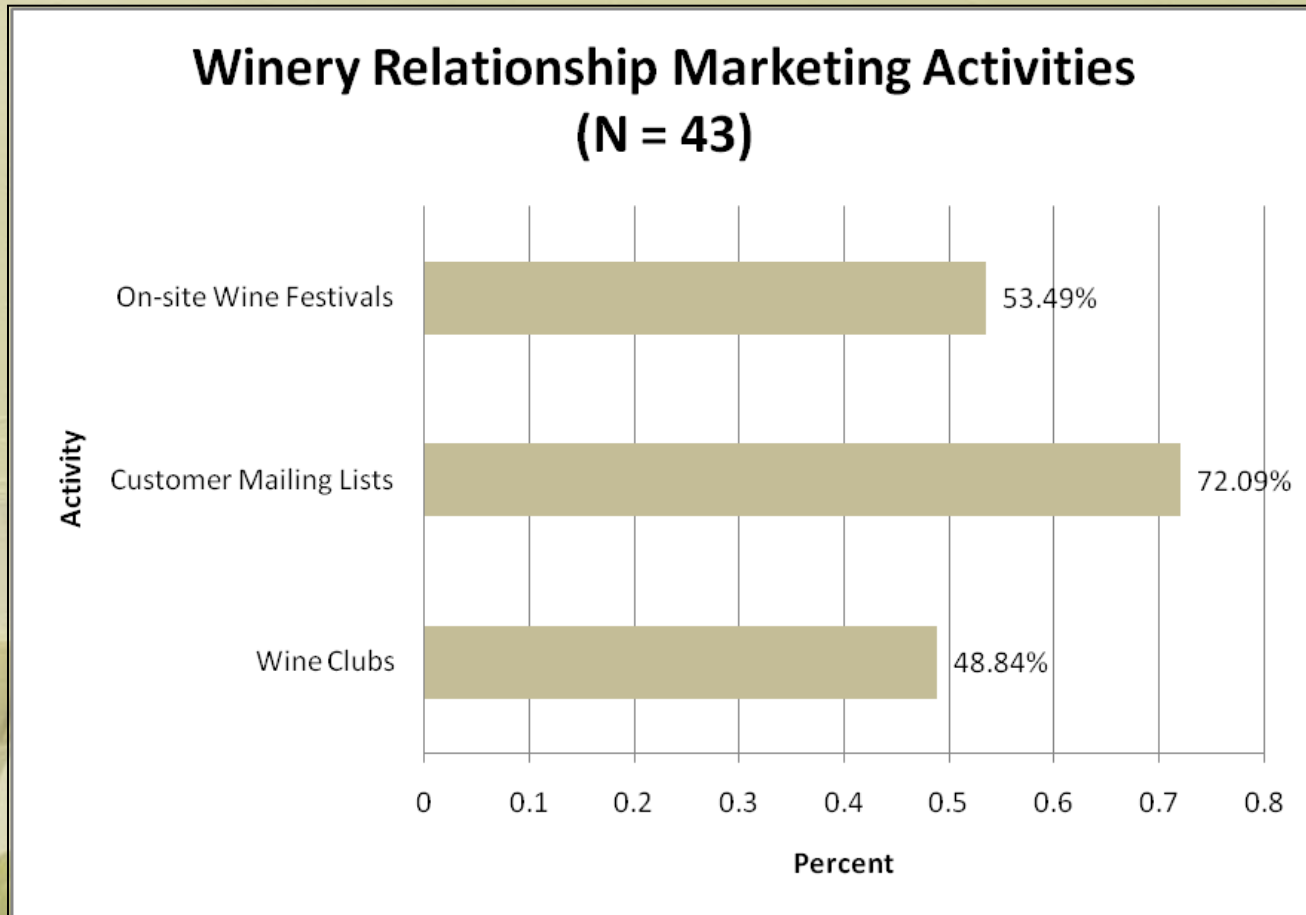


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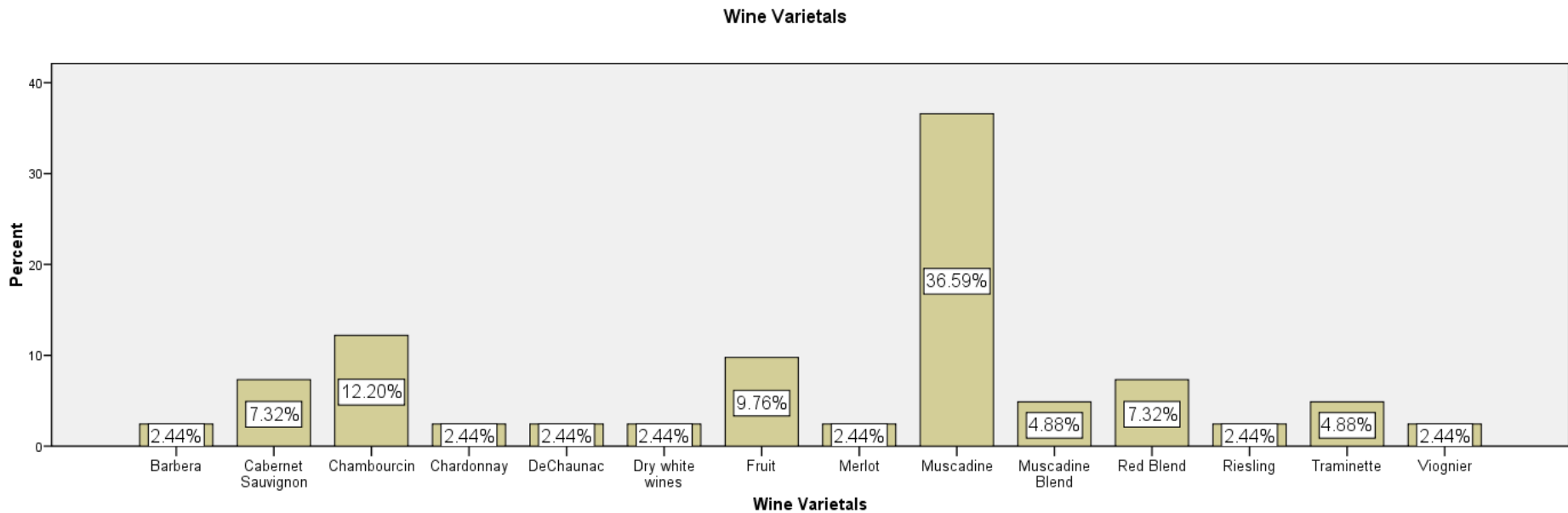
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# Winery Customer Relationship Building



# Percentage of Wineries Reporting Top Wine Varietal ( N = 41, 2 Wineries Not Reporting)



## North Carolina Winery Capacity in Year 2009

### Full Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
36	300	385,000	16,128.31	63,906.51

### Sub Sample of Sample Wineries

N	Minimum	Maximum	Mean	St. Dev.
32	300	22,916	4,504.12	5,478.88

## North Carolina Winery Capacity Utilization: 2009 (Mean Cases Sold/Winery Capacity)

Full Sample of Wineries	
N	% Utilization
36	68.67%

Sub Sample Wineries	
N	% Utilization
32	45.89%





## 2009 North Carolina Winery Average Bottle Price

### Full Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
40	\$8.00	\$17.00	\$12.99	\$2.40

### Sub Sample Wineries

N	Minimum	Maximum	Mean	St. Dev.
35	\$9.00	\$17.00	\$13.19	\$2.31

## 2009 Percentage of North Carolina Winery Sales Revenue From Wine Alone – No Other Retail Sources

### Full Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
40	50%	100%	86.7%	12.5%

### Sub Sample Wineries

N	Minimum	Maximum	Mean	St. Dev.
35	50%	100%	86.6%	12.5%

# 2009 Percentage of North Carolina Winery Wine Sales Sold On-Site

Full Sample of Wineries				
N	Minimum	Maximum	Mean	St. Dev.
38	14%	100%	79.08%	22.11%

Sub Sample Wineries				
N	Minimum	Maximum	Mean	St. Dev.
34	20%	100%	81.26%	18.45%



# 2009 Percentage of North Carolina Winery Wine Sales Sold Through Wholesale Distributors

## Full Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
40	0%	86%	6.19%	16.25%

## Sub Sample Wineries

N	Minimum	Maximum	Mean	St. Dev.
35	0%	50%	4.60%	10.42%

## 2009 Percentage of North Carolina Winery Wine Sales Sold Through Retailers, Restaurants & Hotels

### Full Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
39	0%	50%	10.94%	13.26%

### Sub Sample Wineries

N	Minimum	Maximum	Mean	St. Dev.
34	0%	50%	11.94%	13.8%

# 2009 Estimated Consumer Visits to North Carolina Wineries

Full Sample of Wineries				
N	Minimum	Maximum	Mean	St. Dev.
35	300	90,000	8,844.57	17,383.17

Sub Sample of Wineries				
N	Minimum	Maximum	Mean	St. Dev.
30	300	25,000	5,540	7,158.28



## 2009 Estimated Percent of North Carolina Winery Consumers that are Tourists

### Full Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
38	20%	95%	61.08%	26.28%

### Sub Sample of Wineries

N	Minimum	Maximum	Mean	St. Dev.
33	20%	95%	60.48%	25.81%

# 2009 Number of Full-and Part-Time North Carolina Winery Employees

## Full of Sample of Wineries

Type	N	Minimum	Maximum	Mean	St. Dev.
Full Time	40	0	51	3.6	8.58
Part Time	37	0	30	5.4	7.54

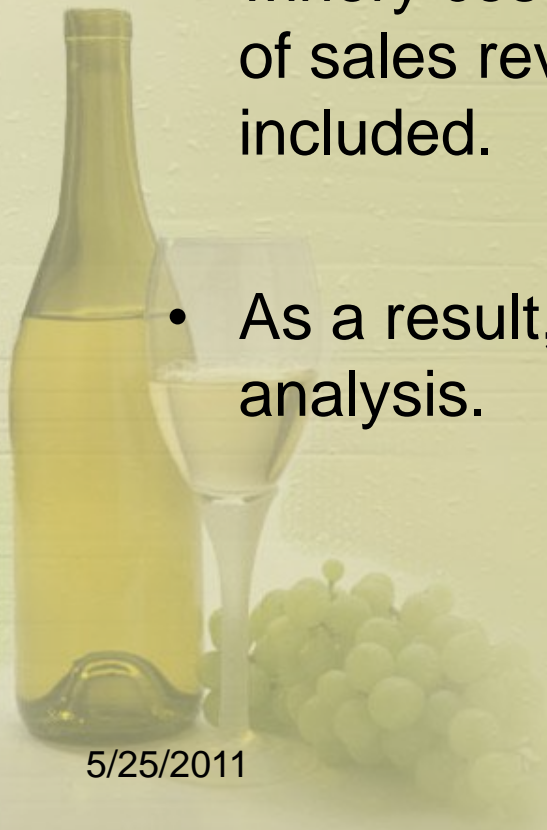
## Sub Sample of Wineries

Type	N	Minimum	Maximum	Mean	St. Dev.
Full Time	35	0	6	1.91	1.63
Part Time	32	0	30	4.88	6.92



# North Carolina Winery Costs, Expenses and Profitability as a Percentage of Winery Sales Revenue

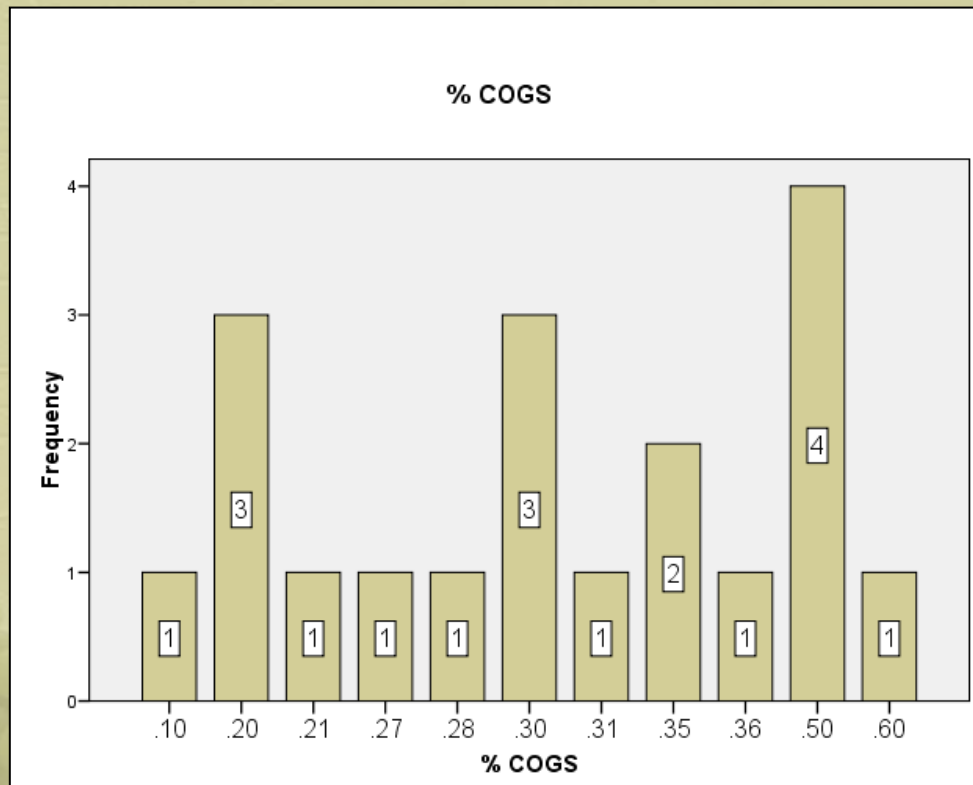
- For the following data, only wineries reporting that winery costs, expenses and profit as a percentage of sales revenue that summed to 100% were included.
- As a result, 19 wineries were included in the analysis.



# North Carolina Winery Cost of Goods Sold as a Percent of Wine Sales – (i.e., Grapes, Bottles, Corks, etc.)

## Full of Sample of Wineries

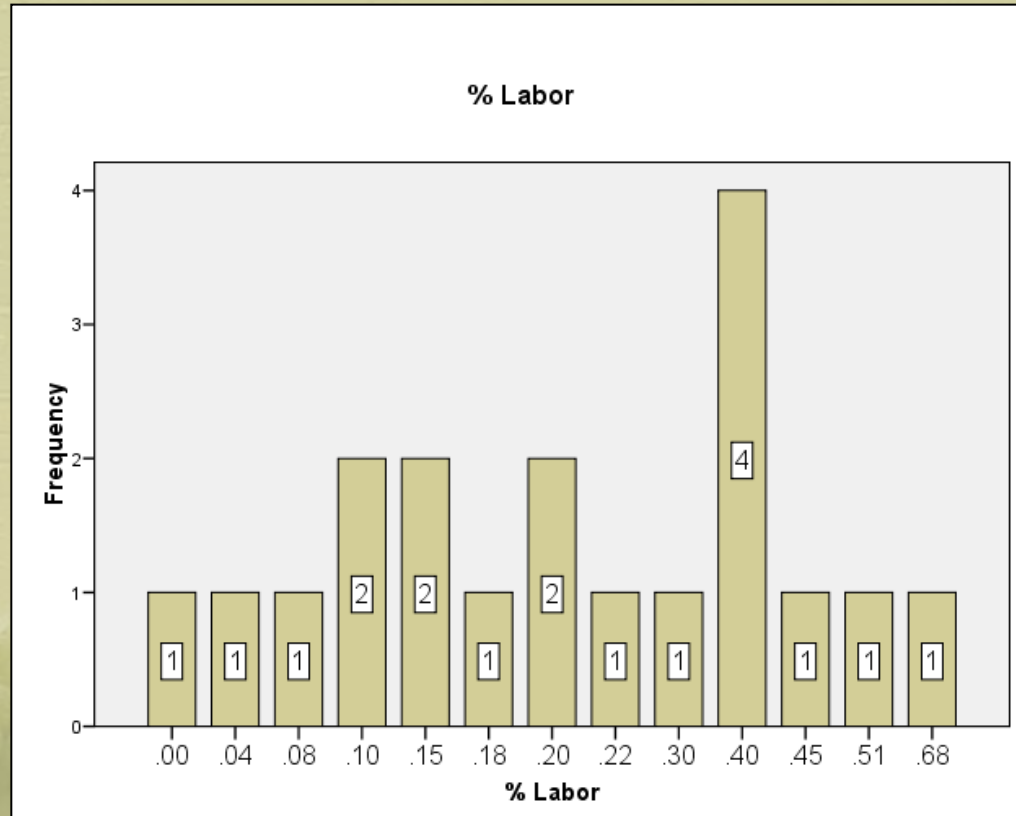
N	Minimum	Maximum	Mean	St. Dev.
19	10%	60%	33.32%	13.28%



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# North Carolina Winery Labor Expenses as a Percent of Wine Sales

Full of Sample of Wineries				
N	Minimum	Maximum	Mean	St. Dev.
19	0%	68%	26.11%	18.17%

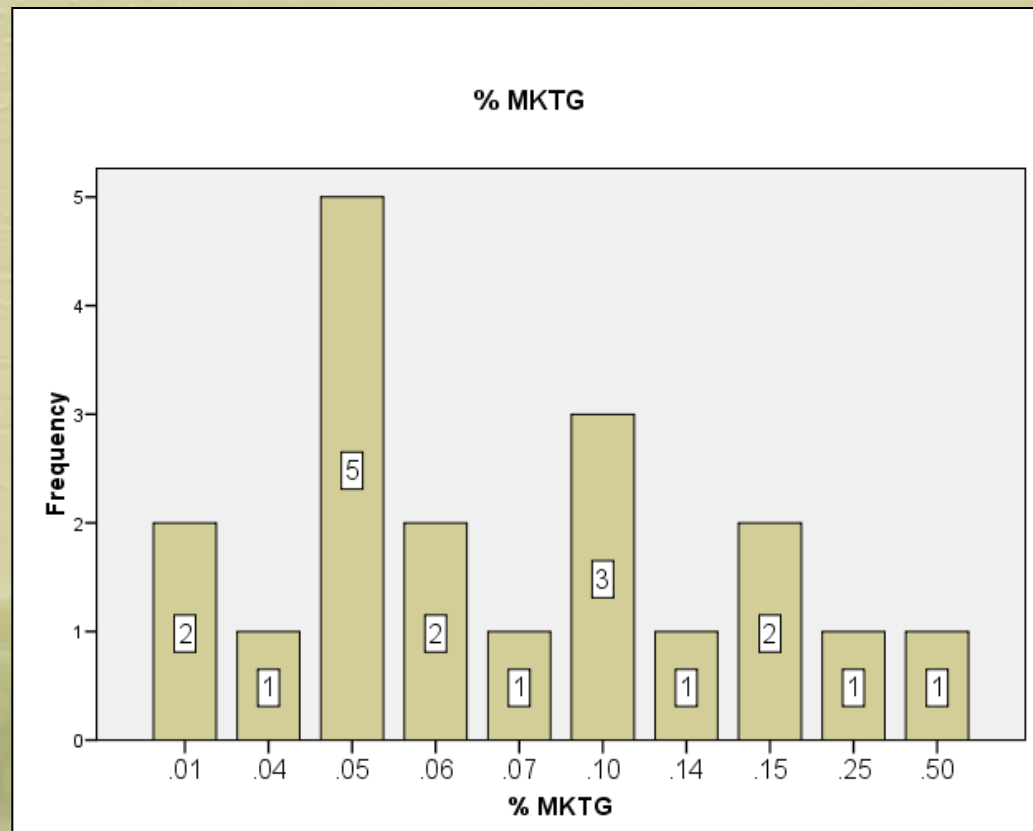


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# North Carolina Winery Marketing Expenses as a Percent of Wine Sales

## Full of Sample of Wineries

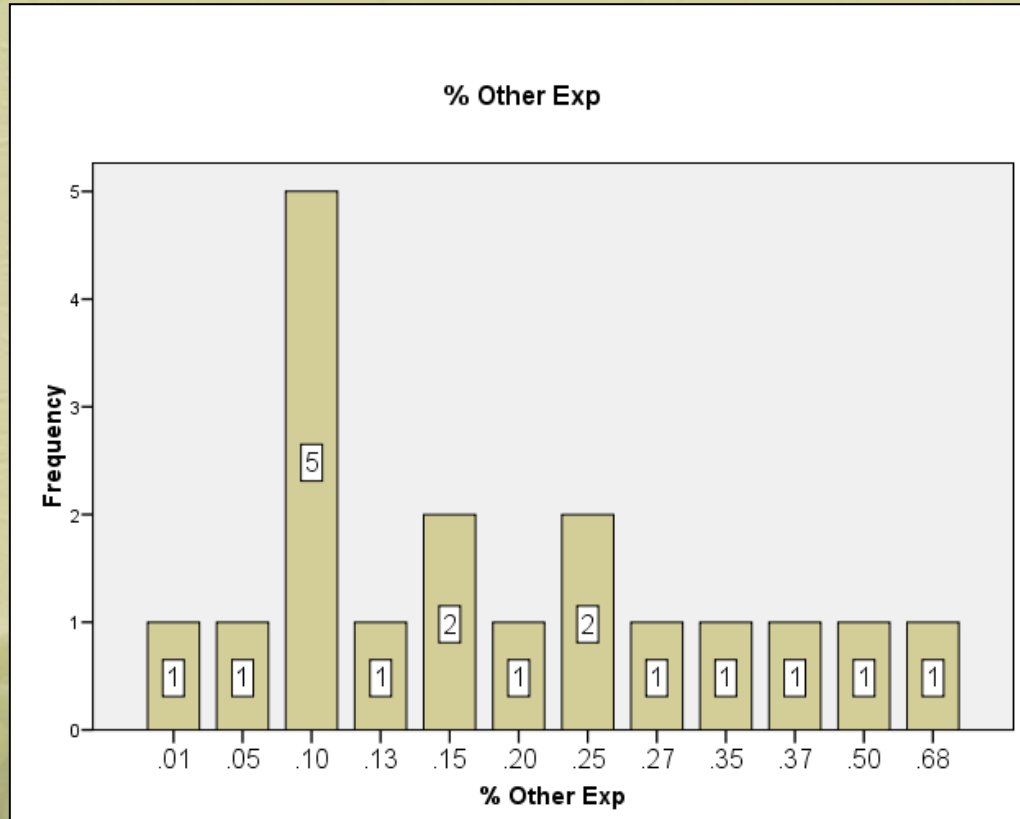
N	Minimum	Maximum	Mean	St. Dev.
19	1%	50%	10.47%	11.18%



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# North Carolina Winery Other Expenses as a Percent of Wine Sales

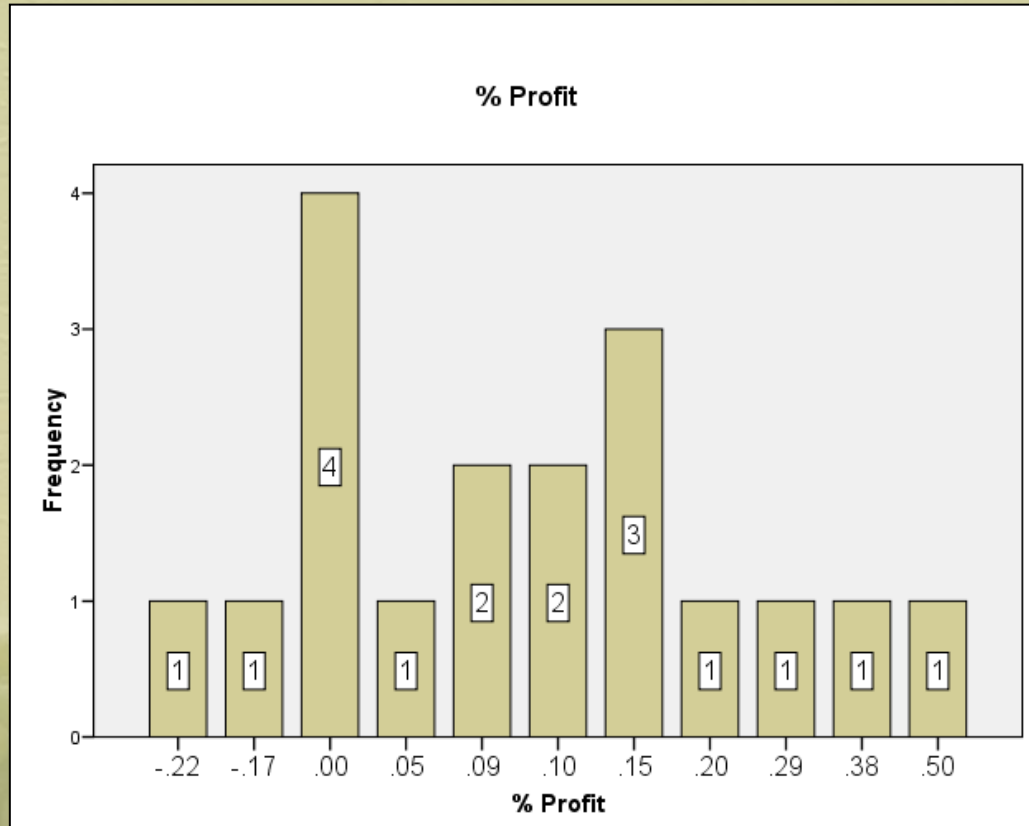
Full of Sample Wineries				
N	Minimum	Maximum	Mean	St. Dev.
18	1%	68%	21.44%	17.09%



5/25/2011

# North Carolina Winery Net Profit as a Percent of Wine Sales

Full of Sample Wineries				
N	Minimum	Maximum	Mean	St. Dev.
18	-22%	50%	10.33%	17.32%



5/25/2011

# North Carolina Winery Performance by Varietal: Muscadine Versus Non-Muscadine

- A relatively large number of wineries (37%) reported that muscadine wines were their top selling varietal.
- Therefore, an examination was made comparing muscadine and non-muscadine winery performance in order to determine whether significant performance differences exist.



# Number of Cases Sold: Muscadine Versus Non-Muscadine Wineries

## Full Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
12	0	303,000	27,683.62	86,759.22

## Full Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
23	12	29,541	2,771.08	5,936.20

## Sub Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
10	100	11,000	2,920.35	3,351.49

## Sub Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
23	12	7,000	1,607.17	1,688.18





# Winery Capacity: Muscadine Versus Non-Muscadine Wineries

Full Sample of Muscadine Wineries				
N	Minimum	Maximum	Mean	St. Dev.
12	300	385,000	37,309.67	109,711.2

Full Sample of Non-Muscadine Wineries				
N	Minimum	Maximum	Mean	St. Dev.
24	400	50,000	5,537.63	10,349.61

Sub Sample of Muscadine Wineries				
N	Minimum	Maximum	Mean	St. Dev.
10	300	22,916	6,201.60	7,424.99

Sub Sample of Non-Muscadine Wineries				
N	Minimum	Maximum	Mean	St. Dev.
23	400	15,000	3,604.48	4,268.15



# Capacity Utilization: Muscadine Versus Non-Muscadine Wineries

Full Sample of Muscadine Wineries	
N	% Utilization
12	74.20%

Full Sample of Non-Muscadine Wineries	
N	% Utilization
23	50.04%

Sub Sample of Muscadine Wineries	
N	% Utilization
10	47.09%

Sub Sample of Non-Muscadine Wineries	
N	% Utilization
23	44.59%



## Average Bottle Price: Muscadine Versus Non-Muscadine Wineries

### Full Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
14	\$8.00	\$16.00	\$11.94	\$2.40

### Full Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
26	\$9.00	\$17.00	\$13.55	\$2.25

### Sub Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
11	\$9.00	\$16.00	\$12.03	\$2.35

### Sub Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
25	\$9.00	\$17.00	\$13.53	\$2.29



# Percentage of Winery Sales Revenue From Wine Alone: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample of Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
14	50%	99%	84.21%	13.82%

<b>Full Sample of Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
26	50%	100%	87.90%	11.73%



## Percentage of Wine Sales Sold On-Site: Muscadine Versus Non-Muscadine Wineries

### Full Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
13	14%	100%	83.62%	24.78%

### Full Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
25	20%	100%	76.72%	20.73%

# Percentage of Wine Sales Sold Through Distributors: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample of Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
14	0%	86%	11.64%	25.31%

<b>Full Sample of Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
26	0%	25%	3.23%	7.3%

# Percentage of Wine Sales Sold Through Retailers, Restaurants & Hotels: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample of Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
13	0%	50%	7.31%	14.16%
<b>Full Sample of Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
26	0%	46%	12.75%	12.69%



# 2009 Estimated Visits to North Carolina Wineries: Muscadine Versus Non-Muscadine Wineries



## Full Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
14	360	90,000	12,029.29	23,949.80

## Full Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
21	300	50,000	6,721.43	11,359.08

## Sub Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
11	400	25,000	6,913.64	9,233.91

## Sub Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
20	300	25,000	4,557.5	5,684.17



# 2009 Estimated Percent of North Carolina Winery Visitors that are Tourists: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample of Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
14	20%	95%	61.79%	29.06%

<b>Full Sample of Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
24	20%	95%	60.67%	25.16%



# 2009 Number of Full-Time North Carolina Winery Employees: Muscadine Versus Non-Muscadine Wineries

## Full Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
14	0	51	5.79	13.13

## Full Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
26	0	24	2.5	4.61

## Sub Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
11	0	6	2.55	1.86

## Sub Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
25	0	5	1.64	1.44



# 2009 Number of Part-Time North Carolina Winery Employees: Muscadine Versus Non-Muscadine Wineries



## Full Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
13	0	27	5.38	8.65

## Full Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
24	0	30	5.42	7.07

## Sub Sample of Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
10	0	22	4.10	6.45

## Sub Sample of Non-Muscadine Wineries

N	Minimum	Maximum	Mean	St. Dev.
23	0	30	5.13	7.08

# North Carolina Winery Cost of Goods Sold as a Percent of Wine Sales: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
6	21%	60%	39.83%	15.52%

<b>Full Sample Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
13	10%	50%	30.31%	11.53%



# North Carolina Winery Labor Expenses as a Percent of Wine Sales: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
6	8%	51%	24%	15.11%

<b>Full Sample Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
13	0%	68%	27.08%	19.91%



# North Carolina Winery Marketing Expenses as a Percent of Wine Sales: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
6	4%	10%	6.17%	2.14%

<b>Full Sample Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
13	1%	50%	12.46%	13.11%



# North Carolina Winery Other Expenses as a Percent of Wine Sales: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
6	1%	50%	22.50%	18.77%

<b>Full Sample Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
13	5%	68%	20.92%	17.04%



# North Carolina Winery Profit as a Percent of Wine Sales: Muscadine Versus Non-Muscadine Wineries

<b>Full Sample Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
6	-22%	38%	7.5%	19.6%

<b>Full Sample Non-Muscadine Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
13	-17%	50%	11.75%	16.8%





# Boutique Wineries Versus Larger Wineries

In the present study, 17 out of the 35 wineries reporting indicated that they sold 1,000 cases or less per year, or 48.57%.

The following section explores the performance of these boutique wineries versus the larger wineries in North Carolina.



## Boutique Versus Larger Wineries: Number of Cases Sold in 2009

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	12	1,000	521.00	343.69
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	1,200	303,000	20,545.97	68,703.65

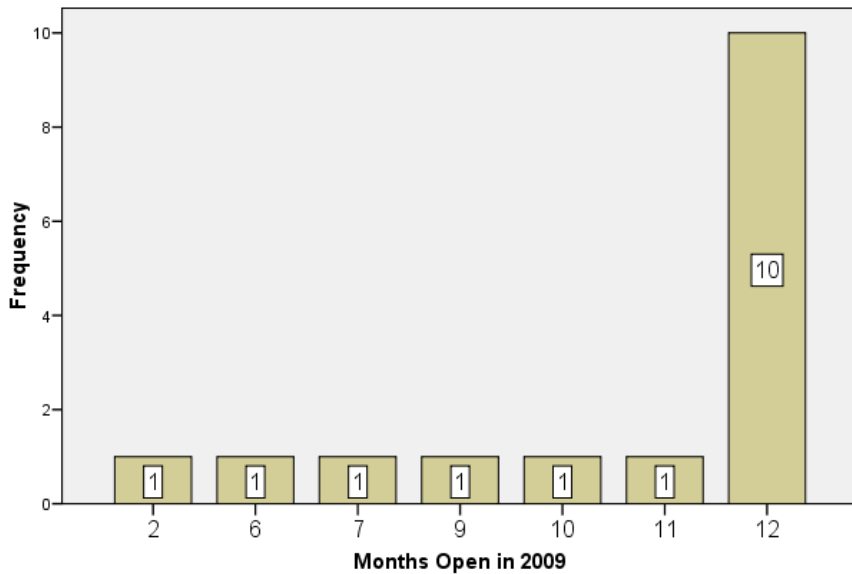


# Boutique Versus Larger Wineries: Months Winery Was Open in 2009

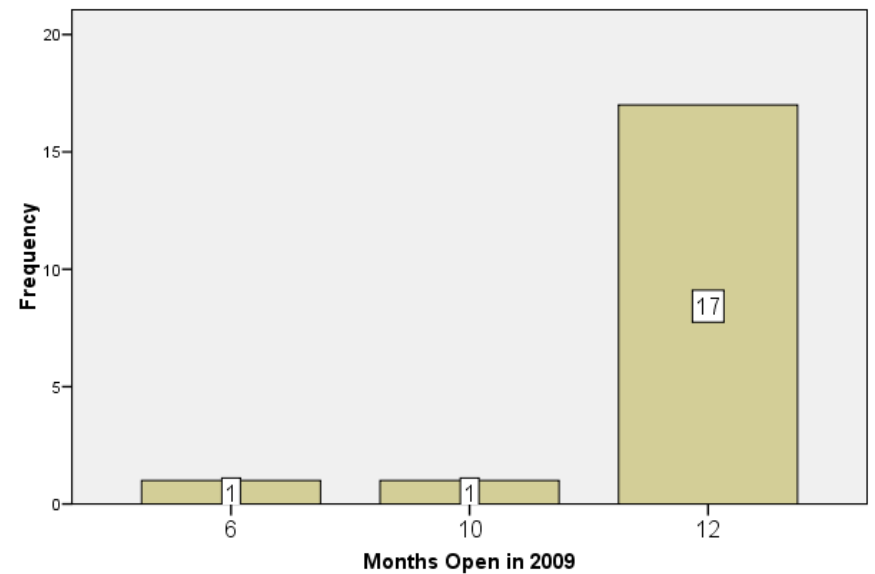
Boutique Wineries  
N = 16

Larger Wineries  
N = 19

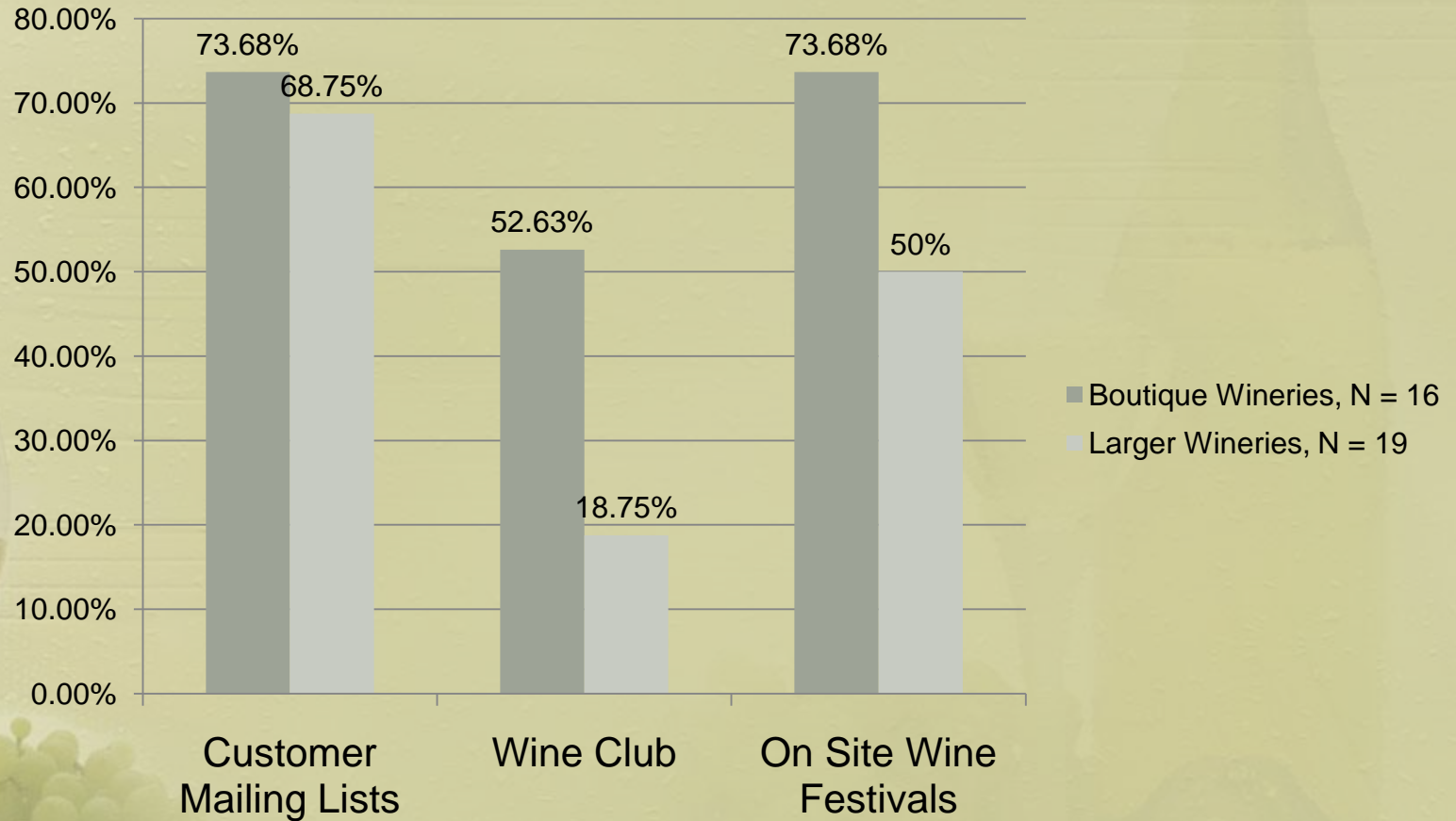
Months Open in 2009



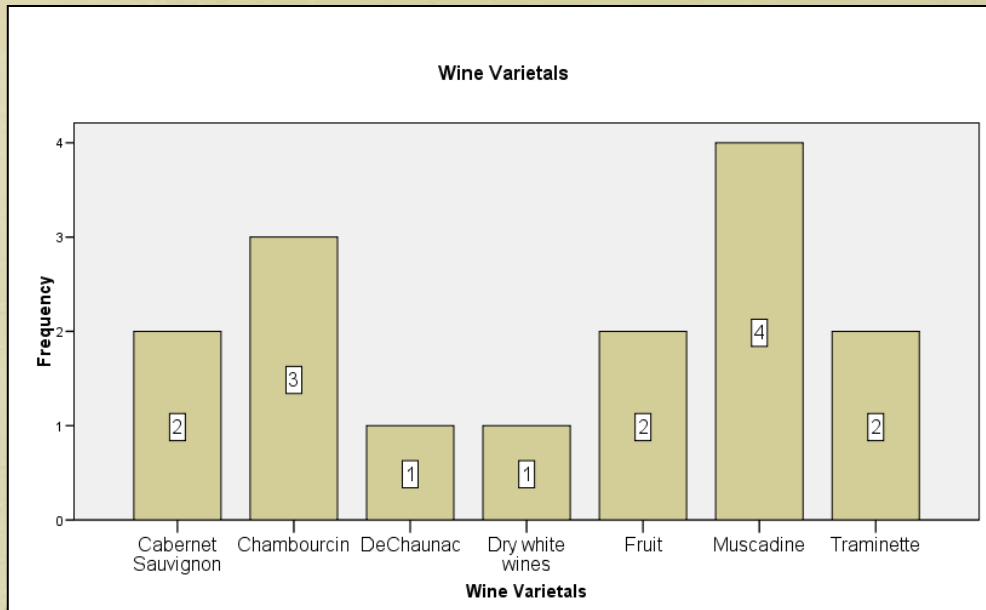
Months Open in 2009



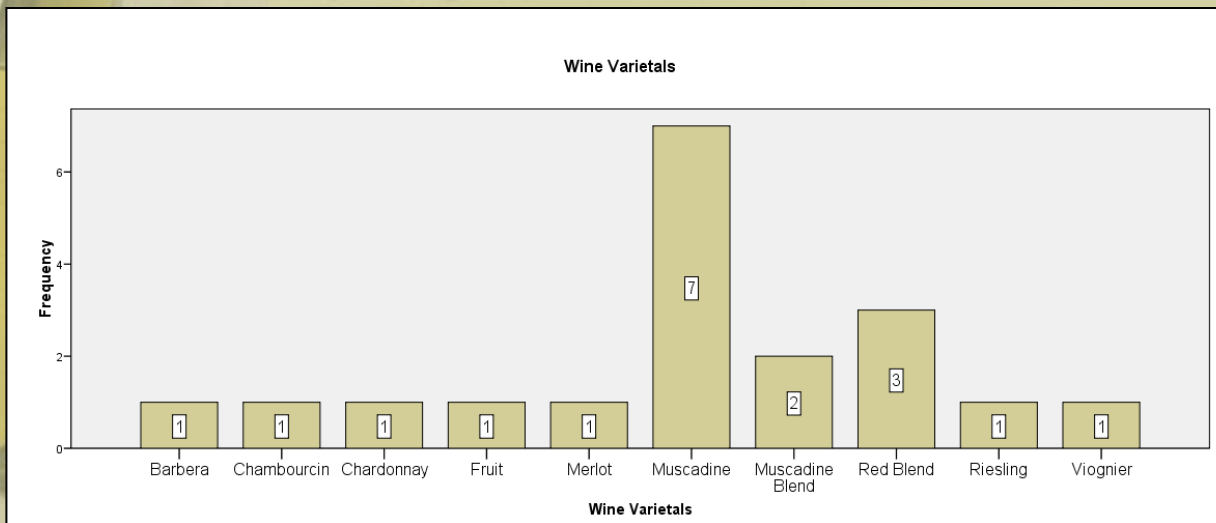
# Boutique Versus Larger Wineries: Employment of Customer Relationship Marketing Tools



# Boutique Versus Larger Wineries: Top Selling Wine Varietal



Boutique Wineries  
N = 15



Larger Wineries  
N = 19

## Boutique Versus Larger Wineries: Winery Capacity (Cases/Year)

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
14	300	2,000	975.21	557.49
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
17	2,000	385,000	32,386.24	91,626.35



# Boutique Versus Larger Wineries: Average Bottle Price

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	\$9.00	\$17.00	\$13.31	\$2.52

<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	\$8.00	\$17.00	\$12.41	\$2.38



# Boutique Versus Larger Wineries: Percentage of Winery Sales Revenue from Wine Alone

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	65%	100%	89.02%	9.45%
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	50%	100%	87.37%	12.41%





# Boutique Versus Larger Wineries: Distribution: Percentage of Wine Sales On-Site

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	53%	100%	88.13%	11.56%

<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	14%	100%	69.47%	26.10%



# Boutique Versus Larger Wineries: Distribution: Percentage of Wine Sales to Distributors



<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	0%	10%	1.13%	2.71%
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	0%	86%	12.05%	22.29%

# Boutique Versus Larger Wineries: Distribution: Percentage of Wine Sales to Retailers, Restaurants & Hotels

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	0%	47%	9.19%	11.73%
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	0%	50%	13.39%	15.10%



# Boutique Versus Larger Wineries: Yearly Visits to Wineries

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	300	6,000	2,050	1,924.15
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	500	90,000	16,533.33	24,139.08



# Boutique Versus Larger Wineries: Percentage of Winery Visitors that are Tourists

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	20%	95%	62%	22.08%
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	20%	95%	59.94%	28.46%



# Boutique Versus Larger Wineries: Number of Full-Time Employees

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
16	0	3	.94	1.06
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
19	1	51	6.42	11.94



# Boutique Versus Larger Wineries: Number of Part Time Employees

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
15	0	6	1.60	1.55
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
17	1	30	9.94	9.21



# Boutique Versus Larger Wineries: Cost of Goods Sold as a Percentage of Sales Revenue

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	20%	60%	36.78%	13.91%

<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	10%	50%	30.11%	13.32%





# Boutique Versus Larger Wineries: Labor as a Percentage of Sales Revenue

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	0%	51%	23.44%	16.60%

<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	4%	45%	24.11%	15.33%



# Boutique Versus Larger Wineries: Marketing Expenses as a Percent of Sales Revenue

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	5%	50%	14.33%	14.02%

<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	1%	25%	7.67%	6.93%



# Boutique Versus Larger Wineries: Other Expenses as a Percent of Sales Revenue

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	1%	68%	21.56%	22.41%
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	10%	37%	21.33%	10.87%



# Boutique Versus Larger Wineries: Profit as a Percent of Sales Revenue

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	-22%	29%	3.98%	16.59%
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
9	0%	50%	16.78%	16.38%



# Boutique Versus Larger Wineries: Dollar Value of Charitable Donations

<b>Boutique Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
13	\$0	\$5,000	\$1,850.00	\$2,053.05
<b>Larger Wineries</b>				
N	Minimum	Maximum	Mean	St. Dev.
15	\$500	\$200,000	\$19,820.00	\$50,485.26



# Discussion

## Opportunities for Improving Business Operations and Financial Performance

This section offers suggestions on possible ways to improve winery operations to enhance financial performance.

Included in the discussion is:

- Winery Sales Revenue
- Winery Capacity Utilization
- Winery Consumers
- Winery Financials



# Winery Sales Revenue

The data reveal that the vast majority of winery sales are generated at the winery itself. The fact that most sales are generated at the “cellar door” has implications for winery operations:

The tasting room and retail store operations need to be designed in such a way that consumer experiences are unique and positive. Many wineries provide this atmosphere by capitalizing on winery and area history, telling a *story* about the winery and its wine.

Wineries can capture more “cellar door” sales by encouraging customers to repeatedly return to the winery and become loyal winery customers. A greater use of winery customer relationship strategies might be implemented to accomplish this goal. These include but are not limited to a greater use of wine clubs, on-site wine festivals, etc.

# Winery Capacity Utilization

Winery production capacity utilization is low and averages about 50% for those wineries reporting. Low capacity utilization is generally undesirable since capacity utilization determines how much fixed costs (property, plant & equipment) and therefore total costs per unit are determined.

Increasing capacity utilization reduces fixed cost per unit and therefore total unit cost. This allows wineries to earn higher profits, lower prices or both.

Some North Carolina wineries realize the relationship between winery costs and capacity utilization and act cooperatively sharing winery manufacturing and storage resources.

As winery sales increase winery capacity utilization also increases.



# Winery Consumers

Wineries indicated that over 60% of their customers were tourists, traveling at least 50 miles from their home to visit the winery. This represents a positive economic impact not only to the winery but also to the area local to the winery.

To increase the draw and number of tourists visiting the winery, wineries can develop strong partnerships with regional tourism organizations.

Bundling area tourism products may not only enhance the perceived attractiveness of the tourism destination to the wine consumer but may also allow for cooperative promotional activities reducing individual winery promotional costs.



# Winery Financials

Respondents to the survey reported that, on average, winery prime costs (direct material costs & labor costs) were about 65% of sales. These costs are in line with other hospitality-related businesses.

In addition, average net profit percentage (about 10%) is very positive for this young and growing wine industry, given its very large up-front capital investment and notoriously long payback period.

However, the data show a large variability in the reported financial statistics. This variability may suggest an opportunity for wineries to avail themselves of cost accounting resources to better understand and identify the relevant costs and expenses of the winery business with the objective of increasing profitability.

