Wine Tourism: A Review of the Chilean Case

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Abstract

The paper consists of the application of established frameworks existing in wine tourism literature to analyze the Chilean wine tourism. While Chilean wine industry has been developing its infrastructure in wine tourism for many years, behavioural factors like promotion of wine routes for international tourists and local consumers' behavior, which are mostly driven by price rather than wine region, hinder the development of the wine tourism.

KEYWORDS: Wine Tourism, Strategic Review, Chile.

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Introduction

Wine tourism has been defined as 'visitation to vineyards, wineries, wine festivals and wine shows for which grape wine tasting and/or experiencing the attributes of a grape wine region are the prime motivating factors for visitors' (Hall *et al.,* 2000). Wine tourism is an important form of rural tourism that provides opportunities for horizontal and vertical linkages within the rural tourism environment (Jaffe and Pasternak, 2004). Wine tourism is a significant tourist attraction in a number of major wine producing countries like the USA, Australia, France and Italy, which include wine tourism as part of an overall tourist strategy (Jaffe and Pasternak, 2004). The number of tourists in these destinations is quite large: Napa Valley in the USA receives more than 19 million visitors per year (Thach et al, 2007) and Australia more than 5 million visitors (Tourism Australia, 2005). In a review of the state of play of wine tourism research, Mitchell and Hall (2006) found that most of the research on wine tourism comes from few countries like Australia, New Zealand and the USA. Wine tourism is also well established in certain parts of Europe like France, e.g. Beaujolais, Bordeaux, Burgundy (O'Neill and Palmer, 2004). However, the level of development in wine tourism is not uniform (Mitchell and Hall, 2006). There are differences between highly developed and less developed regions or countries, e.g. some Mediterranean countries (Hall and Mitchell, 2000). Chile has developed a good international reputation in the wine industry through its products but this reputation has not transformed its wine industry into a booming wine tourism industry. This paper aims to analyze the situation of Chilean wine tourism in order to understand the reasons for this low level of development and suggests actions to develop Chilean wine tourism.

Wine Tourism: A Specialized Niche in the Global Tourism Industry

Wine tourism originates from several existing area of tourism research like rural and special interest tourism and consumer behavior (Mitchell and Hall, 2006). However, in recent years both the wine and tourism industries associated with wine have achieved high levels of growth (O'Neill and Palmer, 2004). While winery visitation was the main origin of this area of academic interest, a large body of literature grew out to form two main groups: wine tourism as a product and winery visitation as the behavior of wine tourists. From the wine tourism perspective, Carlsen (2004) suggests that wine tourism comprises cellar door tasting, vineyard tours, wine routes, and wine festivals. In Australia, New Zealand and United States, the various forms of wine tourism are means to increase the amount of sales in the short term, educate the consumer, and create brand and product loyalty in the long term (Hall and Mitchell, 2000; O'Neill and Palmer, 2004). Researchers found that many problems affect the development of wine tourism like consumer behavior, lack of infrastructure, regulatory restrictions, promotion of wine routes without investment in facilities or cellar door staff training, strong focus of wine makers in production and product, lack of linkages between different industries (hotels, restaurants and wineries), and interorganizational coordination within the wine industry (Hall and Mitchell, 2000; Carlsen, 2004; Jaffe and Pasternak, 2004; Correia et al, 2004). From the winery visitation perspective, there are many factors that may affect wine visitors: differences between expectations and real experience (O'Neill and Palmer, 2004); level of visitor education on wine (Charters & Ali-Knight, 2000); relevance of wine region for the decision of wine buying (Orth et al, 2005).

This paper reviews wine tourism development in Chile using existing conceptual frameworks to understand some of the issues that hinder the development of wine tourism. The strategic aspects of the wine tourism in Chile are reviewed from two perspectives: one perspective takes the supply side and the other takes the demand side.

Wine tourism as product involves two dimensions the winery and the regions where wineries are located (Getz and Brown, 2006; Carlsen, 2004). The process of wine tourism development involves attractions, services, hospitality training, infrastructure, organizational development and a marketing plan (Getz and Brown, 2006). However, wineries are the core attraction but not all of them wineries want to develop a tourism orientation (Getz and Brown, 2006). Some wineries develop their cellar door activities because they need them for selling their wine. Wine and food festivals are important factors on the development of wine tourism (Mitchell and Hall, 2006). Wine trails/routes also perform as catalyst for network development (Jaffe and Pasternak, 2004). To summarize, the main questions related to tourism infrastructure that the paper answers using the Chilean case are:

- *Marketing and branding of wine industry*: Is the Chilean wine industry reputation well known among potential wine tourists? What is the image among potential wine tourists?
- *Infrastructure and activities to attract potential wine visitors*: Are there enough regional wine tourism infrastructure and activities (wine routes, wine festivals) to attract wine visitors? What are the strategies of the wineries to engage wine tourists?

In order to extend the analysis to wine tourists, the demand side, the paper employs different ideas related to the characteristics and behavior of wine tourists. Wine tourists are usually categorized using typical consumer segmentation variables such as origin (international or national), age, level of education, occupation, level of wine knowledge and income (Alonso et al, 2007: Alant and Bruwer, 2004). The research performed in wine tourism has helped the industry not only to identify consumers but also to emphasize their characteristics. The main characteristics describing wine tourists are 30-50 years of age, good level of education, professionals, and with moderate to high income (Mitchell and Hall, 2006) and less than 30% of them are international visitors (Mitchell and Hall, 2006). From a lifestyle typology, Mitchell and Hall (2006) found a widespread classification from the perspective of wine tourism consumer behavior. One of the most employed classifications is based in Hall (1996)'s three types of wine tourists: "wine lover", "wine interested" and "curious tourist". Charters and Ali-Knight (2000) found the percentage of wine lovers in a survey in Australia was 30%, the percentage of wine interested was 53% and curious tourists was only 17%. They also found that wine interested tourists have a good level of knowledge about wine from reading books, watching TV programs or attending wine courses. Wine lovers and interested tourists were interested in obtaining an educative experience during their visit, in particular how to store and age wine, link between food and wine and how to taste wine (Charters and Ali-Knight, 2000). This aspect is rather crucial since learning from visiting a winery has an impact on the tourism experience and the enjoyment of wine back home (Charters and Ali-Knight, 2000). To summarize, the area that the review will focus is:

- *The visitor* – What are the characteristics of visitors? Are they local or international? What are their main motivations?

The paper aims to contribute in two ways to existing tourism literature: one is to offer through the Chilean case a review of different research on wine tourism; and second is to provide with policy recommendations which can be applied to other emerging wine tourism regions.

Chile Wine Tourism as Product

Marketing and branding

The export performance of Chilean wines has been very good: US$ 824 million in 2006. Seventy per cent of the exports were to the following countries: United States, United Kingdom, Canada, Ireland, Holland, Germany, Brazil, Denmark, Mexico and Japan (Wines of Chile, 2007). In those countries Chilean wines are becoming more and more recognized among wine consumers, for example Chilean wines have surpassed Spanish wines in terms of market share for the first time in June 2007 in the UK (Wines of Chile, 2007). These are particularly good news since it establishes a strong platform not only in the wine consuming markets but also in the biggest tourism spending markets (UNWTO, 2006). In terms of brand image, Chilean wines present an image that attracts global consumers because the various wine brand images create a strong country of origin image (Egan and Bell, 2002) supported by a very important actor in Chilean wine promotion: Wines of Chile, the industry consortia for promoting Chilean wines, (www.winesofchile.org). While promotional effort is important, Chilean wines mostly appeal to the young market in particular (early twenties to early thirties), the average supermarket wine consumer, which may not be the profile of the typical tourist wanting to travel to Chile only for wine tourism. Therefore, the excellent image and strong sales to the most important consumer markets may not be a strong influence to bring international wine tourists.

In terms of accreditation of wines quality, Chilean wines are well positioned in the world. For example, there are two Chilean wines in the top 25 wines, vintage 2006,of the Wine Spectator ratings (Wine Spectator, 2007). This recognition is added to the multiple gold medals obtained in different wine contests all over the world in recent years and other recognitions from trade magazines. For example, Wine Enthusiast gave “Wine Star Wine Region of the Year Award 2005" to Colchagua Valley in 2005 even though it competed against regions like Champagne and Bordeaux in France, Priorato in Spain and Santa Barbara in the United States (Chilevid, 2006)

Infrastructure development activities

Chile has thirteen clearly identified wine regions located in a range of 1000 km (see figure 1), from north to south: Elqui Valley, Limari Valley, Aconcagua Valley, Casablanca Valley, San Antonio Valley, Maipo Valley, Cachapoal Valley, Colchagua Valley, Curico Valley, Maule Valley and the south region comprising Itata Valley, Bio Bio Valley and Malleco Valley (Wines of Chile, 2007). However, the majority of Chile’s premium wines are made in the wine regions of Maule, Maipo, Aconcagua, Cachapoal and Colchagua, which are attractive destinations for the tourist market because of their closeness to Santiago, Chile’s capital city, and rich cultural aspects (Sharples, 2002). Maipo Valley is the most visited wine region with 116,000 visits in 2005 – 49% of all visits, followed by Casablanca Valley with 21% and Colchagua with 14% (Chilevid, 2006).

Wine routes. Six of the thirteen wine regions have established a wine route: Aconcagua Valley, Casablanca Valley, Cachapoal Valley, Colchagua Valley, Maule Valley and Curico Valley (Sernatur, 2006). The government is very active in co-funding diverse initiatives, such as wine routes, at regional level through Chilean Production Development Corporation (Zamora and Barril, 2007). These regional level initiatives are implemented in two stages. The first stage corresponds to the formulation of the association between small to medium wineries. The second stage, which runs for five years, consists of financial support to the implementation and management of the wine route.

FIGURE 1 NEAR HERE

While most of the wine routes' objective is to help positioning the wine region in the mind of the consumers, few wineries' managers see the wine route as a truly direct marketing channel but an additional business in the tourist sector.

Wine and food festivals. They are components of the wine tourism product around the world and can be important catalysts for future wine tourism and wine consumer behavior (Mitchell and Hall, 2006). There are two wine festivals in Chile. One is an old event, a key event in Colchagua's wine tourism industry, the Colchagua Harvest Festival, started in 1998, and now the largest wine festival in Chile (Woods, 2002). The festival brings every year more than 40,000 tourists to Santa Cruz, the city at the center of Colchagua Valley (Woods, 2002). In the last version, 18 wineries participated during the festival, most of them well known locally and internationally. The festival lasts three days and there were different activities such as traditional dances, antique carriages, regional foods and crafts, and the selection of a Harvest Queen (www.rutadelvino.cl). The other festival started in 2007 and is organized by Cachapoal Valley. It is a jazz and wine international festival. It lasted two days and two wineries of the wine route hosted different jazz bands including food and wine tasting (www.cachapoalwineroute.cl).

Wineries' cellar door activities development and strategic positioning. Wine production and tourism are located at opposite ends of the industrial spectrum and the characteristics of each activity are essentially different in microeconomic sense (Carslen, 2004; page 8). Experience-driven wineries want to develop and maintain relationships directly with their customers to develop their loyalty (Hall and Mitchell, 2007). For these companies, cellar door activities are effective tools to build brand loyalty, to allow consumers to try actual or new products with reduced level of risk and to obtain marketing intelligence at low cost (Dodd, 1995). However, Chilean small to medium wineries have a strong emphasis on production factors such as constant quality driven by improved viticulture practices and competitive prices (Kunc, 2007). In other words, small to medium Chilean wineries have an orientation and focus towards product, where the producer or certain standards define the quality of wine, rather than the market (Hall and Mitchell, 2007). Wineries oriented towards product may invest in cellar door tasting rooms or other facilities to attract tourists but their managers do not believe that cellar door actions can increase sales or build loyalty more than investing in promoting wine through the distribution channels (Ali-Knight and Charters, 1999). A well-developed valley like Colchagua Valley appears to be much closer to international standards.

To recapitulate, wine tourism in Chile has begun recently with important investments in facilities oriented to visitors, growing awareness of gastronomy to accompany these facilities and organization into wine routes. When the level of development of Chilean wineries' cellar door activities is compared with other more developed regions in wine tourism like Niagara (Getz and Brown, 2006), the differences seem to very important. When Chile is compared with other less developed region like Okanagan in British Columbia, Canada (Getz and Brown, 2006), Chilean wineries appear to be better off.

Another important aspect at firm level is the efficiency of cellar door operations in those firms that are already operating cellar door activities. In order to promote return visits, it is essential that management engage in relationship marketing after a visit (Jaffe and Pasternak, 2004). It is important that the cellar door manager never lets a visitor leave without attempting to establish a relationship. As part of this research, the author visited six wineries located in Casablanca, Maipo, Alto Maipo, Cachapoal and Colchagua and no one asked for his contact details to promote return visits or long-term relationships for wine sales, even at a very large firm that had enough resources for doing so. The author also sent emails to another six wineries located in the same places to book a visit for a specific date, but they were fully booked. None of them ask in their replies for contact details for future visits or sales promotions.

Chile Wine Tourism: Visitors aspects

Tourism arrivals to Chile (the only reliable data that exist about local tourism industry) have grown more or less steadily up to an approximate 2 million annually (UNWTO, 2006). Most of inbound visitors are from Argentina and Brazil. National tourism seemed to consist predominantly of visits to coastal resorts. Chile's tourism activity is managed and promoted mainly by Sernatur, Chile's National Tourism Board (http://www.sernatur.cl) and the Chilean Tourism Promotion Corporation, a private non-profit entity. It is essential to understand the current wine tourists, including their demographics and purchasing behavior, to determine the potential for wine tourism. There are significant differences in winery visitors between regions and countries (Mitchell and Hall, 2006). In well-developed wine tourism regions, most of them are domestic visitors and a substantial proportion comes from within or in close proximity to the wine region itself (Mitchell and Hall, 2006) rather than internationally.

International Wine Tourists

Most of tourism growth was generated by favorable exchange rates, improved range of quality tourism products, enhanced air transport capacity and economic recovery in key source markets (UNWTO, 2006). With respect to wine tourism, there are efforts to promote wine tourism in terms of products and options. For example, the Chilean Tourism Promotion Corporation promotes in its website the combination of wine and gourmet tours including tours to historic 'haciendas' (old Spanish colonial ranch), some of which have been declared national monuments. There are 54 tours offered in the website of the Chilean Tourism Promotion Corporation (www.visit-chile.org/centro/wine.phtml) which combined skiing, horse riding, golf, historic trains, cultural aspects such as a visit to Pablo Neruda's home – a famous Chilean Nobel Prize in Literature – and a tour including Mendoza, the most important wine producing region in Argentina located 400 km from Santiago. Wine tours of different lengths of stay are also promoted in this website (see Sharples (2002) for a description of some of them).

Thus, the level of promotion of wine tourism from the tourism industry seems to be well developed.

Most of wine tourists in Chile are foreigners (67% percent of total tourist) according to the latest study in wine tourism (Chilevid, 2006), which is the opposite picture with respect to countries like Australia where approximately 25% of wine tourists are international (Tourism Australia, 2005) or New Zealand with 20% on average (Mitchell and Hall, 2006). While 175,000 international tourists may look a good number, it only represents less than 9 % of the total international tourists visiting Chile, where in Australia the number was 579,000 international visitors, which is more than 10% of total international visitors (Tourism Australia, 2005).

The actual motivations of foreign visitors are generated because a visit to a winery is part of any traditional package offered to any visitor to Chile. However, a survey to international tourists in Chile's main airport found that 80% of tourists do not know anything about the wine routes existing in Chile (DuocUC, 2003). This result is surprising, even though half of them were returning visitors to Chile on holidays and most of them (62%) know about wine making (DuocUC, 2003). From a lifestyle typology, wine lovers represent only the 2% of wine tourists in Chile, wine interested tourists are only 23% and 75% of wine tourists can be categorized as curious tourists (Chilevid, 2006). Thus, it is not surprising that foreign wine tourists visit a winery as part of a holiday, usually taking one-day tours and visiting two or three wineries near Santiago (more than 50% of the wine tourists go to Valle del Maipo region). This results reinforces the concept that most of the wine tourists are 'curious tourists' since they tend to visit wineries in organized tours (Charters and Ali-Knight, 2002). Thus, it is important the role of other actors, like tour companies, to bring those curious tourists to a winery.

The role of tour companies in bringing tourists to wineries is not without problems for wineries. In a recent meeting, managers from different wineries argued that tour operators are not interested in long-term alliances with wineries (Vendimia & CCV, 2007). Among a sample of tour operators, they usually program tours to the following wine regions (in terms of preference): Valle de Colchagua (100%), Valle de Casablanca (75%), Valle del Maule (60%), Valle de Maipo (42%) and Valle de Cachapoal (17%) (DuocUC, 2003). Tour operators charge between USD 120 and USD 150 per person per day for visiting a group of wineries including lunch and a cultural visit, e.g. a wine museum.

Lack of knowledge about wine routes and long-term relationships between wineries and tour operators are factors that hinder wine tourism. This is an important lost opportunity for building brand loyalty from wine tourism especially when consumers from the main Chilean export markets value Chile as country of origin in their purchasing decision (Arias-Bolzmann, Sak, Musalem, Lodish, *et al.*, 2003).

Local Wine Tourist

Only 33% of the wine tourists are local tourists, a very low percentage when is compared with other developed countries, even though wine has been traditional in the life of many people like in France, Spain or Italy. While most of local wine tourists come from Santiago, Chile's capital, a recent study in Santiago found that 75% of the people knew about wine routes but only 29% had visited at least once. Half of the visitors to a wine route visited Casablanca Valley and 32% visited Colchagua Valley.

There are many factors that may account for this low percentage. While scenery is a key motivator to visit a winery either for visitors and non-visitors (Jaffe and Pasternak, 2004; Correia et al, 2004), there are many spectacular natural resources like the Andes Mountains and skiing and coastal resorts that compete against the attraction of a wine region. Another important aspect is how important is wine region for wine consumers. Winery and wine region only account for 4% of the attributes deciding the purchase of a wine in Chile compared with price (31%) and brand (25%) (Zamora and Barril, 2007). The importance of price and brand can also be attributed to the role played by liquor stores that buy directly from wineries. The behavior of these stores focuses the consumer towards price and brand rather than the region where the wine comes. Therefore, there are not incentives for the consumers to travel to the wine regions and enjoy 'consumer experience tourism' (Mitchell and Hall, 2004).

When compared with international standards, Chile appeared to have completed opposite figures in visits to wineries. Thus, there is ample room to improve this situation. Well-crafted campaigns associating wine with regional food or highlighting the need to visit the winery to obtain icon products not sold through retail channels or taste new products can improve the number of local wine tourists. However, a more difficult action, but more rewarding, should be that wineries start promoting the region rather than the brand.

Conclusion and Further Research

Chilean wine industry has a good base at national level to start its expansion in wine tourism: Chilean wines are globally recognized, the industry is basically deregulated, the government is providing funds to start wine routes, and industry actors are working cooperatively in certain aspects. However, international wine tourism cannot be developed isolated from the image of the country as international tourism destination since wine tourism occurs as part of whole holiday package (Carlsen, 2004) for almost 70% of wine tourists (curious tourists)

The concept of wine route is still in its beginnings since the number of wineries in any form of association with a wine route is only 26% of the wineries existing in the directory of the wine industry. Researchers found that a new organization to manage the route professionally helps to improve the efficiency of the wine route (Correia et al, 2004), but only recently some wine routes in Chile have named a dedicated professional to manage their wine route. While some wine routes have achieved very good results in terms of the product either by developing state-of-the-art cellars with tasting rooms and restaurants (e.g. Casablanca Valley) or additional infrastructure like hotels, museum and alliances with 'haciendas' (e.g. Colchagua Valley), there are still some room to generate more associations with other actors in the tourism industry, especially local food producers and restaurants because many regions are more recognized among Chileans for their foods than their wines, which can be a good leverage to develop wine tourism.

The environment from the wine tourists perspective is still difficult for developing wine tourism because there is not a local culture valuing wine regions in their purchasing behavior and international promotion activities do not promote wine regions or even the country. In the case that the visit to the winery is only part of an overall holiday in, or near to, a wine region, it is important to understand the context of the visit to the winery so as to really assess the existence of a wine tourist market (Carslen, 2004). There has been a shift in wine country imagery from an emphasis on wine production processes and related facilities to more of a focus on aesthetic and experiential values associated with more leisurely recreational and tourist pursuits (Williams, 2001). Chile should focus on combining wine with its natural beauties to conform a solid image as international tourism destination.

Further Research

More research on possible associations between wineries and tour operators, lodging businesses and restaurants as well as wineries and regional government has to be done. For example, Wargenau and Che (2006) found strong relationships between wineries and restaurants in wine tourism development in a region in the US; and Hall and Mitchell (2000) also found relationship between government and regional and local tourists organizations and rural development in Europe

Additional research has to be performed to understand the expectations and requirements of lifestyle typologies and cultural differences on local visitors' behavior.

Finally, research on cellar door's operations like tasting rooms is necessary since it is a key factor in tourists' satisfaction (Thach et al, 2007)

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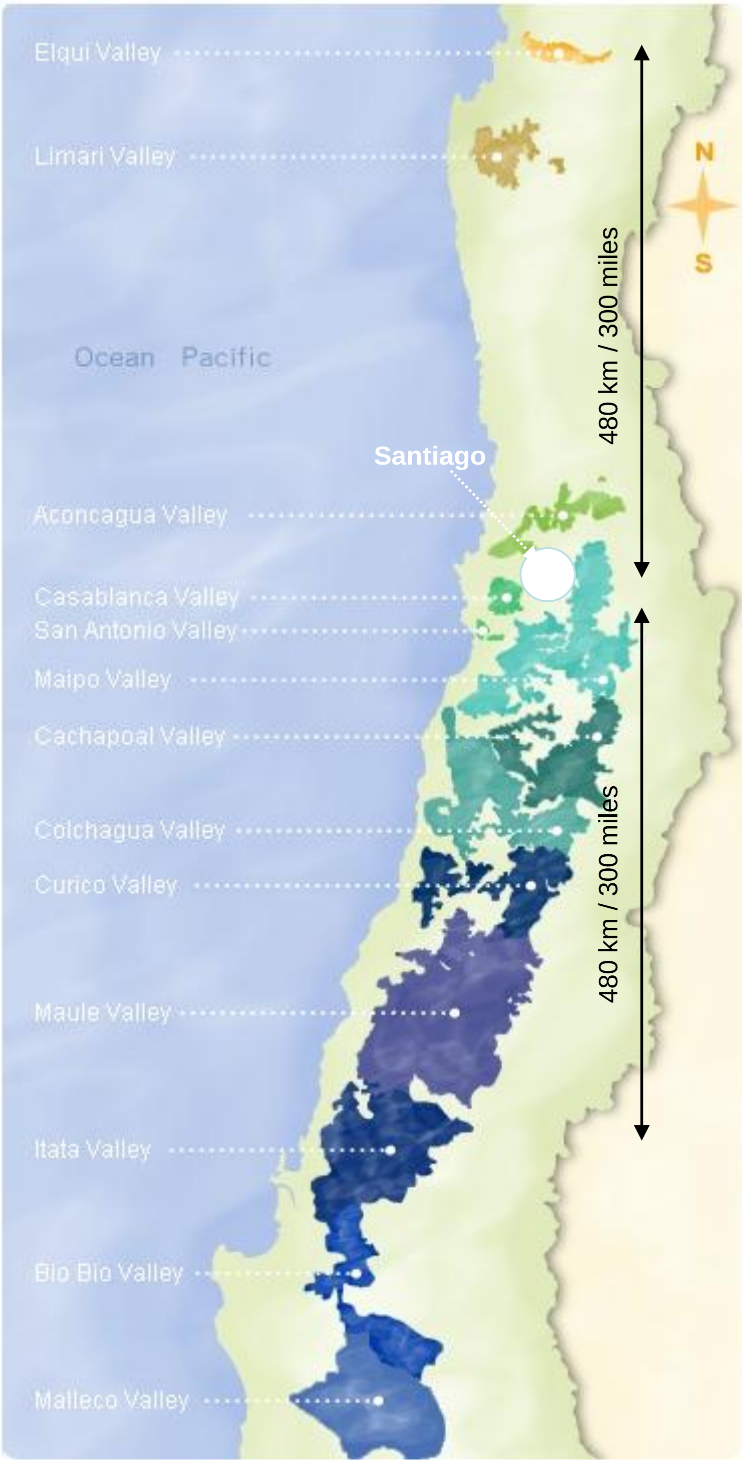

Figure 1. Wine Regions in Chile (source: http://www.winesofchile.org/wine-regions)

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