

Distribution Channels for Wine Tourism in New Zealand

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A thesis

submitted to Victoria University of Wellington

in partial fulfilment of the requirements for the degree of

Master of Tourism Management

Victoria University of Wellington

2012

*For my excellent
supervisor*

Professor Douglas Pearce

ACKNOWLEDGEMENTS

I would like to take this opportunity to thank numerous people who assisted me in getting this thesis done.

To start the acknowledgements I must begin by expressing my sincere gratitude to my supervisor Prof. Doug Pearce. Thank you for your close supervision and excellent guidance through my proposal development, data collection and writing phases. Thank you for your patience, encouragement, continuous support and immense knowledge. Going down to Marlborough on your holiday to support me with my data collection, replying my emails on weekends and meeting me when you were unwell... countless support and help. Words CANNOT express my GRATITUDE to you. May joy and health always be with you.

To all members from the Tourism Management Group, the School of Management and the Faculty of Commerce and Administration, particularly Megan and Tracey. My acknowledgement goes to you for your kind support.

To the people who participated in this research. Thank you for your time, consideration and hospitality. I wish you all the best for the future.

To all my relatives in Auckland, particularly my auntie Yunshu and uncle Tailai. Thanks for driving me all the way to the wineries for my data collection in Auckland.

To Magdalen. Thank you for your valuable support from both mentally and physically. I will never forget your encouragement. All the best wishes for you.

To all my colleagues and friends, especially my dearest Ama, Eric, Elisante, Trisha, Dagmar, Susan, Johana, Benard and Waitai. A big thank you for your company, encouragement and proofreading. Thanks for the memories. I won't forget our countless office party nights! I'll miss you!

To my beloved parents and sister. My gratitude goes to you for your financial and mental support. I appreciate your endless love, dedication and encouragement.

ABSTRACT

This study examines the structure of the distribution channels and the underlying factors influencing the most prominent channel choices within the wine tourism industry in New Zealand. This research specifically compares wine tourism in Marlborough and Auckland. It aims to provide a better understanding of the distribution channels for practitioners in the wine tourism industry, with the hope of assisting them to develop their wine tourism businesses successfully and manage the businesses growth effectively.

This is a destination-based study performed by employing qualitative approaches focusing on the supply-side through semi-structured interviews. These in-depth interviews were conducted with the owners or managers of the local wine tour operators and wineries in the two regions.

The findings generally show that wine tourism businesses place a clear priority on direct distribution of their wine tourism product to visitors “at destination”; the majority of customers of all these businesses are independent visitors. Specifically, overseas independent tourists comprise the largest portion of customers to local wine tour operators in Marlborough and Auckland. The wine tour operators work more actively with intermediaries and reach tourists “in market”, “while travelling” and “at destination” than wineries in these two regions. Marlborough wineries and Auckland wine tour operators and wineries receive domestic corporate groups, most of whom are approached “at destination” with direct distribution. Compared with wineries in Marlborough, more corporate groups use Auckland wine tour operators to visit wineries. Marlborough wineries and wine tour operators, and Auckland wine tour operators receive more international visitors, whereas the majority of visitors to Auckland wineries are from Auckland.

When considering the function of wine tourism distribution channels, information provision, reservation and purchase are nearly equally important to local wine tour

operators in both Marlborough and Auckland; the most widely used functions for Marlborough wineries is information provision; for Auckland wineries, information provision and purchase play significant roles in the distribution of wine tourism product.

Factors influencing distribution channel choice include information provision cost, commissions, businesses' attitudes towards tourism, perceptions of the Internet, service diversity, capacity, accessibility, availability, market segments, reputation and nature of intermediaries.

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TABLE OF ACRONYMS

ATs	Auckland wine tour operators
AWs	Auckland wineries
MTs	Marlborough wine tour operators
MWs	Marlborough wineries
NZ ITOs	New Zealand inbound tour operators
OWs	overseas wholesalers
RTOs	regional tourism organisations
RWAs	regional winegrowers associations
TAs	travel agencies
VICs	visitor information centres

CHAPTER ONE: INTRODUCTION

1.1 Introduction

This study examines the structure of distribution channels and the underlying factors influencing channel choice behaviour in wine tourism in Marlborough and Auckland, New Zealand. The research focuses on the supply-side, by conducting in-depth interviews with the owners or the managers of the wineries and local wine tour operators in these two regions.

The tourism industry offers numerous contributions to both developed and emerging countries, such as the economy, society, environment and politics. To the tourists, for example, the tourism industry is able to provide leisure and educational opportunities. With regard to the tourism destination, tourism is able to generate employment opportunities, create tax revenues, foster cultural understanding, appreciation and conservation, improve infrastructure, enhance ecological protection and build relationships between countries.

Therefore, with increased spare time and disposable income, a growing number of people have been travelling around their own countries, or overseas. Furthermore, in line with the demand, a large number of countries have been promoted. Slogans tend to be established for the promotion of tourism with various strategies, such as “Uniquely Singapore” for Singapore, “Truly Asia” for Malaysia, “Incredible India” for India, “Smile! You are in Spain” for Spain and “Where it all begins” for Egypt.

New Zealand has used the slogan “100% Pure New Zealand” to increase the number of its international tourists. This has brought about an increase in domestic visitors during holidays. The tourism industry, as a great contributor to New Zealand’s economy, earned \$22.4 billion in the year ended March 2010, with \$12.9 billion from domestic visitors and \$9.5 billion from international visitors.

International tourism, as the largest export earner, accounts for 18.2 % of exports, with 1.1% more than the dairy industry's \$9.0 billion. There is \$6.5 billion generated of direct value added from tourism expenditure, which contributed 3.8% of GDP. In terms of overseas visitor arrivals, 2,499,102 visitors came to New Zealand with a variety of purposes and countries of origin in the year 2009-10 (Ministry of Tourism, 2010).

In addition to the tourism industry, the wine industry also plays a significant role in New Zealand. Although the first grapes were planted in New Zealand in 1819 (Hall, 1996), nearly 200 years later, in 2010, there were 672 wine companies in New Zealand, which are located across "1,600 km from sub-tropical Northland (36° S) to the world's most southerly grape growing region Central Otago (47° S)" (New Zealand Winegrowers, 2011). All New Zealand vineyards benefit from "the moderating effect of the maritime climate, as no vineyard is more than 120 km from the ocean, with long sunshine hours and nights cooled by sea breezes" (New Zealand Winegrowers, 2011). Additionally, due to "its purity, vibrancy and intensity, the long ripening period, a result of cool temperatures, allows flavour development whilst retaining fresh acidity, a balance for which New Zealand wines are renowned", New Zealand wine is distinguished (New Zealand Winegrowers, 2011).

It is worth noting that the wine industry has increasingly played a great role in New Zealand's economy. According to New Zealand Winegrowers (2011), the wine exports earned \$198 million in 2001 selling 36 million litres; 10 years later both figures increased dramatically: \$1,041 million export earnings and 57 million litres consumed domestically in 2010.

Due to the tourism and wine industries' dramatic contributions to New Zealand's economy as mentioned above, the potential of the combination of these activities, wine tourism, deserves to be put under the spotlight in New Zealand.

Wine tourism refers to visiting vineyards, wineries, wine festivals or wine shows with the main motivation being wine tasting and/or experiencing the wine region (Hall, 1996). More overtly, wine tourism products could consist of organised wine tours, wine trails, wine festivals, cellar door and winery tours, etc. Of the less overt links, wine tourism could include local wine served at hotels and restaurants in the wine regions, and tourism activities that happen in and around vineyards, etc. (Mitchell & Hall, 2006).

Wine tourism has been included in the itineraries of packaged tours as far back as the time of the Grand Tour, even since Greek and Roman times, but wine has been a specific interest for travellers only since the mid-nineteenth century, after the industrial revolution (Hall, 2003; Hall, Johnson, Cambourne, Macionis, Mitchell, & Sharples, 2000). It is noteworthy that there is an increased interest in wine tourism activities around the world. In addition, Beverland (1998) asserts that wine tourism has a bright future due to changes in lifestyle.

Wine tourism can make contributions in a number of areas. First, visitors can enjoy being educated and having fun and/or enhancing social life through wine tourism (Hall & Johnson, 1997; Maddern & Golledge, 1996). Secondly, the winery can create brand awareness and loyalty, sell an increasing volume of wine, take high profit margins, and gain cash flow through wine tourism (Charters & O'Neill, 2000; Dodd, 1995). Thirdly, the wine region can acquire greater employment opportunities, promote regional production, improve facilities and the environment (Simpson & Bretherton, 2004), which can be beneficial to the local economy and increase regional appeal in terms of tourism and investment opportunities by outsiders (Carlsen, 2004). In addition, wine tourism can make a contribution to the urban areas that generate the majority of wine tourists (Carlsen, 2004). In addition, the benefits of wine tourism enhance the profile of the country as well as the wine industry.

Considering that “wine ventures are capital-intensive and lack of financial security” (George, 1996, cited in Hall & Johnson, 1997, p.3), and the potential of tourism as “a cost-effective alternative to wholesale-retail distribution for wineries” (Hall & Johnson, 1997, p.3), the prospect of wine tourism could not be of greater importance to small and medium wineries (Carlsen, 2004), especially for countries such as New Zealand, with its majority of such smallholdings.

In 2007-08, there were 475,200 tourists that visited a winery in New Zealand, 37% of whom were from overseas (Ministry of Tourism, 2009). That is, 175,824 international arrivals visited a winery in 2007-08. During that year, 2,496,994 international visitors arrived in New Zealand. It means that in 2007-08, only 7% of international travellers visited a winery whereas, in 1995-96, nearly double that percentage of international visitors to New Zealand (13%) had either travelled through a wine trail or visited a vineyard during their stay (Tourism New Zealand, 1996, cited in Hall & Johnson, 1997). Despite there being no indication of the consistency in methods of quantifying winery visitation, the fact that a smaller proportion of recent international visitors visited a winery during their stay needs more attention. One factor causing this reduction might be the failure of marketing. Hence, government, academia and industry would be wise to raise more awareness of distribution, due to its crucial position in the 4Ps (product, price, promotion, place) of marketing.

1.2 Tourism Distribution Channels

Distribution is “to make the product available to the consumer in the quantity needed, at the time required and at the place where they want to obtain it” (Alcázar Martínez, 2002, cited in Pearce, 2005). Distribution channels link the suppliers with consumers. In the case of tourism, distribution channels create the link between the markets and the destinations. They enable visitors to travel from the markets, arrive at the destinations, and then to consume tourism products.

Tourism distribution channels can be direct or indirect. The direct channel, which comprises just the supplier and the visitor, enables the supplier to sell tourism products directly to the visitor. Conversely, the indirect channel links the supplier with the visitor via different numbers and sources of intermediaries. In distribution channels, various intermediaries may be applied in a variety of depths.

Functions involved in distribution consist of information dissemination, reservation, purchase and packages. Buhalis (2001, p.8) stresses that: “the primary distribution functions for tourism are information, combination and travel arrangement services. Most distribution channels provide information for prospective tourists; bundle tourism products together; and establish mechanisms that enable consumers to make, confirm and pay for reservations”.

To a certain extent, tourism products are intangible. Tourists travel from their markets to destination to consume products bought in the market, while travelling or at the destination (Richardson, 1996). Therefore, distribution emerges for the sake of approaching different market segments at three different locations, “in market”, “while travelling” or “at destination” (Pearce, 2009). Each distribution function may happen at any of these three locations.

To sum up, because distribution channels may be direct or indirect through different sources and different layers of intermediaries, and it involve four functions and that may take place at any of three points, distribution is a highly complicated issue, and the structure of distribution channels is diverse.

As mentioned above, distribution is crucial to tourism marketing and development. Buhalis (2000) values distribution as one fairly competitive advantage among a few remaining ones. Consequently, understanding tourism distribution channels as they exist is very beneficial.

1.3 Tourism Distribution Channels Research

Undertaking tourism distribution channel research as a way to develop a better understanding of tourism distribution has captured the attention of academia, the industry and the government. Studies on tourism distribution channels have exerted a tremendous fascination. They have previously been focused on packaged leisure travel, which comprises the majority of tourism distribution literature. Recently, researchers have been addressing other topics, such as from the perspective of various markets, destinations, and tourism forms, e.g. examining the distribution channel structure of heritage and cultural tourism, event tourism, conference tourism, adventure tourism.

However, the study of tourism distribution channel systems is far from a mature field of study, and a number of gaps need to be filled (Pearce, 2008). Scarcely any attention has been given to distribution channel systems for wine tourism.

1.4 Wine Tourism Research

Given that wine tourism activities emerged quite early and have the numerous benefits mentioned above, attention has been paid to research by governments, business groups and academicians only since the mid-twentieth century (Hall, Johnson & Mitchell, 2000). Over the last 15 years, wine tourism research has experienced dramatic growth, especially in the new world wine countries, e.g. Australia, New Zealand, America and Canada (Mitchell & Hall, 2006).

Most of the literature focuses on seven themes (Mitchell & Hall, 2006): wine tourism product; wine tourism and regional development; winery visitor numbers and expenditure; winery visitor segments; winery visitor behaviour; winery visitor experience; and biosecurity. Just a portion of the studies on wine tourism and

regional development, and winery visitors have any relevance to tourism distribution, though it does not even address the systemic tourism distribution mix.

Consequently, this study seeks to bridge the gap between the two research areas of distribution channels and wine tourism, with the hope of making a contribution to empirically grounded knowledge.

1.5 Research Objectives and Benefits

As mentioned above, distribution plays a significant role in wine tourism marketing and development, and accordingly it can enhance New Zealand's economy. Considering these points, it is necessary to conduct studies on distribution channels for wine tourism in New Zealand. This study will attempt to fill the dearth of information that exists in research studies of distribution channels and wine tourism.

The specific aims of this study are to:

1. Examine the structure of wine tourism distribution channels;
2. Understand functions performed by each channel member;
3. Identify the underlying factors influencing channel choice behaviour; and
4. Gain some practical understanding with implications in order to increase the effectiveness of wine tourism distribution.

The benefits of this study include:

1. Offering more identifiable and accessible options for wine tourism providers to engage in marketing and networks;
2. Targeting the wine tourism product for more effective development;
3. Stabilising the win-win situation between the tourism industry and the wine industry;
4. More effectively cultivating wine tourism in New Zealand; and
5. Generating more revenue from wine tourism as the ultimate purpose.

1.6 Methodology

The objectives will be pursued by way of a comparative analysis of distribution channels for wine tourism through interviews with the owners or the managers of wineries and local wine tour operators. These interviews are semi-structured, covering the nature of the business, the distribution channels used and factors affecting distribution channel choices.

Given that New Zealand possesses numerous wine regions and data should be collected in a timely manner, it is ideal to carry out an investigation with some selected representatives. In order to make a comparison, two regions have been chosen by virtue of their characteristic differences: Marlborough and Auckland.

Located at the top of New Zealand's South Island, Marlborough had an estimated 45,300 residents in 2010, with Blenheim as the capital. Marlborough is New Zealand's largest winemaking region, with nearly 79% of the total active wine production of New Zealand (Wine Marlborough New Zealand Limited, n.d.). Marlborough's Sauvignon Blanc, Chardonnay, Pinot Noir and Riesling are widely recognised as first-class wine in the world. Wine is inextricably linked with tourism in Marlborough where the regional tourism organisation cooperates and promotes wine tourism with the regional winegrowers association together. In 2007-08 more than 80,000 tourists visited at least a winery in Marlborough, with about 50% from overseas (Ministry of Tourism, 2009).

Auckland is the largest city in New Zealand and it has more than 400 thousand residents living in the city and 1.4 million in the greater Auckland area currently, which makes up about one third of New Zealand's population (Statistics New Zealand, n.d.). Concerning the tourism industry, Auckland is the largest gateway to New Zealand with 2.5 million international arrivals in the year ended April 2011 (Auckland Tourism, Events and Economic Development Ltd, 2011). A variety of

tourist activities can be enjoyed in Auckland by domestic and international tourists, urban activities such as shopping and museum-visiting, and rural activities such as fishing and wine-tasting. As for the wine industry, it contributes slightly to Auckland's economy and Auckland plays a tiny role in national wine production (Simpson & Bretherton, 2004). However, regarding wine tourism, in 2007-08 Auckland received over 130,000 travellers visited a vineyard with more than 2/3 domestic tourists, which made Auckland the most popular wine tourism destination in New Zealand (Ministry of Tourism, 2009).

1.7 Document Outline

This thesis consists of seven chapters:

Chapter One introduces the background knowledge of tourism distribution channels and wine tourism, followed by brief contextual information on wine tourism in New Zealand, particularly in Marlborough and Auckland.

Chapter Two reviews the literature related to distribution channels and wine tourism. First, the literature on tourism distribution channels is presented under a series of themes. Secondly, it reviews wine tourism studies under a range of issues. Then the chapter points out the gap this research study seeks to fill.

Chapter Three discusses the methodology adopted in this study. It discusses the best method to carry out this research and presents detailed information on the data collection procedures.

Chapter Four provides some background information on wine tourism in New Zealand, particularly in the context of Marlborough and Auckland. For each area, it begins with a general description, followed by tourism development in general, and wine tourism in particular.

Chapter Five presents the results of the fieldwork with regard to the distribution channels. It analyses the distribution channels for wine tourism in Marlborough and Auckland.

Chapter Six discusses the factors that influence the distribution channel choices based on the results in Chapter Five.

Chapter Seven summarises the key findings from Chapters Five and Six, highlights implications for the relevant governments and businesses, and suggests the possible areas for further studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In order to gain a clear picture of this study, it is essential to enhance the readers' understanding of the concepts of tourism distribution channels and wine tourism. To achieve this goal, reviewing previous relevant studies is important. Therefore, this chapter first presents a review of the literature on tourism distribution channels and then the literature on wine tourism. For the part of tourism distribution channels, the definitions and importance of distribution in general and from a tourism perspective are elaborated, followed by the introduction of the functions and structure of tourism distribution. Tourism distribution studies are then reviewed as follows: forms of tourism, research economics, tourist segmentation, research base, distribution structure, functions and underlying factors. For the wine tourism part, the definitions of wine tourism and tourists, and the importance of wine tourism are illustrated, followed by a review of wine tourism research. The relevant literature is reviewed from the supply-side and demand-side. Destination development and product are the two main topics in supply-side research and wine tourists are the main focuses of demand-side research. Sub-issues are discussed.

2.2 Tourism Distribution Channels

2.2.1 The Definition of Tourism Distribution Channels

Distribution, as part of the marketing mix, is the link between suppliers and consumers (Pearce, 2005). A distribution channel is defined by Kotler, Bowen and Makens (2006) as: "a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer or business user". Hence, making the product available to the consumer in terms of the consumer-desired quantity, time and place is the objective of distribution

(Pearce, 2005). Kotler, Bowen, and Makens (2006, p. 451) assert that the importance of distribution has been enhanced by four factors: “competition, a global marketplace, electronic distribution techniques and a perishable product.” According to Kotler et al., (2006), a market share leader can be differentiated from a company struggling for survival through a well-managed distribution system.

In terms of the tourism industry, distribution connects the suppliers with consumers by providing tourism services (Buhalis, 2000), and tourism destinations with markets. Several distinguishing characteristics of tourism distribution are emphasised by Martinez (2002, cited in Pearce, 2005, p. 427): “the complementarity of services, the geographical distance between producers and consumers, and strong fluctuations in demand”.

Definitions of tourism distribution channels are given by different researchers. The World Tourism Organisation (1975) explains that “a distribution channel can be described as a given combination of intermediaries who cooperate in the sale of a product.” In terms of the distribution system, more than one distribution channel is involved in a distribution system and each channel functions separately and contends with other channels (World Tourism Organisation, 1975).

McIntosh (n.d., cited in Buhalis, 2000, p. 114) describes tourism distribution channels as “an operating structure, system or linkages of various combinations of travel organisation, through which a producer of travel products describes and confirms travel arrangements to the buyer”. This definition highlights the information provision function, but ignores promotional factors.

Middleton and Clarke (2001, p. 292) define a distribution channel as “any organised and serviced system, created or utilised to provide convenient points of sale and/or access to consumers, away from the location of production and consumption, and paid for out of marketing budgets.” Buhalis (2000) argues that the promotional and marketing research activities undertaken by channels are ignored by this definition;

their information provision function is underestimated and local outlets are excluded, e.g. box offices or incoming travel agencies at destinations.

Furthermore, Wanhill (1998) states that intermediaries are for connecting buyers and sellers, either to create new markets or to make existing markets work more efficiently, and accordingly expanding market size.

It is widely recognised that distribution has an influence on price, product, and promotion, which are the other factors of the marketing mix. Buhalis (2000) supports this statement and elaborates it by relating the price to assessed real-time demand and available supply. This links the development of tourism products with tailoring products to meet customers' needs. It also relates facilitating promotion with targeting specific markets and establishing communication.

Additionally, in the tourism industry, distribution is more vital than those three elements, i.e. price, product and promotion. That is because, compared with intermediaries in other industries, tourism intermediaries play a more important role in influencing and directing demand (Buhalis, 2000). Buhalis (2000) further explains the components in tourism intermediaries, including travel agents, tour operators, charter brokers, reservation systems and other travel distribution intermediaries.

2.2.2 Functions of Tourism Distribution Channels

According to Buhalis (2000), tourism distribution involves two main aspects: information needs to be disseminated to prospective consumers and intermediaries; and a mechanism has to be established by suppliers to arrange travel services, so that consumers and intermediaries can book and pay for the tourism services they would like to enjoy. That is, the primary distribution functions for tourism are disseminating information to prospective tourists, packaging of tourism products, creating methods for tourists' reservation and purchases. Above all, tourism

distribution is a mechanism adjusting supply and demand and considering the cost, location and coverage of information provision and points of sales; supplying specialised knowledge; packaging goods and services; and offering chances to tourists for booking and purchase.

2.2.3 Structure of Distribution Channels (Direct/Indirect)

Distribution can be direct or indirect. Morrison (1996) elaborates direct distribution as being when the supplier promotes, reserves and provides services to customers by themselves. Conversely, indirect distribution occurs when a third party takes part in some or all of the responsibility for these functions instead of the supplier. In the context of the tourism industry, this third party can be a travel trade intermediary, such as wholesalers, inbound and outbound tour operators, retail travel agencies, destination management organisations, and national, regional and local tourist organisations. Many researchers consider the organisations offering ancillary services as intermediaries, such as clubs, credit card companies, special privilege user cards, societies and religious organisations (Wanhill, 1998). The intermediaries, depending on their position in the chain, have varying degrees of both sourcing products and distributing them. One or more intermediaries can be involved in indirect distributions.

There is variation in direct and indirect distribution channels. In terms of direct channels, the occurrence of visitors getting information and making reservations and purchases can be at the market via booking systems or at the destination. For indirect distribution channels, variation occurs because of the number of intermediaries employed in the market or destination and the different depths of intermediaries used. Tourism distribution channels can exist with an endless variation, and the variation differs according to the particular structure of the industry. Variation also differs according to products and external environment (Buhalis, 2000).

Therefore, the structure of tourism distribution may involve direct and indirect channels, which a tourism business employs to disseminate information of its services to customers and to let customers book and pay for their services. Considerations in establishing the structure of tourism distribution channels are given to many aspects: mainly the cost and market coverage of different distribution channels and the range of different segments being served or targeted (Pearce & Tan, 2004).

2.3 Research on Tourism Distribution Channels

2.3.1 Introduction of Research

It is widely recognised that distribution channels are associated with progress in the development of the tourism industry as a whole and tourism marketing specifically. Therefore, developing an effective system of tourism distribution channels is critical to the increase of tourism development, especially in terms of increased competition. Consequently, there is a growth in research on tourism distribution channels.

In this section, there is a brief description of the history of the research on tourism distribution channels. This demonstrates the context in which recent developments have emerged and the progress that preceded the current state of tourism distribution channels. After describing the history of the research on tourism distribution channels, significant issues in tourism and areas of recent study will be illustrated with a theoretical framework (Figure 2.1). This review of tourism distribution channels studies is illustrated by the diagram: Forms of tourism, economics of tourism distribution channels, segments of tourists, research base, distribution structure, functions and underlying factors.

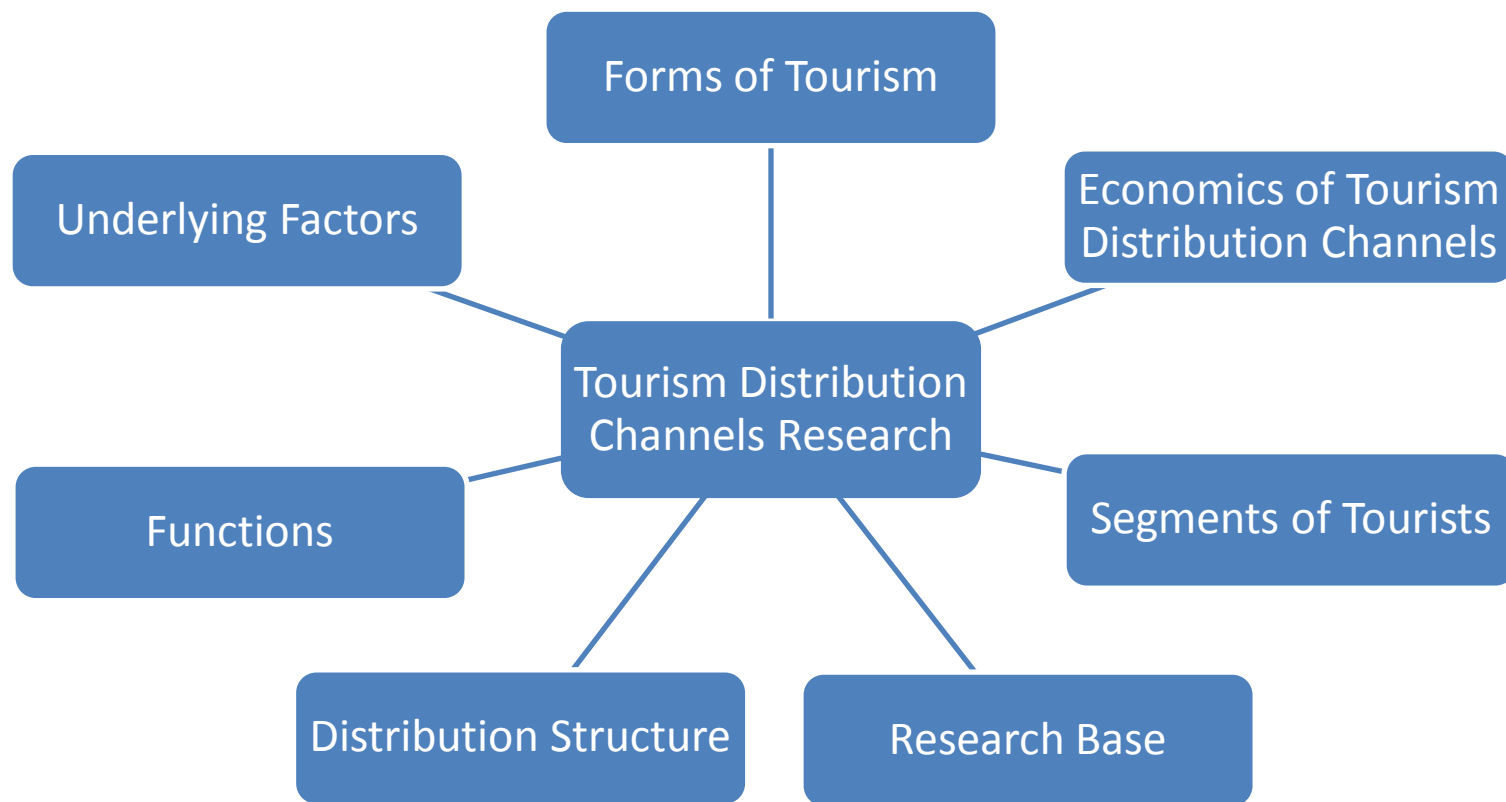


Figure 2.1 Tourism Distribution Channels Research Framework

2.3.2 Brief History of the Research on Tourism Distribution Channels

The earliest tourism distribution research appeared in the 1970s (Kaven, 1974) and in the 1990s tourism distribution studies began to be conducted in a more sustained manner, with the publication of three books, i.e. O'Connor (1999), Buhalis and Law (2001), and Alcázar Martínez (2002). More researchers have been attracted to tourism distribution channels in the past 20 years (Pearce, 2007; Schott, 2007).

In the past, most academic studies related to tourism distribution channels have paid attention to packaged leisure travel. There are also research projects on the role of providers or intermediaries (Garcia-Falcon & Medina-Munoz, 1999; Radburn & Goodall, 1990). Research on the inter and intra relationships among channel members is also popular among researchers, e.g. suppliers and wholesalers (Crotts, Azzi & Rischild, 1998; Buhalis, 2000), suppliers and inbound operators (March, 1996), inbound operators and wholesalers (March, 1997; 2000; Lumsdon & Swift, 1999), and more specifically between airlines and travel agents (Ali-Knight & Wild, 1999; Morrell, 1998), hotels and travel agents (Garcia-Falcon & Medina-Munoz, 1999) and tour operators and travel agents (Radburn & Goodall, 1990).

In recent years the structure and behaviour of specific channel members, such as tour operators, have attracted researchers' attention (Gartner & Bachri, 1994; Williams & Richter, 2002). Research on the impact of technological changes has also appealed to researchers. The computerised reservation system (CRS) is an initial research topic in the information technology area. Later on, attention was given to the Internet and other forms of electronic distribution (O'Connor, 1999; Morrell, 1998; Pearce & Tan, 2004), particularly in some sectors, such as the air transport and travel intermediary sector (Buhalis, 2004; Lubbe, 2005; Piga & Filippi, 2002).

2.3.3 More Recent Research Work in Tourism Distribution Channels

A growing recognition of the crucial role of tourism distribution channels can be seen from the increase in the relevant research. On account of its importance, developing an integrated framework is needed, in order to provide a more systematic perspective on the issues of tourism distribution channels. This section outlines a framework and interprets its application in selected aspects of tourism distribution channels research.

Recently, the New Zealand Tourism Strategy 2010 (Tourism Strategy Group, 2001) stressed the importance of tourism distribution channels in the development of the tourism industry in New Zealand. Consequently, a project was launched to examine a variety of distribution channels, to discover the factors affecting the behaviour and motivations of all channel members, to evaluate the performance influenced by different channel structures, practices and relationships, and to provide the best solutions and suggestions for management practices in the tourism distribution channels for various markets, regions and forms of tourism (Schott, 2007).

The most relevant research has a variety of focuses, such as specific destinations (Pearce, Tan & Schott, 2004; Stuart, Pearce & Weaver, 2005), certain groups of tourists (Pearce, 2002; Pearce, Tan & Schott, 2007; Reid & Pearce, 2008), certain forms of tourism businesses (Pearce & Sahli, 2007), relations between two countries (Sharda & Pearce, 2006), and certain forms of tourism (Pearce, 2005; Pearce & Tan, 2004; Schott, 2007; Smith, 2006, 2007; Smith & Garnham, 2006).

2.3.3.1 Forms of Tourism

With reference to a particular form of tourism, studies have conducted on cultural and heritage tourism, event tourism, convention tourism and adventure tourism (Pearce, 2005; Pearce & Tan, 2004; Schott, 2007; Smith, 2006, 2007; Smith &

Garnham, 2006). These studies examine the current distribution channels of these forms of tourism in New Zealand and to give recommendations regarding increasing the effectiveness of the distribution structures. This analysis shows that most research projects focus on leisure trips rather than business trips. Pearce, Tan and Schott (2007) state that different forms of tourism could be one of the elements of generating a variety of distribution structures; other elements could be market and industry maturity, and cultural and economic features. In distribution channel research on the heritage and cultural tourism, distribution channels for independent travellers are diverse, which is quite unusual (Pearce & Tan, 2004). Hence, it is crucial to develop an effective distribution system, so that any form of tourism can succeed in terms of development and marketing, especially in the more competitive external environment over time (Knowles & Grabowski, 1999).

2.3.3.2 The Economics of Tourism Distribution Channels (Demand-Side & Supply-Side)

Instead of investigating the distribution systems in their entirety, most empirical distribution studies concentrate on smaller aspects, such as parts of the channels, frequently one or two sectors or channel members. The purpose of this is to examine the roles of specific channel players, or the relationships among several channel members. Research can be conducted with qualitative and/or quantitative methods and from the supply side and the demand side. The economics of the research concerning the relationships can be seen from the source of data collection. For example, March (1997) employed a supply side approach and interviewed tourism suppliers in Australia to examine their perceptions and attitudes in their relationships with large Japanese tour wholesalers and inbound operators in the Australian market. To examine the tourism distribution channels of making travel, accommodation and attractions at Rotorua and Wellington from the demand side, Pearce and Schott (2005) used intercept surveys of international and domestic independent visitors. Smith (2007) researched from the supply side and demand side by conducting interviews with event organisers and a survey of

attendees at four events in Wellington in order to study the distribution channels for events in Wellington,. Mkumbo (2010) studied tourism distribution channels in the northern tourist circuit of Tanzania; he did a supply side study by interviewing suppliers.

For a study focusing on the demand-side, questionnaire surveys are always employed amongst tourists, in order to gain a better understanding on visitors' information search, reservation and purchase behaviour. In terms of supply-side research, tourism providers and intermediaries are interviewed with questions regarding the nature of the organisation, target markets, their strategies, relationships and partnerships, distribution channels and underlying factors.

2.3.3.3 Segments of Tourists (Group and Fits, Business and Leisure, Domestic and International)

In the past, the majority of the research projects on tourism distribution channels have been undertaken on packaged travel rather than independent travel. These studies are mainly destination-oriented, commonly concentrated on mass tourism resorts and dependent on packages developed by tour operators, particularly in coastal settings. There has been a lack of attention paid to independent tourists except in the online studies (March, 1996; Yamamoto & Gill, 2002).

To date, some tourism distribution research projects have been focused on the features and channel behaviour of specific market segments, i.e. group tourists and free independent travellers (FITs), business travellers and leisure travellers, and domestic and international travellers (Duke & Persia, 1993; Gilbert, 1990; Yamamoto & Gill, 1999). This is because tourists can be divided in different ways, and tourism demand is not homogeneous among different segments of tourists (Pearce, 2007). Buhalis (2000) proves that different distribution systems are employed by different market segments. In his opinion, business travellers favour more structured plans and frequently use intermediaries, whilst leisure travellers

prefer wider choice and flexibility; domestic travellers tend to commonly use direct channels and international travellers seem to enjoy indirect arrangements through intermediaries. Pearce (2008) assesses that tour group visitors are distinguished from independent visitors because tour group visitors purchase a single tourism product which has bundled many components together. In this way tour group visitors pay once “in market” for the package. Conversely, independent visitors purchase a tourism product with a single component and they pay separately “in market”, “while travelling” or “at destination”. According to Pearce and Schott (2005), some factors lead to variations in the nature and structure of distribution channels, such as products, sectors and destination attributes; the marketing strategies of suppliers, and the market segments, e.g. group and independent travellers, domestic and international travellers, and leisure and business travellers. Pearce and Tan (2004) conducted a research on distribution channels for heritage and cultural tourism in New Zealand. Capacity, as an underlying factor, affects the receiving of market segments, tour groups or FITs. That is because some heritage properties cannot host a large number of visitors, regarding the property’s physical degradation or visitors’ enjoyment.

2.3.3.4 Research Base (Destination-Based, Market-Based)

A destination approach study to explore distribution channels can distinguish the similarities and differences in distribution structures and issues among channel members (Pearce, 2005). From his point of view, the influence of the place feature on distribution can be studied in destination-based research. Destination-based studies have not commonly existed in distribution channel research so far, although more relevant studies have been conducted recently (Mkumbo, 2010; Pearce, 2005; Pearce & Tan, 2004; Schott, 2007; Smith, 2007; Smith & Garnham, 2006; Buhalis 2000; Yamamoto & Gill 2002).

In market-based research, distribution structures can be influenced by factors such as the maturity of the market and industry, forms of tourism and cultural and

economic features. Pearce (2005) overviews that most relevant research projects have focused on the major European markets (Casarin, 2001), or Asian markets, particularly Japan (Forsyth & Smith, 1992), and Korea and China, as recently emerging markets (Guo & Turner, 2001; King & Choi, 1999). For example, Casarin (2001, p. 140) claimed that 'At the beginning of 2000, tourism production in North and South Europe exhibits marked differences in industrialisation which have grown out of disparate maturity levels for supply and demand. The distribution structures reflect this contrast.' Additionally, differences are found in the levels of concentration and in the type and degree of vertical integration. Forsyth and Smith (1992) note that Japan, as the most mature of the Asian markets, also exhibits a high level of concentration and vertical integration. Guo and Turner (2001) show several outbound operators play a dominating role in the China tourism outbound industry due to possessing entitled licenses. In terms of Korean outbound industry, King and Choi (1999) point out that there is a fragment existing in it and the functions of wholesalers and retailers are unclear.

2.3.3.5 Structure (Direct/Indirect)

A tourism product can be made available to tourists directly from providers or indirectly through one or more intermediaries. Market coverage and cost are the criteria for selling directly or indirectly, and choosing appropriate intermediaries for providers (Wahab, Crampon & Rothfield, 1976). Therefore, a multichannel distribution system is applied by some providers who may acknowledge the advantages and disadvantages of using them: varied costs and benefits generating from different channels, whilst a loss of margin and potential loss of identity and control (Pearce, 2007).

Tourism suppliers might employ multiple distribution channels since they might target a range of market segments and provide varied products. Figure 2.2, adapted from Pearce (2007), shows the major market segments, international tourists and domestic tourists, and sub market segments under each of them, group visitors and

independent visitors. Hence, four market segments are included: international tour group visitors, international independent visitors, domestic independent visitors and domestic group visitors. Providers can cooperate with intermediaries to reach international tour group visitors “in market”; reach international and domestic independent visitors either directly or indirectly through intermediaries “in market”, “while travelling”, or “at destination”; and approach domestic group visitors directly or indirectly “at destination”.

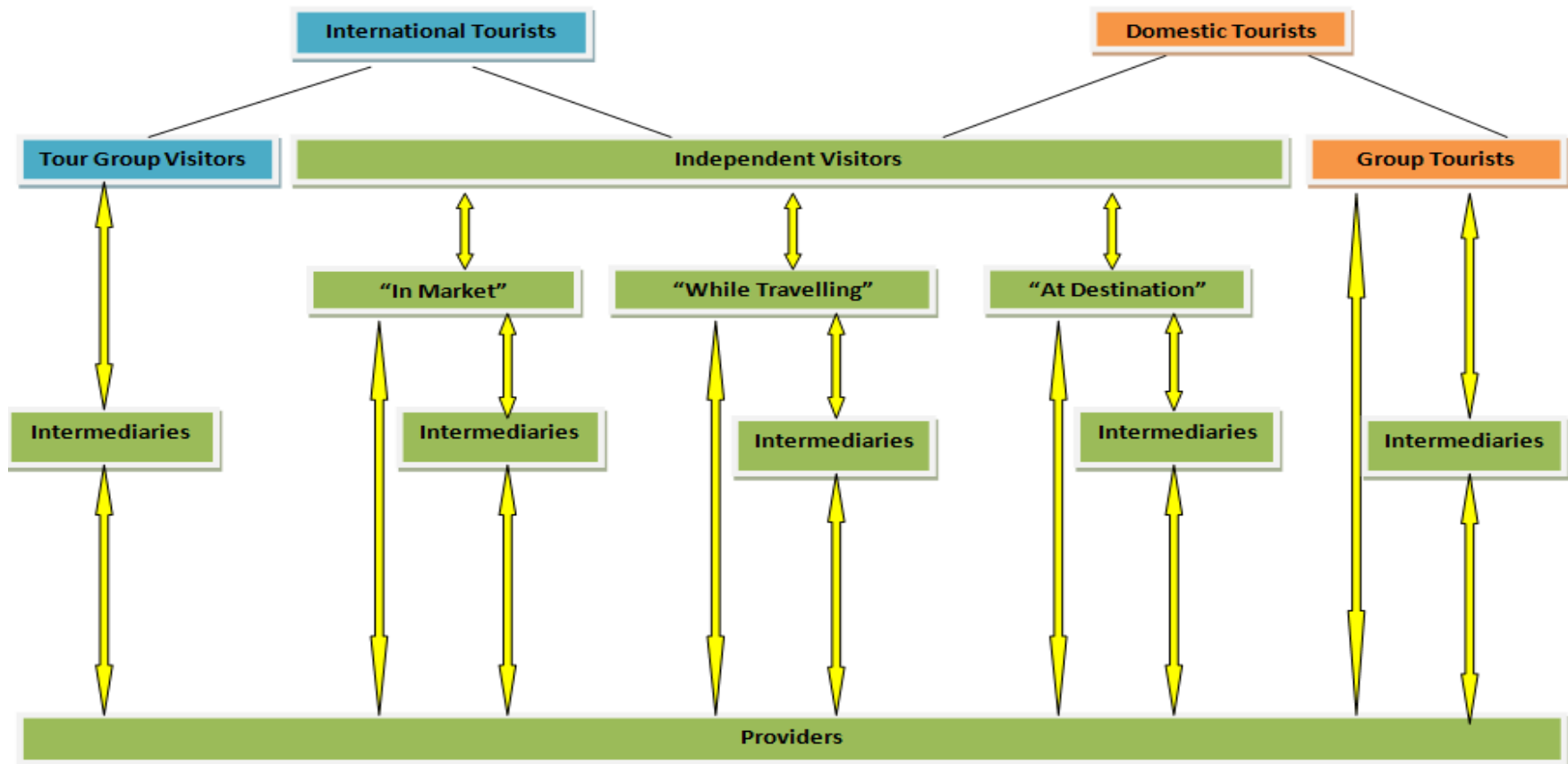


Figure 2.2 Basic Tourism Distribution Channel Structure

Source: Adapted from Pearce, 2007

Wahab, Crampon, and Rothfield (1976) stress the importance of the nature of the varied channel members, particularly their different needs. Pearce (2005) claims that although this statement is not clear, it attracts other researchers' attention to attach importance to investigate the views and motivations of multiple channel members if the researchers would like to have a better understanding on the relevant tourism distribution structures.

In addition, for the sake of developing an effective distribution system, many scholars emphasise tourism providers need to measure the performance of each distribution channel and the distribution system as a whole, although few studies mentioned the measurement of channel effectiveness (Pearce, 2005). Profit generated from a channel and the volume of business the channel produces are identified as the main factors used to evaluate channel performance by Pearce (2005). With regard to direct channels and indirect channels, direct channels produce more profit per client while indirect channels, although producing less profit, produce a large volume of clients.

Although tourism providers apply a variety of channels to reach different market segments (O'Connor, 1999; Pearce, Tan & Schott, 2004), some studies reveal a simple distribution structure. For example, Pearce and Tan (2004) find many providers, especially small and medium tourism enterprises (SMTes) and those in the attractions sector, may rely primarily on direct sales to tourists. This statement has been confirmed by many other researchers, such as Schott (2007), who conducted a research project regarding adventure tourism distribution in Queenstown, New Zealand. Adventure tourists tend to be reached directly by providers "at destination".

2.3.3.6 Functions

Tan (2002) stresses that distribution plays a vital role in marketing as a function, and products cannot be made available for tourists in the marketplace without

distribution. Three main groups are included in distribution, i.e. suppliers, intermediaries and consumers. Sub groups can be classified within these groups, on the basis of their different functions and physical locations (Mkumbo, 2010).

With regard to the functions of distribution, Buhalis (2001) claims that there are three functions, namely: information provision, the means of reservation and payment, and the combination of tourism products. Pearce (2005) confirms these functions and further separates reservation with payment, since different channels might be used by tourists in the process of reservation and payment.

Moreover, multiple transactions might be generated from a range of services, and the transaction can be diverse among a range of sectors. For example, accommodation and transport, reservations and sales might be made in advance, whilst no booking required for most attractions and sales are made at the attractions. Therefore, Pearce (2005) emphasises that it is important to figure out the time and place of operating functions for different businesses individually and the sector as a whole. For example, there is a need to decide the place and the time that information needs to be provided, and bookings and sales need to be made, i.e. “in market”, “while travelling”, or “at destination”.

2.3.3.7 Underlying Factors

The structure of distribution channels varies depending on a variety of underlying factors. Factors influencing distribution channels are different in different contexts. For example, Smith (2007) conducted a study on distribution channels for events tourism by conducting interviews with event organizers and questionnaire surveys with attendees at four events in Wellington. She found that the event distribution channels are affected by target market, capacity, partnership relationships and other factors. In addition, Pearce and Tan (2004) identified the factors influencing of heritage and cultural tourism distribution in Wellington and Rotorua. These

factors include the breadth of product appeal, capacity issues, and the level of commissionable products.

Middleton and Clarke (2001) point out that the coverage of different individual channels and the distance between destination and the markets can also influence distribution structure. Kotler et al., (2006) stress the importance of cost to distribution structure, as well as the coverage to distribution. Furthermore, according to Smith (2007), distribution channel structures and behaviours might also be influenced by different forms of tourism as well as different segments of tourists mentioned by Buhalis (2000). In addition, it needs to be realised by researchers that the perceptions of the provider, intermediary or tourist regarding distribution structure and underlying factors are different (Mkumbo, 2010).

2.4 Wine Tourism

2.4.1 The Definitions of Wine Tourism

2.4.1.1 The Definitions of Wine Tourism

There are a few different definitions of wine tourism. The most widely used definition by Hall, et al., (2000, p.3) is “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”. This definition, which is from a demand side perspective, shows not only the variety of wine tourism products, but also the main motivations of tourists in wine tourism.

Another definition of wine tourism is from a product-based approach by Winemakers’ Federation of Australia (1998) in their National Wine Tourism Strategy. They define wine tourism as “visitation to wineries and wine regions to experience the unique qualities of contemporary Australian lifestyle associated with enjoyment of wine at its source — including wine and food, landscape and cultural activities”.

A supply side approach is exemplified in the definition by Brown and Getz (2006, p. 147), who propose that wine tourism is “simultaneously a form of consumer behaviour, a strategy by which destinations develop and market wine-related attractions and imaginary and marketing opportunity for wineries to educate and to sell their products, directly to consumers”.

Additionally, Getz (2000, p.246) states that “wine tourism is the special-interest travel based on the desire to visit wine-producing regions or in which travellers are induced to visit wine-producing regions, and wineries in particular, while travelling for other reasons”. This definition reveals that wine tourism, as a new form of tourism, appeals to tourists who arrive at a region or even at a particular winery with wine-related or other travel motivations.

The New Zealand Ministry of Tourism (2009) simply defines wine tourism as travellers visiting a winery at least once during their travelling period. This simple definition reflects the development stage of New Zealand wine tourism distribution channels.

2.4.1.2 The Definitions of Wine Tourists

Wine tourists are defined by O'Neill and Palmer (2004) as people who visit a wine region and conduct wine appreciation, whether they stay over or not. In comparison, the New Zealand Ministry of Tourism (2008) adds more detail to this definition, such as age and residency limitation. According to the Ministry of Tourism (2008), wine tourists are visitors from New Zealand or overseas, aged 15 and over, visiting a winery at least once when they are travelling in New Zealand. It is worthwhile to note that this definition does not include local residents who visit the wineries in their area. The definitions of wine tourists in this study vary depending on the understanding of the interviewees.

2.4.2 The Importance of Wine Tourism

Many researchers confirm the importance of wine tourism by emphasising its benefits to wineries themselves and the wine region as a whole. In terms of the benefits to wineries themselves, wineries have realised that, except for short-term cellar door sales, wine tourism can raise brand awareness and loyalty, and educate tourists in order to achieve great sales of wine in the long term. That is, wine tourism is important for wholesale distribution. In addition, wine tourism can provide more cash to obtain a proper cash flow balance. That is, wine tourism is beneficial to retail distribution. Therefore, wine tourism is cost-effective in terms of the wholesale-retail distribution (Hall & Johnson, 1997). Christensen, Hall and Mitchell (2004) confirm this statement by conducting the 2003 New Zealand Wineries' Survey. Wineries can gain higher profit margins, sell more bottles of wine, and conduct more effective promotional activities as a result of wine tourism (Dodd, 1995).

For wine regions, due to the importance of wine tourism, an association exists between the identification of wine regions and the tourism industry for the promotion of wine and wine regions from economic and social aspects (Hall, 1996). In terms of the development of wine regions, Simpson and Bretherton (2004) comment that wine tourism is a "win-win" choice for rural areas. In addition, Beverland (1998) emphasises that wine tourism is beneficial to the winery, the immediate surrounding community, and the industry as a whole.

2.5 Research on Wine Tourism

Wine tourism research was launched in the first half of the 1990s (Mitchell & Hall, 2006) and has rapidly developed since the middle of 1990s (Carlsen, 2004). Initially, as an emerging tourism research topic, wine tourism was studied from the perspective of other fields, such as psychology, sociology and marketing (Carlsen, 1999). In this century, an increasing number of research studies focus on wine

tourism. There has been the publication of books and conference papers on regional, national and international wine tourism (Mitchell & Hall, 2006). An example is the formal research discussed at the first wine tourism conference held in Australia in 1998.

Carlsen and Dowling (1999) propose a research framework for wine tourism. They present a macroeconomic and hierarchical approach for dividing wine tourism studies into a national level and a regional level. By elaborating the development of wine tourism research, Carlsen (2004) reviews wine tourism literature and establishes a framework that illustrates a spectrum showing differences in wine production and tourism distribution. Using this spectrum, he shows at one end studies discussing the wine industry being supply-led, operating through price-taking, providing a standardised wine product, cost-minimising and relying on capital growth. At the other end, he mentions studies on the tourism industry are demand-driven, operating through price-making, differentiated services and profit maximising. More recently, Mitchell and Hall (2006) comment that wine tourism research is in a phase of consolidation, and summarise the studies into seven themes, consisting of wine tourism product, wine tourism and regional development, winery visitor number and expenditure, winery visitor segments, winery visitor behaviour, winery visitor experience and biosecurity.

Wine drinking is part of western culture (Brown and Getz, 2006). Consequently, wine tourism is more developed in the western countries, compared with eastern countries, and accordingly most studies have been carried out in western countries. Interestingly, many studies on wine tourism have been conducted in the New Zealand context (Alonso, 2005; Beverland, 1998; Christensen, Hall & Mitchell, 2004; Hall, 2004, 2005; Hall & Johnson, 1997; Mitchell & Hall, 2003, 2004; Simpson & Bretherton, 2004).

In order to comprehensively review the updated wine tourism research, this paper will develop a framework (Figure 2.3) from the supply side and the demand side by

categories, namely wine tourism destination development, wine tourism product and wine tourists. Studies related to wineries and vineyards, wine festivals, wine routes, and other wine attractions will be discussed under the wine tourism product categories; whilst research on profiles, segmentation, the nature of the winery visit and behaviour will be reviewed under the wine tourists component. Discussions about sub-components will also be provided.

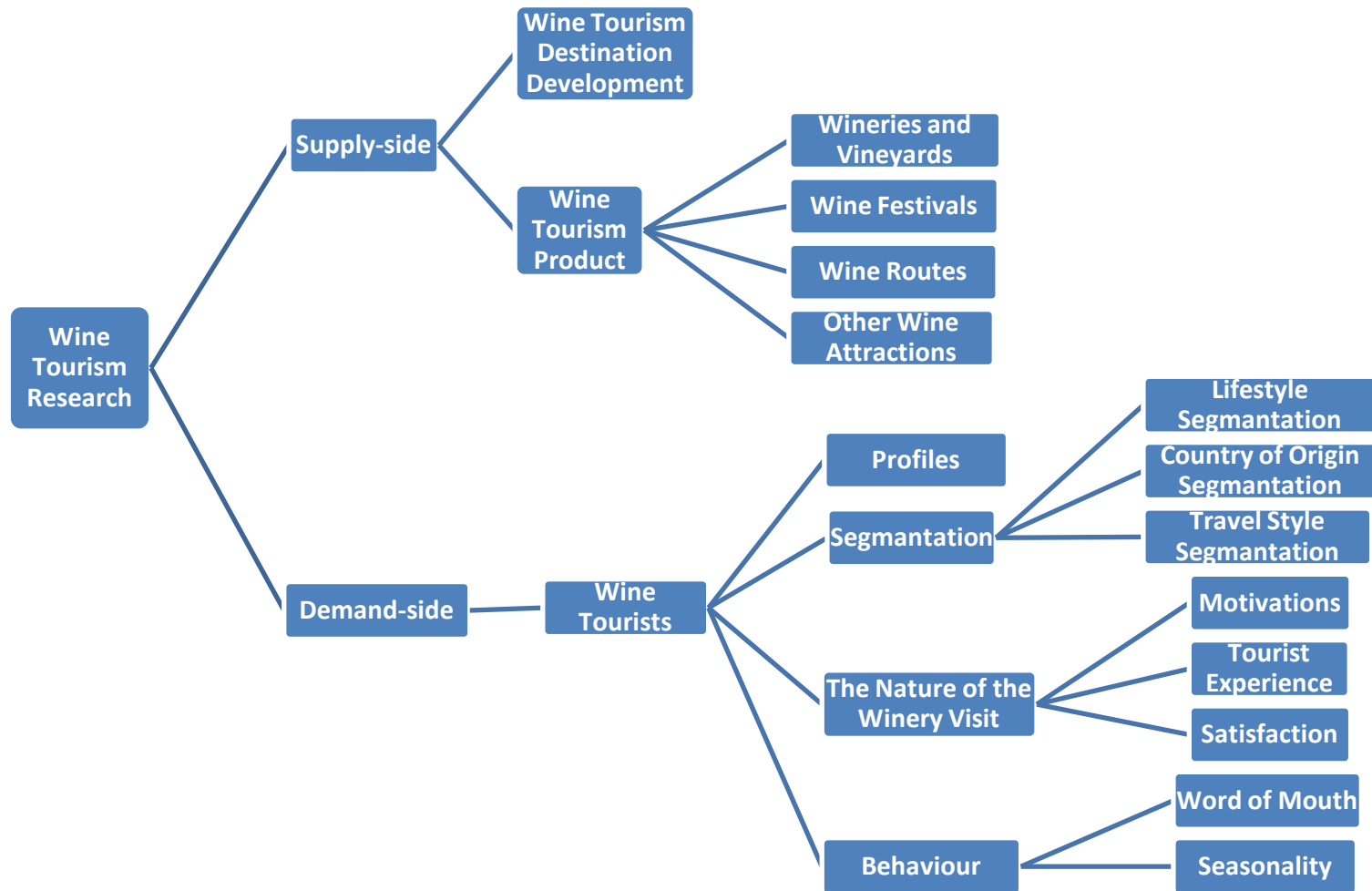


Figure 2.3 Wine Tourism Research Framework

2.5.1 Supply-Side Research

2.5.1.1 Wine Tourism Destination Development

Unlike most industries, the wine industry is located in rural areas. Hence, wine tourism plays an important role in increasing rural economics, particularly in terms of regional development in rural areas, job creation, the sale of local commodities and tourism business investment (Morris & King, 1997). Recently this importance has increased because of the changes in the global economy and consequent economic restructuring. As a result of the importance of wine tourism to regional development, numerous researchers have paid attention to this topic in order to assist individual wineries and wine regions as a whole. They have conducted case studies in different areas, e.g. Australasia by Hall (1996, 2003, 2004, 2005), Hall, Cambourne, Macionis and Johnson (1998) and Schreiber (2004); Canada by Telfer (2001), and Wilkins and Hall (2001); Mediterranean countries by Hall and Mitchell (2000); South Africa by Bruwer (2003); and Chile by Woods (2002).

Some researchers have carried out studies on wine tourism networks and clusters due to the importance of this topic. Hall, Johnson and Mitchell (2000) emphasise the necessity of businesses building relationships with other businesses which are different in terms of the business focus points. Mitchell and Hall (2006) maintain that a wine tourism network can be developed both horizontally and vertically. Collaboration and resource sharing are the core elements of networking, with uniting of promotional activities as one of the common types of collaboration (Hall, 1998).

It has been recognised by researchers that the networking levels are different from one business to another and from one region to another. For example, Simpson and Bretherton (2004) studied some wine tourism firms in New Zealand and they note the difference in attitudes towards co-operation. Marlborough wineries claim that they work well with each other, in terms of the development of their regional image, branding, and touring routes. Conversely, lack of collaboration is perceived

among wineries in Martinborough, where wineries tend to be smaller. In addition, Schreiber (2004) found that little collaboration exists in Central Otago, with lack of communication between the wine industry and the tourism industry, lack of a suitable champion, and lack of the clarification of physical and political boundaries.

2.5.1.2 Wine Tourism Product

Wine tourism product consists of wineries and vineyards, wine festivals, wine routes, and other wine attractions, with wineries and vineyards as the core product for wine tourism.

Wineries and Vineyards

Cambourne et al. (2000) mention that the tourism functions of wineries and vineyards have developed according to changes in wine consumption by tourists. This presents a demand-side perspective, where wineries' attitudes would present a supply-side perspective. An increasing number of studies have paid attention to wineries' attitudes; the issue of biosecurity for vineyards is becoming more relevant in research.

Previously, many wineries did not recognise the fact that they are part of the tourism industry, although other parts of the tourism industry, regional tourism organisations (RTOs) and inbound operators as examples, held the opposite opinion (Hall & Johnson, 1997). According to the research conducted by Hall and Johnson (1997), visiting wineries was then not seen as a form of tourism by most wineries. Some wineries perceive that people who are seriously interested in wine are not tourists. Hall (1996) questions this idea and emphasises that these wineries look down on the significance the tourism industry plays in this development, especially in terms of selling wine.

With more tourists being fond of winery visits and more wineries being keen to earn money from tourists, an increasing number of wineries have begun to have

cellar doors and possess visitor infrastructure, e.g. restaurants, event venues, or accommodation. Besides, they have begun to perceive themselves as involved in the tourism industry, recognising the relationship between wineries and the tourism industries (Hall, et al., 2000). Wineries perceive tourism as an important marketing approach (Mitchell & Hall, 1993). Hall and Johnson (1997) note that with the association of the wine and tourism industries at both the local and national levels, enhanced wine sales can be achieved through winery visits in the short term and greater brand loyalty of better educated consumers in the long-term. With winery visits, visitors can directly pay and get wine at the winery, or directly pay and be placed on a mail order list for specified locations (Hall, 1996). However, according to Macionis (1998), there is a belief that wineries cannot gain as much benefit from wine tourism as tour operators can. The reason for this perception is unknown, though it might be related to the lack of association with tourists that wineries have, which can be related to wine tourism distribution.

Different wineries have different attitudes towards wine tourism, some positive and some negative. Christensen, Hall and Mitchell (2004) conducted a study among wineries in New Zealand in 2003. On the one hand, with positive attitudes, wineries attached importance to tourists in the tourism industry. They valued sharing time with visitors and consider wine tourism as an opportunity for marketing, brand awareness and wine sales. On the other hand, wineries with negative attitudes are not satisfied with the visitors who come as a result of their involvement with the tourism industry. This is because the visitors are not inclined to purchase wine in large quantities from wineries. They perceive that visitors are interested only in drinking free wine rather than buying wine (Carlsen, 2004). These wineries identify the costs related to the wine tourism industry as a large burden for wineries, such as the cost of tourism facilities, network building and staff employed for cellar door operations. According to Hall and Johnson's (1997) research, wineries perceived wine tourism as time consuming. Overall, according to this survey, most wineries view the advantages of tourism as outweighing the disadvantages. However, from this study it is unknown whether there is a relationship between the attitudes of

wineries towards wine tourism and the distribution of wine tourism, which might be an important issue in the practice of wine tourism.

The attitudes towards wine tourism are also affected by the size of the winery. Simpson and Bretherton (2004) conducted a case study in New Zealand related to wine tourism by examining businesses. They put forward an opinion that larger wineries view wine tourism as a Public Relations function. That is, to larger wineries, wine tourism does not make a great contribution to direct sales or indirect later purchasing behaviour. This is because bigger wineries own a variety of distribution channels and outlets. As a result, there is a higher level of customer loyalty that exists in medium and large-sized wineries (Hall & Johnson, 1997).

By comparison, smaller wineries seem depend on wine tourism (Simpson & Bretherton, 2004). In the opinion of King and Morris (n.d.), winery visits do not affect wider wine purchase with the same winery's brand. Most researchers believe that wine tourism is perceived by smaller wineries as playing a significant role in helping their businesses survive, since they have limited resources to conduct marketing and sales activities, and to develop distribution channels (George, 1996). According to Hall's (1996) research in New Zealand, the situation that smaller wineries depend on wine tourism is even more suited to the wineries that focus on the domestic market. In addition, after a research project on New Zealand wineries, Hall and Johnson (1997) point out that wineries who attract buyers to their locations have great amounts of wine sales among the boutique wineries in New Zealand. However, Carlsen (2004) stresses that there are the opposite economic positions where the wine and tourism industries are located. George (1996) reports a phenomenon where the capital intensiveness and financial insecurity of wine ventures leads to low profitability for a large amount of boutique wineries.

With regard to the issue of biosecurity, Mitchell and Hall (2006) define biosecurity as "the protection of a country, region, location's or firm's economic, environmental, and/or human health from harmful organisms" (p.325). Due to the

potential introduction of pests and diseases, the wine industry, particularly the vineyard, is greatly vulnerable. Besides, the tourism industry introduces tourists to wine destinations, which could lead to the introduction of pests and diseases, presenting an even greater potential for a serious threat to the wine tourism industry (Mitchell & Hall, 2006). However, few people in the wine tourism industry recognise this potential threat, and biosecurity is only an emerging topic in wine tourism research (Christensen et al. 2004; Hall, 2003, 2005, 2006; Wilkins & Hall, 2001).

Wine Festivals

In comparison with the winery visitation research, studies on wine festivals are very limited (Beverland, Hoffman & Rasmussen, 2001; Hall & Mitchell, 2004; Houghton, 2001, 2002). Most of these studies are about the nature and development of wine festivals, and empirical data on the nature of wine festivals have been presented by many researchers, such as Houghton (2001, 2002), Hall and Mitchell (2004, 2005) and Yuan, Cai, Morrison and Linton (2005).

Wine Routes

It is recognised that wine routes play an important role in the wine tourism industry, as the typical and traditional wine tourism product in the Old World (Hall & Macionis, 1998) and the new wine tourism product in the New World (Mitchell, 2004). Hall, Johnson, and Mitchell (2000) support this idea by suggesting that wine routes can enhance the development of a wine tourism network. However, only a few researchers have paid attention to it. Hashimoto and Telfer (2003) carried out a project in Canada examining the positioning of an emerging wine route in the Niagara region, in order to understand the wine tourism market and recommend marketing strategies. Jaffe and Pasternak (2004) surveyed domestic and international tourists with questions related to visiting motivations and experiences, and interviewed some winery operators to make a comparison between these two parties to identify marketing implications for the wine routes.

Other Wine Attractions

Other wine attractions have not been given much attention from researchers. Mitchell (2004) comments that attractions, such as wine centres, cannot appeal to many tourists and they rarely survive. However, compared with larger attractions, smaller attractions are more likely to succeed (Frochot, 2000). In addition, although wine shows cannot be consistently seen as wine tourism attractions, they do appeal to people travelling from other areas (Mitchell, 2004).

2.5.2 Demand-Side Research

2.5.2.1 Wine Tourists

According to Hall and Johnson (1997), three advantages exist in studies of the wine tourism market: identifying the accessibility of the wine tourism market, targeting wine tourism product, and establishing wine tourism system. Because of these benefits, there is a need to study the demand-side, that is, wine tourists.

Profiles

Wine tourists can be described based on demographic profiles. Due to small sample sizes, single region samples, or data not collected directly from the visitors, the result of the relevant studies seems not to be very accurate. Moreover, there are some differences among different regions according to these studies. However, generally speaking, winery visitors are domestic visitors with mostly local people, who are on average 30 to 50 years old, well educated and professional with above average income (Mitchell & Hall, 2006).

Segmentation

- **Lifestyle Segmentation**

Lifestyle segmenting towards wine tourists' behaviour classification has also attracted researchers' attention. This segmentation is based on the level of wine knowledge and the involvement in wine and winery visitation. Corigliano (1996, cited in Mitchell & Hall, 2006) categorise winery tourists into "The Professional",

“The Impassioned Neophyte”, “The Hanger On”, “The Drinker”. Hall (1996) divides winery tourists into three categories: “Wine Lovers”, “Wine Interested Tourists” and “Curious Tourists”. Recently, Charters and Ali-Knight (2002) adopted Hall’s model and developed subcategories under “Wine Lovers”, named the “Connoisseur” and the “Hanger-on”. Although there have been several measures related to wine tourists lifestyle segmenting, only Hall’s (1996) segmenting has been widely applied. For instance, in a wine tourism research project in Chile, Kunc (2008) applied Hall’s (1996) model in the study of international wine tourists to Chile. The researcher found that wine tourists comprise: 2% “Wine Lovers”, 23% “Wine Interested Tourists” and 75% “Curious Tourists”. In addition, Christensen, Hall and Mitchell (2004) found that there are 26.8% “Wine Lovers”, 65% “Wine Interested Tourists”, and 7.3% “Curious Tourists” during New Zealand Wineries Survey conducted in 2003. From the above, the size of each market depends on the individual characteristics of each winery, i.e. accessibility, profile of wine, promotion, attractiveness and facilities (Hall, 1996).

- **Country of Origin Segmentation**

Alonso (2008) mentions that New Zealand winery visitation is more common among domestic visitors than international tourists. This is because overseas tourists know less about the wine and wineries in New Zealand. Kunc (2008) studied international wine tourists from the perspective of motivation. His research project shows that the traditional trip package is the motivation for international tourists to visit wineries in Chile.

Some researchers comment on international and domestic wine tourists in terms of the amount of wine purchased. According to Hall and Johnson (1997), wineries assume that tourists tend not to purchase more wine, and instead they are time consuming due to the need to have staff to serve them. Compared with international tourists, domestic tourists purchase more, since wine is a fragile product (Mitchell & Hall, 2004; Hall & Johnson, 1997).

Moreover, Mitchell and Hall (2004) emphasise that, to some extent, repeat visitation can be seen as repeat purchase behaviour even though these repeat visitors may not necessarily have purchased wine during their initial visit. The repeat visit gives the winery a chance to reinforce the relationship with their client. Domestic tourists are likely to be repeat visitors and repeat consumers.

Furthermore, Mitchell and Hall (2004) found that a high amount of positive word of mouth exists amongst all winery visitors. According to their study, nearly 60% of participants recommend the wine of the winery and above 65% recommend a visit to the winery. It is likely that positive word of mouth is more important among local and domestic tourists. To some extent, it is another reason that wineries prefer domestic visitors.

- **Travel Style Segmentation**

Little research is related to Travel Style Segmentation. The New Zealand Ministry of Tourism categorises tourists into four groups: free independent travellers (FITs), semi-independent travellers (SITs), package travellers and tour groups. However, two main groups, free independent travellers (FITs) and package travellers have been widely recognised and intensively studied by researchers (Pearce, 2005; Pearce & Tan, 2004; Schott, 2007).

The Nature of the Winery Visit

- **Motivations**

Motivation is an important issue, since it can be used to explain the behaviour of visitors, and help market segmentation. The statement that winery visitation is not the main motivation of all winery visitors is accepted among many researchers. William (2001) states that scenery, climate, outdoor recreation chances, travel information and wineries are the crucial factors appealing to people to visit wine destinations. The majority of tourists going to wine regions go for winery visitation, sightseeing, festivals, other attractions, socialising recreation and gatherings of friends and relatives (Macionis, 1997; Maddern & Golledge, 1996). Mitchell (2004)

supports this statement by presenting data that show winery visitation was not the main motivation of 77% of winery visitors in New Zealand. Charters and Ali-Knight (2002) propose the internal and external motivations of winery visitors. These factors relate to the lifestyle typologies defined by many researchers, specifically revealing characteristics of particular lifestyle segments. However, not much literature relates to the motivations of winery visitors and the measures in some literature appear crude (Mitchell & Hall, 2006).

Tourist Experience

Tourist experience has attracted attention from many researchers. Most of these studies have been done by employing a quantitative approach. In order to gain insight into the nature of the experience, more qualitative studies are called for.

Mitchell (2004) studied the winery visitor experience in New Zealand using qualitative data. He focused on the interaction with service staff, hospitality and learning about wine. He comments that the winery experience varies from region to region and from one segment to another.

Carlsen (2004) reviewed wine tourism research papers. He notes that the core components of the wine tourism product are wine, food, tourism and arts, and that these components supply wine tourists with lifestyle experiences. For example, wine tourism entitles wine tourists to taste new products, which helps to build brand loyalty.

Mitchell et al. (2000) studied the wine tourist experience. They suggest it consists of five phases: pre-visit, travel-to, on-site, travel-from and post-visit. In their study, a list of wine tourist experiences and business opportunities in all these five stages is presented.

Mitchell and Hall (2004) surveyed winery visitors at 33 wineries in New Zealand, with a follow-up survey after six to eight months regarding post-visit behaviour.

They claim that the cellar door experience is important in terms of developing on-going purchase behaviour.

- **Satisfaction**

Many studies have been conducted to understand winery visitation satisfaction. Very high levels of satisfaction with winery visitation have been identified in most of the literature. Some researchers focused on post visitation. Linton (2008) claims that satisfaction for wine products might influence wine tourists in revisiting the wineries, rejoining the wine festivals, or purchasing wine. This influence would indicate a strong relationship between satisfaction of wine products and post purchase experience. Visitation recollection and enduring satisfaction are the core research issues in a study by Mitchell (2004). He found that high levels of satisfaction appeared for post visit if there was satisfaction with a winery visitation several months prior. However, this approach is criticised as lacking appropriate measures.

Behaviour

Visitor behaviour is a popular research topic in the literature. Mitchell and Hall (2006) divided the relevant studies into three categories: “Tripographic Behaviour Winery Visitors”, “Behaviour at Wineries” and “Post-visit Behaviour”. For the studies concerning “Tripographic Behaviour Winery Visitors”, many researchers have focused on the number and frequency of visits to wineries. Different measures have been applied in different studies and no consistency has been shown among these studies.

Barber (2009) studied the relationship between consumer behaviour and gender in terms of searching for information, and he built two models for information search, i.e. a model of male information selection and a model of female information selection.

- **Word of Mouth**

The issue of word of mouth is highlighted by many researchers. Some of them focus on the factors affecting the rise of word of mouth and some highlight the influences of word of mouth. Rust, Zahorik, and Keiningham (1995) found word of mouth tends to be derived from customer perceptions of service quality. Bruwer (2002) confirms this statement and emphasises the importance of the first-time visitor's cellar door experience. According to Mitchell and Orwig (2002), word of mouth behaviour is popular amongst visitors. Nearly 60% of participants recommended the wine of the wineries they visited and about 65% recommended a visit to the winery. Additionally, in comparison with non-purchasing visitors, the wine or the winery was recommended by visitors who purchased wine. From the perspective of wineries, tourists with post-visit purchases are even more valuable. Mitchell and Hall (2004) also believe there is a high propensity for positive word of mouth among all wine tourists. Similarly, Yuan and Jang (2008) claim that word of mouth would affect wine and/or winery awareness. O'Neill, Palmer and Charters (2002) studied wine tourism in Australia, and found that wine sales are promoted by visitors' word of mouth recommendations since visitors talk about their experiences with others back home.

Seasonality

Some researchers focus on the seasonality issue. The seasonality of both the agriculture industry and tourism industry are the aspects of this phenomenon.

Mitchell and Hall (2003) studied seasonality in New Zealand winery visitation. This study shows that there is high association between New Zealand winery visitation and seasonality, and this association is due to some aspects: the supply of wine tourism products, from the supply side; and demand, market preference and estimated visitation, from the demand side. The viability of winery cash flow can be affected by the seasonality in winery visitation.

Some researchers share the opinion that wine tourism is not seasonal. King (2000) maintains that wine tourism is not as seasonal as other forms of tourism. Getz (2000) proposes that wine tourism can appeal to visitors through the whole year, since not only the vineyard, but also the winery, the viticulture process in particular, attract visitors. This shows winery visitors budburst during spring, grapes during summer and harvest during autumn at the vineyard, and wine production all year around (Getz, 2000).

To modify the seasonality of wine tourism, two methods need to be employed together. One is that wineries and wine destinations need to target the markets which have less seasonal preferences, such as winery visitors with higher wine knowledge, and baby boomers. Another way is to more effectively manage the frontline staff to serve winery visitors.

2.6 Chapter Summary

This chapter reviewed the literature related to tourism distribution channels and wine tourism. It first illustrates the concept of tourism distribution channels, specifically the definitions, importance, functions and structures of distribution channels. This is followed by a discussion of the research on tourism distribution channels under a range of themes. The chapter introduces the concepts of wine tourism including definitions and the importance of wine tourism. The research on wine tourism is identified under a series of issues.

Since different forms of tourism face a variety of distribution challenges (Pearce, 2003) and wine tourism has been rapidly developed in the world, it is crucial to understand wine tourism distribution. However, very little relevant information was found in any context.

The wine industry and the tourism industry are the two main contributors to New Zealand's economy. The combination, wine tourism, has been recognised as

important in New Zealand. Therefore, it is necessary to identify the distribution channels for wine tourism in New Zealand.

Consequently, this study seeks to fill the gap in literature between the two research areas of tourism distribution channels and wine tourism. It focuses on examining the structure of wine tourism distribution channels and identifying the factors influencing channel choice. This study hopes to gain some practical understanding with implications for increasing wine tourism effectiveness.

The following chapter presents the research methodology and illustrates a rationale of the research methods used in this study. The chapter discusses: the study sampling process, method of data collection and the strengths and limitations of the research. The chapter aims to provide an understanding of the methods used for this study.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter identifies and provides a rationale for the methods applied in this research, which is a destination-based study performed by employing qualitative approaches focusing on the supply-side aspect through semi-structured interviews.

This chapter explains the research sampling process by offering information on the research population, the criteria for dividing into different strata and the method of approaching potential interviewees. This study employs proportionate stratified random sampling.

The chapter also presents a description of the data collection method, which is through conducting semi-structured in-depth interviews with the owners or managers of wineries and local tour operators in Marlborough and Auckland, in order to make some comparisons. Fifty one businesses participated in this study with mainly face-to-face interviews with an average length of 50 minutes. The interviews covered the nature of the business, the distribution channels used and the factors affecting distribution channel choices. The study was approved by the Human Ethics Committee (HEC) from the Victoria University of Wellington.

That section is followed by a discussion of the data analysis. All 51 recorded interviews were transcribed and a descriptive analysis was applied, mainly through establishing key themes and joining them to form an overall picture.

This chapter identifies research strengths and limitations. In order to conduct this study, it was appropriate to adopt open-ended semi-structured in-depth interviews. However, it is not ideal to focus on the supply-side when all distribution channel members are important. Limited sample size and the lack of experience and skill of

the interviewer are also limitations of this study. The chapter ends with a summary of the key points.

3.2 Study Sampling Process

3.2.1. Research Population

This study is concerned with understanding the distribution channels for wine tourism in New Zealand. As mentioned in Chapter One, since New Zealand possesses numerous wine regions, carrying out investigations in all of these is impractical. Therefore, selecting a characteristic sample from a region was considered as a wise and sensible way to conduct this research. By studying two wine regions with the same research process, the researcher was also able to make some comparisons. Given that Auckland received the most wine tourists in 2008 (although wine production in the Auckland region was just eighth highest in New Zealand), and Marlborough is the largest wine growing region in New Zealand, according to the Ministry of Tourism (2009), the two regions were selected for the study. Additionally, the diversity of these two regions, e.g. in population, accessibility and tourism activities, was also believed to affect distribution channels for wine tourism. This also makes which the two regions suitable for the purpose of this research.

After deciding on the fieldwork regions, the selection moved on to the selection of the interviewees. Ideally, all the channel members, including wine tourists and intermediaries, should be studied. But due to the limited study period, the focus was on the supply-side, as it allows researchers to explore deeply. Because of the important roles both wineries and local tour operators play in wine tourism, interviews were conducted with the owners or managers of the wineries, and local tour operators. Therefore, wineries and local wine tour operators located in Marlborough and Auckland comprise the population of this study.

The study then investigated the information available on wineries in Marlborough. First, the Wine Tourism Network website was examined. Three relevant wineries' information was found on that website. Perusal the Destination Marlborough's website, which is the regional tourism organisation of Marlborough, was carried out to uncover six wineries. Wine Marlborough New Zealand Limited, the Marlborough winegrowers association, was then considered. From the Wine Marlborough website, a "2010 summer Marlborough Wine Trail Map" was obtained. It comprised 42 wineries open to the public, and it overlapped with six wineries advertising on the Destination Marlborough's website and three wineries on the Wine Tourism Network website. Three wineries were eliminated from the fieldwork because they were located far from the main Marlborough wine areas: one is located at Seddon, another is located at Koromiko and the third is located at Kaikoura. Hence, for Marlborough wineries, a list of 39 wineries was the population of the study.

A selection of Marlborough wine tour operators then had to be established. Two local wine tour operators in Marlborough were listed on the Wine Tourism Network website. Checking the Destination Marlborough's website produced four Marlborough wine tour operators. After using Google search, an additional 12 wine tour operators in Marlborough were found. Hence, a list of 18 Marlborough wine tour operators was compiled.

For Auckland wineries that host visitors, four wineries were listed on the Wine Tourism Network website and 48 wineries were shown on the Tourism Auckland website. These were located mainly on Waiheke Island, and at Matakana and Kumeu. Three wineries had overlapping listings on the Wine Tourism Network website. After checking the relevant local winegrowers' association websites, maps and brochures, i.e. Waiheke Island of Wine, Matakana Coast Wine Country and Kumeu Wine Country, an updated version of the Auckland wineries list was drawn up. Hence, a list of 52 Auckland wineries with cellar door sales was compiled.

Three local Auckland wine tour operators were found on the Wine Tourism Network website. On the Tourism Auckland website, nine operators were listed, which included the three operators listed on the Wine Tourism Network website. From the Auckland Official Guide book, three more wine tour operators in Auckland were found. With the addition of a Google search, six more Auckland tour operators catering to wine tourism were added to the list. A list of 18 Auckland wine tour operators was defined.

Together, there were 127 wine tourism related businesses located in Marlborough and Auckland that comprised the population of this study.

3.2.2. Criteria of Dividing into Different Strata

As mentioned above, by using the Marlborough Wine Trail Map as the sampling frame, 42 wineries providing wine tourism services were found, and three wineries were eliminated from this fieldwork study because of their locations. Therefore, a list of 39 Marlborough wineries was obtained. In terms of providing different tourism services, these wineries were divided into seven categories: (1) only cellar door; (2) cellar door and tours; (3) cellar door and restaurants; (4) cellar door and accommodation; (5) cellar door, tours and restaurants; (6) cellar door, restaurants and accommodation; and (7) others, offering other tourism services. There were 18 wineries in Category One, eight in Category Two, six in Category Three, one in Category Four, two in Category Five, two in Category Six, and two in Category Seven. Wineries belonging to Category One or Two comprise the majority of wineries involved in wine tourism.

The 18 wine tour operators in Marlborough were divided into four groups. The first group comprised companies with a long history and Qualmark accreditation, operating different forms of tours from half day to multi-days, and running wine tours as part of their business. Businesses in the second group were the ones organising different forms of tours from half day to multi-days, and running wine

tours as part of their business. The third group were the companies mainly running wine tours. Businesses in the last group operated accommodation as the main business, but also ran wine tours by themselves. Three operators were in group one, six in group two, three in group three and six in group four.

With regard to Auckland wineries, they were categorised into: only cellar door; cellar door and tours; cellar door and restaurants; cellar door and accommodation; cellar door, tours and restaurants; cellar door, restaurants and accommodation; and others offering other tourism services. There were 23 Auckland wineries providing cellar door service only, which was almost a half of the Auckland wineries involved. Of the rest, three had cellar door and tours, nine with cellar door and restaurants, another three had cellar door and accommodation, eight had cellar door, tours and restaurants, three had cellar door, restaurants and accommodation, and five belonged to “others”, with different tourism services.

The 18 Auckland wine tour operators were divided into two categories: companies running wine tours as part of their business and companies mainly running wine tours. There were nine operators in group one and six in group two.

3.2.3. Proportionate Stratified Random Sampling

Probability and non-probability are the forms for a sample group (Kothari, 2005). In a probability sample, a known chance of being included in the study is given to each individual, which is not given in a non-probability sample. For the sake of gaining a more manageable size, a sample of wine tourism related businesses in Marlborough and Auckland needed to be determined. This was carried out by employing the probability sampling method, more specifically by proportionate stratified random sampling. The intention was to have a sample with a range of businesses.

“Stratified sampling is a probability sampling technique wherein the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata (Castillo, 2009).”

Therefore, in contrast with simple random sampling, stratified sampling research is associated with a higher statistical precision. This is because proportionate sampling enables different strata to have the same sampling fraction. The smallest and most inaccessible subgroups in the population can be sampled in a representative manner by adopting stratified sampling. Hence, it is advantageous to sample each various subpopulation independently. Besides, a very big sample size is not required with stratified sampling. That is to say, an effort to employ this method can save time and money.

3.2.4. The Method of Approaching Potential Interviewees

A goal of randomly selecting two thirds of the wine tourism related businesses was set. Contacts were made with 26 Marlborough wineries: 12 with only cellar door; six with cellar door and tours; four with cellar door and restaurants; one with cellar door and accommodation; one with cellar door, tour and restaurant; one with cellar door, restaurant and accommodation, and one providing other wine tourism services. Twelve Marlborough wine tour operators were approached: two operators in the first group; four in the second group; two in the third group; and four in the fourth group. For Auckland wineries, 34 companies were contacted: 16 with only cellar door; six with cellar door and restaurants; two with cellar door and accommodation; six with cellar door, tours and restaurants; two with cellar door, restaurants and accommodation; and four grouped in “others”. For Auckland wine tour operators, efforts were made to contact 12 businesses for interviews: seven operators in group one and four in group two. Consequently, in total, 84 potential interviewees were approached.

Emails were sent to these potential participants with an information sheet attached, followed by phone calls in order to seek the willingness of these businesses to participate in this study, and then to make appointments for interviews. Finally, 51 appointments were made, 25 in Marlborough and 26 in Auckland. This sample size was seen as being representative of the target population.

3.3 Semi-Structured Interviews with Suppliers

In order to understand the structure of distribution systems for wine tourism in New Zealand, data collection was achieved through semi-structured in-depth interviews with suppliers between December 2010 and February 2011. Data collection was conducted in two phases: the first phase consisted of interviews in Marlborough in December; and the second phase was carried out in Auckland from the middle of January to the middle of February. These interviews were mainly face-to-face, with three by phone because of the availability of the interviewer and interviewees.

As mentioned above, it is ideal to conduct the research on this topic from both the supply and the demand-side. But, because of limited time, focusing on the supply-side was believed to be more worthwhile. This has been confirmed by many researchers through applying this method in their research projects, e.g. Pearce (2005), Pearce and Tan (2007), Pearce and Sahli (2007), Pearce and Weaver (2005), Sharda and Pearce (2006), Buhalis (2000), and Schott (2007).

This research is a destination-based study, which has been widely adopted in research papers on tourism distribution channels, e.g. Pearce (2002), Pearce (2005), Pearce and Schott (2005), Pearce and Tan (2004), Pearce, Tan and Schott (2004), Schott (2007), Sharda (2005), Smith (2007), Smith and Garnham (2006), Stuart, Pearce and Weaver (2005) and Yamamoto and Gill (2002).

Interviews were selected as the mode of data collection, as detailed information can be obtained from information-rich sources by qualitative methods (Tan, 2002). However, in contrast with other data collection methods, face-to-face interviews are always considered as a relatively high cost method (Groves et al., 2004). Nevertheless, face-to-face interviews can improve the quality of data (Babbie, 2007; Groves et al., 2004). Groves et al. (2004, p. 141) emphasise the importance of the interviewer in face-to-face interviews. They mention that assistance from interviewers in clarifying, probing, and motivating interviewees enables interviewees to provide complete and accurate answers. The opportunity afforded to the researcher to probe deeply, to uncover new clues, to open up new dimensions of a problem, and to secure vivid, accurate, inclusive accounts that are based on personal experience is granted by face-to-face interviews (Burgess, 1982). In contrast, a written response, such as the questionnaire survey, can never achieve these (Bell, 1999).

Semi-structured interviews were employed and a the preparation of a checklist of questions was done before the interviews. During the interviews, questions from the checklist were asked, and might be followed by additional questions for an explanation of particular issues in detail. There is encouragement by the interviewer to interviewees to express themselves during the interviews. Hence, the semi-structured interview, frequently used in qualitative research, allows the interviewer to collect direct data and gain responses related to more complex feelings and attitudes from interviewees (Kulic, 2005), in order to pursue the aim of having a better understanding in terms of the interviewees' view on the topic and issues.

A checklist of questions, which had been approved by HEC, was prepared for the interviews (Appendix 1). Most questions on the checklist were open-ended in order to explore some particular issues deeply during the interviews. These questions were asked with different winery owners or managers, and wine tour operators in Marlborough and Auckland. Asking open-ended questions is one of the most

frequently used methods since, compared with answering closed questions, interviewees are able to be given more freedom to respond in their own words. Furthermore, the interviewees' knowledge of the research area can be shown by the open-ended questions.

In the interview question design, four categories of questions were included on the question checklist: Company Profile, Distribution Channel Structure, Distribution Functions, and Behaviours. Clarifying the characteristics of the business was the aim of the first category. In this part, businesses were asked questions such as the establishment year of the business; the size of the business; whether they were accredited by Qualmark; their wine tourism products; and their major markets. These questions were then followed by more specific questions related to distribution channel structure, such as whether they used direct and/or indirect channels, how they reached wine tourists directly, whether they had their own websites, whether they used intermediaries, and whether they had formal or informal partnerships with these intermediaries. Questions concerning Distribution Functions, which was the third category, were about information provision, reservation, purchase and packaging. Questions were asked such as the advantages and disadvantages of each channel they use, and their most effective and efficient channels. The last category of the interview questions related to whether they foresaw any changes to distribute their wine tourism products in the near future. Interviewees were also given the opportunity to raise other issues.

Finally, 51 businesses participated in this study with interviews of an average length of 50 minutes. The shortest interview lasted approximately 30 minutes and the longest interview lasted more than three hours. It should be pointed out that enough time was given by the interviewees for the interviewer to be able to be acquainted with the information of importance to the research topic, being distribution channels for wine tourism in New Zealand.

The interviews covered the nature of the business, the distribution channels used, and factors affecting distribution channel choices, each of which have been mentioned above. With the purpose of comparing different channel members, and achieving whole structures, interviewees from different businesses were asked the same fundamental questions during interviews.

3.4 Analysis

In qualitative research, there is a more intimate relationship between data collection and analysis (Babbie, 2007). As mentioned above, most interviews were recorded with the consent of the interviewees, and one interview was recorded by note-taking during the interview proceedings because of the preference of the interviewee. For the sake of data analysis, the audio recorded interviews were fully transcribed.

The interview transcripts were read and the answers were highlighted on the transcripts. The research can make comparative analysis, since the interviews were conducted in two regions, Marlborough and Auckland, and in two business sectors, wine tour operators and wineries. Excel was employed in order to draw four tables with all questions and main responses. These were wineries in Marlborough, wine tour operators in Marlborough, wineries in Auckland, and wine tour operators in Auckland. Using this approach, answers to the same questions could be compared from one business to another, from one business sector to another, and from one region to another. Therefore, when required, the researcher was able to check back to the transcripts for the whole responses pertaining to the main themes and main answers shown by the Excel tables.

This research employed descriptive analysis of the qualitative data. This means that, compared with numbers and figures used in quantitative research, reporting results with verbatim quotations is commonly used in qualitative research. In order to support findings and conclusions, evidence should be provided. Hence, for the sake

of supporting the analysis in this research, quoting the words spoken by the interviewees is essential.

Because of the complexity of the structure of tourism distribution channels, in order to support the descriptive explanations of these structures with the emerged themes, and to enhance understanding of the explanations for readers, the analysis will be demonstrated with diagrams for the distribution channel structures, along with quotations.

The following chapters, the analysis chapters, are structured by some of the themes identified.

3.5 Strengths and Limitations

3.5.1 Strengths

In terms of finding out about the phenomenon being studied, which is the structure and functions of the distribution channels for wine tourism, the use of open-ended semi-structured in-depth interviews was appropriate and efficient. By using this method, the respondent's point of view, feelings and perceptions of the research topic, e.g. distribution channels, were able to be deeply explored. Interviews are potentially more systematic and comprehensive by adopting this approach. It is considered that interviews with business owners and managers are a prime source of information (Healey & Rawlinson, 1993). Considering each interview took an average of 50 minutes, much information was yielded. The good quality of information collected was enabled by the wide coverage of business owners or managers interviewed. The interviews comprised general questions, as well as probing questions. General questions included: how channel members choose partners; the criteria they use; and which factors they consider in deciding which channel to use. Questions on the performance of different channels, and the use of the Internet in the distribution process, are examples of probing questions.

3.5.2 Limitations

The biggest limitation is that this study is conducted from the supply-side perspective. Hence, although wine tourists play a significant role in the distribution channel structure, no information was gathered from their perspective. This project indirectly analyses wine tourists by means of conducting interviews with wine tour operators and wineries. Therefore, some of the interview answers are not facts, but indications or opinions. In order to obtain a more exact structure of distribution channels, all members should be studied.

Another limitation was the sample size, which is related to the period of data collection. In December it was the high season for Christmas wine sales and Marlborough wine is popular around the world. Therefore, wineries in Marlborough were busy during the researcher's period of data collection and some declined to participate. For wineries in Auckland, the range of wine produced there is, on average, smaller than the range of wine produced in Marlborough, and the tourism services that Auckland wineries provide are less comprehensive than the ones Marlborough wineries provide. Other reasons that wineries declined the interview request were that they were not interested in this study or did not consider themselves as part of the tourism industry. For wine tour operators in Marlborough and Auckland, the peak season for the tourism industry is from December to February. Hence, many were not able to participate in this study. Consequently, the response rate is not very high. However, even though the research sample may not fully represent the population, because it is a reasonable size, 51 interviews was still considered to be representative enough to identify trends in the industry and the structure of the distribution channels for wine tourism.

The narrowly related experience and skill of the interviewer is another limitation. According to Paterson (1994), the skill, experience and understanding of a researcher might affect qualitative findings. The interviewer should be a skilled

listener; to notice and react to nonverbal clues; to be flexible, open minded, and to be willing to release power and control during the interview.

In summary, a rich and representative body of data was obtained. The analysis is presented in the following chapters.

3.6 Chapter Summary

The methodology chapter has discussed how this study was designed. The sections demonstrated how the wine tourism providers were selected for this research, how the interviews were conducted, how the analysis process was carried out, and the strengths and limitations of this study.

In detail, this study was destination-based and focused on the supply-side. It adopted proportionate stratified random sampling. It employed a qualitative approach, namely semi-structured in-depth interviews with the owners or managers of the wineries and local wine tour operators in Marlborough and Auckland. Fifty one businesses were involved in this study by participating in interviews of an average length of 50 minutes, which covered the nature of the business, the distribution channels used and factors affecting distribution channel choices. All the interviews were transcribed and the analysis was applied with quotations as well as diagrams. That the focus is only on the supply-side is the biggest limitation of this study.

The following chapter presents the background of the fieldwork area of Marlborough and Auckland, New Zealand, to enhance the understanding of the readers.

CHAPTER FOUR: DESTINATION CONTEXTS AND CHARACTERISTICS

4.1 Introduction

The previous chapter discussed the methodology of this study in detail. Before examining and analysing the structure of the distribution channels for wine tourism and the underlying factors influencing the behaviour, it is necessary to know the background of the fieldwork area in order to have an increased understanding of the examined themes. Hence, this chapter will first focus on providing the background information about the tourism and wine industries and on wine tourism in New Zealand in general. Then special attention will be paid to the general information of these two destinations, Marlborough and Auckland, and the information about the tourism and on wine industries and wine tourism in these two regions.

4.2 Background of New Zealand

4.2.1 Tourism in New Zealand

Tourism generated \$22.4 billion in the year ended March 2010, with \$12.9 billion from domestic visitors and \$9.5 billion from international visitors (Ministry of Tourism, 2010), which reveals tourism is New Zealand's largest export industry. There is \$6.5 billion directly contributed by the tourism industry, making up 3.8% of New Zealand's total GDP. A further \$8.06 billion, 5.0%, is indirectly contributed. In the year ended March 2011, overseas visitors spent \$5.598 billion, an average of \$2,418 per person per trip.

The tourism industry also offers employment opportunities. It directly and indirectly supports approximately 10% of New Zealanders per year. Around 93

thousand full-time equivalent jobs were provided by the tourism industry in 2009-10, which accounts for 4.9% of the total workforce in New Zealand (Ministry of Tourism, 2010).

According to Statistics New Zealand (2011), for the year ended February 2011, 2.534 million international visitors arrived in New Zealand with a variety of purposes and countries of origin. There was an increase of 2% in international arrivals, at 52,000 visitors, compared with the previous year. Over 32 million guest nights were spent by international visitors in New Zealand.

In line with the increasing popularity of tourism activities, it is a given that the tourism industry is beneficial to the sustainable development of a country and its regions. In order to promote the development of New Zealand's tourism industry and provide high qualified tourism services and visitor experiences, New Zealand has established a range of tourism associations: government tourism organisations, regional tourism organisations, visitor information networks, industry training organisations and Qualmark Quality Assurance (Tourism Industry Association New Zealand, 2011).

4.2.2 Wine in New Zealand

Wine grapes are not indigenous to New Zealand. The first grapes were planted in New Zealand in 1819 by Samuel Marsden at Kerikeri in the Bay of Islands, with vines which were brought from New South Wales, Australia (Hall, 1996). After many ups and downs of proliferating wine producing operations, in 2010 New Zealand had an estimated 33,428 hectares of production area. Marlborough, Hawke's Bay and Gisborne are the three premium wine-growing regions in New Zealand. Grapes yield 190 million litres of New Zealand wine, with 66% of the total production as Sauvignon Blanc, 10% as Chardonnay, 9% as Pinot Noir, 5% as Pinot Gris and 3% as Merlot in the vintage 2011 (New Zealand Winegrowers, 2011).

According to New Zealand Winegrowers (2011), there are 672 wine companies, 1,585 vineyards and 190 wineries scattered throughout the many regions of New Zealand. These are mainly in Northland, Auckland, Waikato, Bay of Plenty, Gisborne, Hawke's Bay, Wellington, Marlborough, Nelson, Canterbury and Otago, ranging from the far north of the North Island to the far south of the South Island (Figure 4.1).



Figure 4.1: Wineries in New Zealand

Source: The Gold Medal Wine Club (2011)

A combination of factors, namely soil quality, climate and human intervention, determine the quality of grape growing and wine-making. New Zealand's reputation for high quality and high value wine relies heavily on the world-class wine from

Marlborough, Gisborne and Hawke's Bay, and the wine from secondary wine regions such as West Auckland, Nelson and Canterbury (New Zealand Winegrowers, 2011).

New Zealand produces a range of varieties. Sauvignon Blanc is the New Zealand's best-known wine internationally. New Zealand is also earning an enhanced international reputation for Chardonnay, Pinot Noir, Pinot Gris, Merlot, Riesling, Cabernet Sauvignon and sparkling wines (Tourism New Zealand, 2011).

The wine industry is now a vital contributor to New Zealand's economy. In 2010, its exports earned \$1.04 billion, from 142 million litres, and sold 57 million litres of New Zealand wine domestically (New Zealand Winegrowers, 2011).

However, the New Zealand wine industry comprises wine producers with a range of market share: one dominant market elite with the majority of New Zealand wine production and exports; two crucial market challengers; several moderate-sized market followers; and a tremendous number of small producers around the country producing low volumes of niche varieties (Simpson & Bretherton, 2004). Over 90% of New Zealand wine was produced by four wineries, namely Corbans, Brancott, Nobilo and the Villa Maria group, and over 90% of New Zealand wineries produced less than 22,000 cases of wine per year (Hall & Johnson, 1997).

To make efforts towards the effective development of the wine industry in New Zealand, two levels of winegrowers associations have been founded: national, and regional or local winegrowers associations. New Zealand Winegrowers, as the national association for New Zealand's grape and wine sector, currently represents approximately 1000 grape growers and 700 winemakers (New Zealand Winegrowers, 2011). The majority of wine regions have regional winegrowers associations, such as the Central Otago Winegrowers Association, Canterbury Winegrowers Association and Gisborne Winegrowers Society. A few regions have district level winegrowers associations instead, such as Kumeu Winegrowers

Association, Matakana Winegrowers Association and Waiheke Winegrowers Association. These associations represent grape grower members and winemaker members living and working locally and those members collaborate to share information and ideas on the issues facing the individual areas.

4.2.3 Wine Tourism in New Zealand

With these two successful industries mentioned above, the combined activity, wine tourism, is seen as a tourist activity with growing popularity in New Zealand. In 2007-08, 475,200 tourists visited a winery in New Zealand, comprising 37% international tourists and 63% domestic tourists (Ministry of Tourism, 2009).

Wine tourism has received increasing attention and emphasis on value from government, academia and industry. One main reason is related to wine sales, which because the vast majority of New Zealand wineries are boutique and boutique wineries have limited distribution channels for selling wine. Wine tourism is a method to appeal to wine consumers at the cellar door. Another reason is related to the development of the tourism and wine industries. By the marriage with wine, in a “win-win” situation, tourism can enjoy sustainable development alongside the wine industry. What is more, as well as the economic aspect, wine tourism contributes to a wine region from environmental and social-cultural aspects.

Unlike Australia, New Zealand has no national or regional wine tourism organisations. To a large extent, the promotion of wine tourism depends on the collaboration of the regional tourism organisations and the regional winegrowers associations. Hence, wine tourism in New Zealand might not be promoted as effectively as wine tourism in Australia.

4.3 Background of Marlborough

4.3.1 Profile of Marlborough

Marlborough is one of the world-famous grape-growing and wine-producing regions in New Zealand. Located in the northeast of the South Island, Marlborough is close to the geographical centre of New Zealand. Covering 10,321 square kilometres, the land area of Marlborough ranges from the Marlborough Sounds in the north, through to the high country of Molesworth. Geographically, Marlborough comprises four sub-regions, namely Picton and the Queen Charlotte Sound, Havelock, the Kenepuru Sound and the Pelorus, Blenheim and the Wairau Valley, and the Awatere Valley and Pacific Coast. As the main town centre of Marlborough, Blenheim is located at the region's heart, surrounded by other towns. In 2010 Marlborough had a population of more than 45,000, half of whom are in and around Blenheim; the rest are sparsely distributed around the region.

The economic exploration of Marlborough has been in process since the first humans arrived in Marlborough. During the early years, Maori made flax and eels and Europeans hunted seals and whales. Later, farming and timber milling become the most popular industries, with a short period of gold mining. In the late Twentieth Century, the viticulture was steadily increasing and is now a major industry in Marlborough. As well, an aquaculture industry has gradually grown. Hence, not only wine, but also salmon and mussels contribute to the high profile of a region with fine cuisine. With the popularity of travelling, because of the beautiful views in Marlborough, tourism is becoming a fast growing industry there.

Therefore, the varied nature of the physical environment in Marlborough has enabled people to engage in various industries throughout the region including tourism, viticulture, aquaculture, as well as farming.

4.3.2 Tourism in Marlborough

In terms of tourism, Marlborough is a popular destination for visitors to enjoy various activities on land, on and in the water, or in the air. The selection of recreational activities on offer include: hiking, mountain biking, horse trekking; fishing, sea kayaking, sailing, cruising, rafting, diving, swimming with dolphins and watching whales; and scenic flights. Visitors can experience Marlborough's diversity through each season.

Marlborough can be accessed by air, sea and land. Two domestic airports are in Marlborough, namely Picton Airport and Blenheim Airport. Hence, visitors can reach Marlborough by air from several departure points in New Zealand: big cities, such as Auckland, Wellington and Christchurch; and small towns, such as Nelson and Paraparaumu. Marlborough is easily accessible by ferry from Wellington. There are two ferry operators transporting passengers and vehicles across the Cook Strait between Wellington and Picton. Marlborough can also be reached by land, via train, coaches and self-driving. One train operates in each direction per day from Picton to Blenheim, Kaikoura and Christchurch, in order to connect with ferry sailings to and from Wellington. There are two main coach companies travelling between Picton, Blenheim, Kaikoura, Christchurch and Nelson. In terms of self-driving, free maps can be obtained from visitor information centres, as well as rental car depots.

The regional tourism organisation in Marlborough, Destination Marlborough, focuses on the promotion of Marlborough as a vibrant, professional and welcoming visitor destination both nationally and internationally from the attractions of water, wilderness and wine. To achieve this goal, Destination Marlborough supports local tourism operators to provide a high quality experience for visitors, educates and influences international travel trade such as wholesalers and inbound operators, liaises with media, develops regional resources and coordinates consumer campaign activities.

4.3.3 Wine in Marlborough

Even though planting in Marlborough began as late as 1973, Marlborough is New Zealand's largest winemaking region due to its free draining alluvial soils and a temperate climate, with lots of cool nights, low autumn rains and sun (Destination Marlborough, 2011). Marlborough enjoys the highest number of annual sunshine hours in New Zealand, on average an estimated 2,438 hours a year (Tourism New Zealand, 2011).

These factors drive wine production in Marlborough, which contributes nearly 79% of the total active wine production of New Zealand (Wine Marlborough New Zealand Limited, 2011). Marlborough has 130 wineries, 568 grape growers and over 18,400 hectares planted in grapes (New Zealand Winegrowers Statistical Annual, 2009). The reputation for Marlborough producing the best Sauvignon Blanc in the world has been widely established, with one third of the region's 10,000 hectares of grapes (about half the national crop) being Sauvignon Blanc. In addition, the profiles of Chardonnay, Riesling and Pinot Noir are developing internationally.

The Marlborough regional winegrowers association, Wine Marlborough New Zealand Limited, is an organisation for grape growers and winemakers collaborating to share information and ideas on the issues Marlborough faces, and to promote Marlborough to New Zealand and the world.

4.3.4 Wine Tourism in Marlborough

Wine is inextricably linked with tourism in Marlborough and Marlborough wine appeals to potential tourists. In summer 2010, there were 42 wineries in Marlborough opening their cellar doors to welcome visitors for tasting and buying wine (Figure 4.2). Although the land under cultivation is rapidly spreading, most of these wineries are located at Renwick and Blenheim, being within easy driving distance of Blenheim. Visitors can explore vineyards and wineries with the

Marlborough Wine Trail Map, or join a guided tour by bicycle, van, helicopter or limousine.

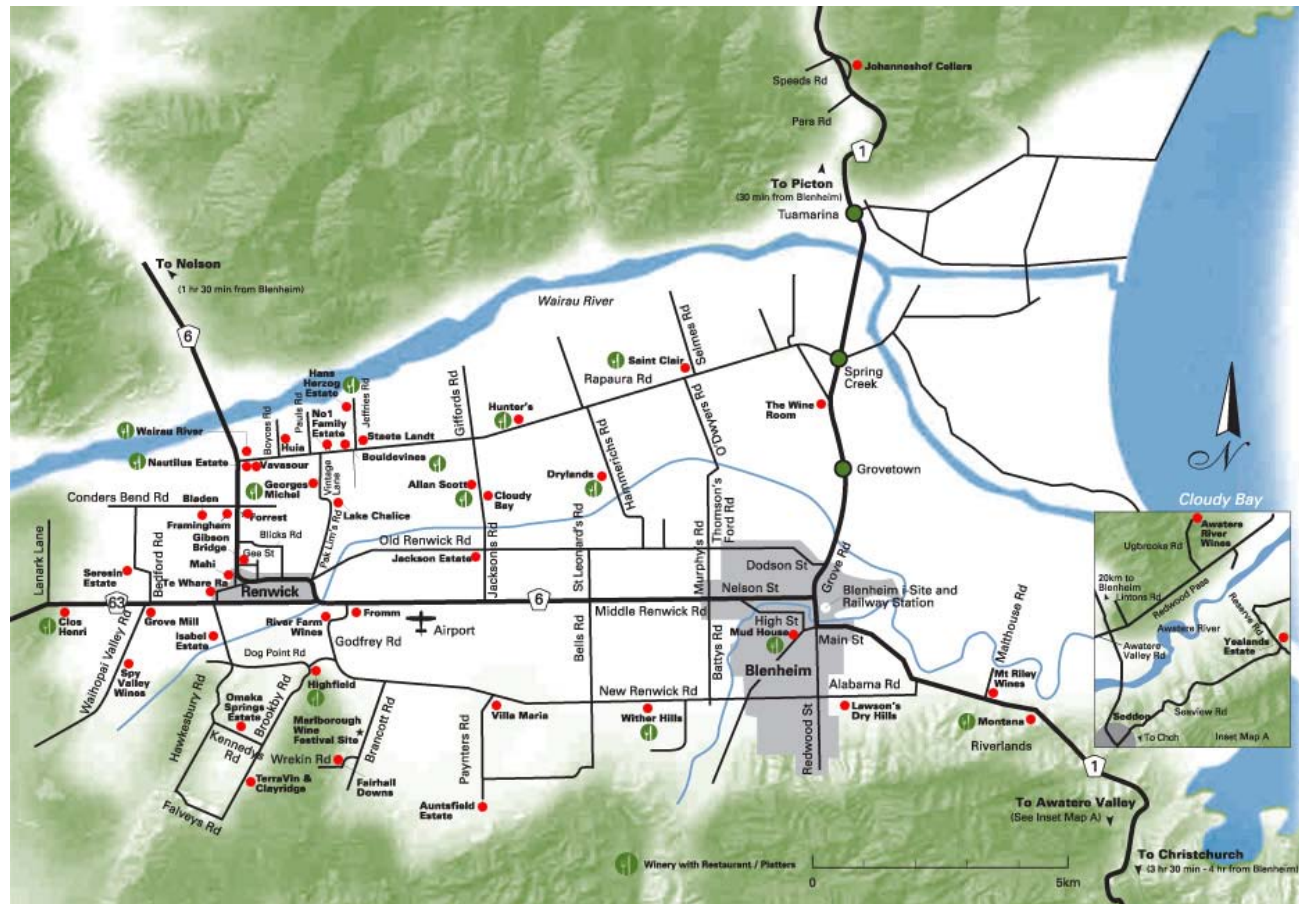


Figure 4.2: Marlborough Wine Trail Map

Source: Wine Marlborough New Zealand Limited (2011)

Marlborough holds the “Wine Marlborough Festival” every year (second Saturday in February) to which thousands of people from all around the world are attracted to tasting Marlborough wine. Another event held in October every two years is named “The Marlborough Wine Weekend”. These three-day events are to introduce and highlight Marlborough wine to visitors. To welcome the Rugby World Cup 2011, there was an “Indulge Marlborough” event in September 2011, which was to celebrate the launch of the new vintage of Marlborough Sauvignon Blanc by integrating entertainment, fashion and cuisine.

Marlborough wine tourism is not only promoted through the daily vineyard-visiting and events promoted by Destination Marlborough and Wine Marlborough New Zealand Limited, it also appeals to visitors through the Classic New Zealand Wine Trail (Figure 4.3). The New Zealand Wine Trail is a 380km self-drive signposted route through five regions of New Zealand, Hawke’s Bay, Tararua, Wairarapa, Wellington and Marlborough. Three of those regions, Marlborough, Gisborne and Hawke’s Bay, produce over 70% of the country’s wine production. Through this route, over 120 cellar doors can be explored, as well as various vineyard restaurants and cafes.

Marlborough attracts over half a million overnight visitors per year. The growth rate of tourism there exceeds the national rate. According to the Ministry of Tourism (2009), Marlborough was the third most popular destination in New Zealand in 2007-08. Over 80,000 tourists visited at least one winery in Marlborough in 2007-08, with about 50% from overseas.



Figure 4.3: Classic New Zealand Wine Trail

Source: Classic New Zealand Wine Trail (2011)

4.4 Background of Auckland

4.4.1 Profile of Auckland

Located in the North Island, Auckland is the economic capital and the largest city in New Zealand, covering an area of 637 square kilometres including the city, suburbs and gulf islands. In 2010, there were about 1.46 million in the Auckland region, with 405,300 people living in Auckland city (Auckland City Council, 2011). The total population accounts for approximately one third of New Zealand's population (Auckland Tourism, Events and Economic Development Ltd, 2011). Auckland is

expected to grow to 2.3 million residents by 2051, which will constitute over 40% of the New Zealand population (Ministry of Transport, 2011).

Because of a lack of strong regional governance, Auckland Super City was established in November, 2010. That is to say, a single new local governance structure has been formed from the previous eight separate city and district councils in order to pay more attention to the “big picture” and accelerate the development of the Auckland region. Auckland Super City has 13 wards, namely Waitemata and Gulf (Waiheke Island), Orakei, Maungakiekie-Tamaki, Albert-Eden-Roskill, Whau, Waitakere, Rodney (Kumeu, Matakana), Albany, North Shore, Manukau, Te Irirangi, Manurewa-Papakura and Franklin. Due to the research topic, this paper will focus on Waiheke Island, which belongs to the Waitemata and Gulf Ward, and Kumeu and Matakana, which belong to the Rodney Ward.

4.4.2 Tourism in Auckland

Seven Council-Controlled Organisations (CCOs) have been founded by the Auckland Super City Government to run approximately three quarters of council services, of which tourism is a part. Having acknowledged that Auckland receives the highest total economic contribution from tourism among the destinations in New Zealand, the Super City Government has realised that tourism can boost Auckland’s economy (Jones, Shone & Memon, 2003).

Auckland is a vacation destination for international and domestic visitors, and it is not just because Auckland is the retail centre of New Zealand and visitors can buy a variety of fashionable clothes there. As well, Auckland has two marine reserves, 100 kilometres of coastline, 22 regional parks, over 500 km of tracks for walking and hiking, 48 volcanic cones, and over 50 wineries open to the public. Therefore, visitors can enjoy a range of tourist activities in Auckland, including urban and rural activities. Shopping, city sightseeing and museum-visiting can be enjoyed as

examples of urban activities, and fishing, sailing and wine-tasting can be enjoyed as examples of rural activities.

Due to the rural and natural settings that Kumeu, Matakana and Waiheke Island have, tourist activities there are similar. Visitors can experience a range of activities, such as playing golf, walking in the bush, horse riding on a farm, biking on the mountain or along the coast, and surfing, diving and snorkelling in the sea.

Auckland is the biggest gateway of overseas visitors to New Zealand. Most international visitors travel to New Zealand by air and some by sea. Auckland Airport is the biggest and busiest airport in New Zealand. It serves 36 international destinations with 19 passenger airlines (Auckland Airport, 2011). It directly connects with many destinations in the South Pacific and Australia, some locations in South America, North America and Asia, as well as the frequent flights to other New Zealand cities and towns. Auckland airport receives over 13 million passengers per year, with 6 million domestic visitors and 7.4 million overseas visitors. Among the international airports in New Zealand, over 70% of visitors from overseas arrive or depart from Auckland Airport.

Auckland is also a leading port for international cruise ships to New Zealand. There were 78 cruise ships arriving in Auckland in 2009-10. Approximately 156,000 international tourists travel to Auckland by sea (Waterfront Auckland, 2011). According to the New Zealand Cruise Industry Study conducted by the Ministry of Tourism (2010), in Auckland about \$63.0 million was generated from the cruise industry, which accounts for around a third of the contribution to the New Zealand economy from the cruise industry.

In 2009, there were 13.594 million visitors to Auckland, 2.550 million international visitors and 11.044 million domestic visitors. Total visitor expenditure was \$4.150 billion, including \$2.277 billion by overseas travellers and \$1.873 billion by New Zealanders. There were 23.538 million guest nights in Auckland, comprising 16.141

million international guest nights and 7.397 million domestic guest nights (Ministry of Economic Development, 2010).

Auckland Tourism, Events and Economic Development Ltd (ATEED), the regional tourism organisation in Auckland, has played a significant role in marketing and promoting the development of the Auckland region, providing information to visitors and tourism-related operators, helping local tourism-related operators to offer a great visitor experience, and conducting investigations on the current important issues.

4.4.3 Wine in Auckland

With regard to the wine industry in New Zealand, Auckland is one of the few regions that has witnessed a long history of grape-growing. West Auckland is the oldest grape-growing area of Auckland, dating from the 1930s (Kumeu Wine Country, 2011). However, with urban expansion, some of the earliest vineyards such as Nobilo, Brajkovich, Soljan and Babich, have relocated to other areas.

Wineries are now scattered throughout the Auckland region (Figure 4.4), from Wellsford and Matakana in the north, to Karaka and Clevedon in the south, from Henderson and Kumeu in the west, to Waiheke Island and Great Barrier Island in the east.



Figure 4.4: Auckland Wine Map

Source: Wine of the Week (2011)

At the moment, wine plays a small part in Auckland's economy and Auckland's contribution to national wine production is also small. In 2010, Auckland had 44 grape growers and 543 hectares of grapes (New Zealand Winegrowers Association, 2011), which makes up only 4% of New Zealand's vineyard area (Tourism New Zealand, 2011). There are 109 wineries in Auckland producing 1,325 tonnes, which accounts for less than 0.5% of the total New Zealand production, of 266,000 tonnes. The Auckland wineries produce an average of only 3200 cases per year, with supermarkets, wine and spirit merchants, restaurants and their cellar doors as their dominant distribution channels. Most wineries try to produce a range of varieties

and run their wineries with the ancillary businesses, the majority of which sell olive oil, cheese or honey.

4.4.4 Wine Tourism in Auckland

Even if wine's contribution to Auckland's economy is miniscule and Auckland plays a minor role in national wine production, the importance of wine to the tourism industry in Auckland is increasing. Auckland wineries received over 130,000 tourists in 2008; over two thirds of those were domestic tourists (Ministry of Tourism, 2009). Henderson, Kumeu, Matakana and Waiheke Island are the main districts of wineries hosting visitors. Located close to Auckland CBD, they are recognised as accessible and enjoyable wine tourism road-trip destinations, apart from Waiheke Island which requires a 35-minute ferry ride.

Approximately 50 wineries in Auckland host visitors regularly with a range of opening hours, and seasonal opening or year-around opening. These wineries offer tourism services at various scales, from the cellar door only, to platters, meals, winery and vineyard tours, events, parties, weddings, conferences and accommodation. They are scattered in Kumeu, Matakana, Henderson, Clevedon and Papakura.

Wineries at Kumeu, Matakana and Waiheke Island are better known than other wineries in Auckland, because of the promotion as "wine countries" by local winegrowers associations. They have signalled the importance of wine tourism to their areas and played an important role for wine tourism. "Kumeu Wine Country" and "Matakana Coast Wine Country" are promoted through their individual websites and individual brochures with a mix of information on wineries, accommodation and dining. "Waiheke Island of Wine" is promoted by its website with a mix of information and a magazine published in Auckland showing a wine trail map with wineries information in a predominant position.

Kumeu is a popular day trip destination for rural activities in north-west Auckland; it had a population of about 6,700 residents in 2006. It is 25 kilometres away from the Auckland City Centre and 30 minutes drive. According to the Kumeu Wine Country (2011), nine Kumeu wineries of varying scales and aspirations sell their wine at their cellar doors and one wine store at the Kumeu town displays and sells Kumeu wine (Figure 4.5).

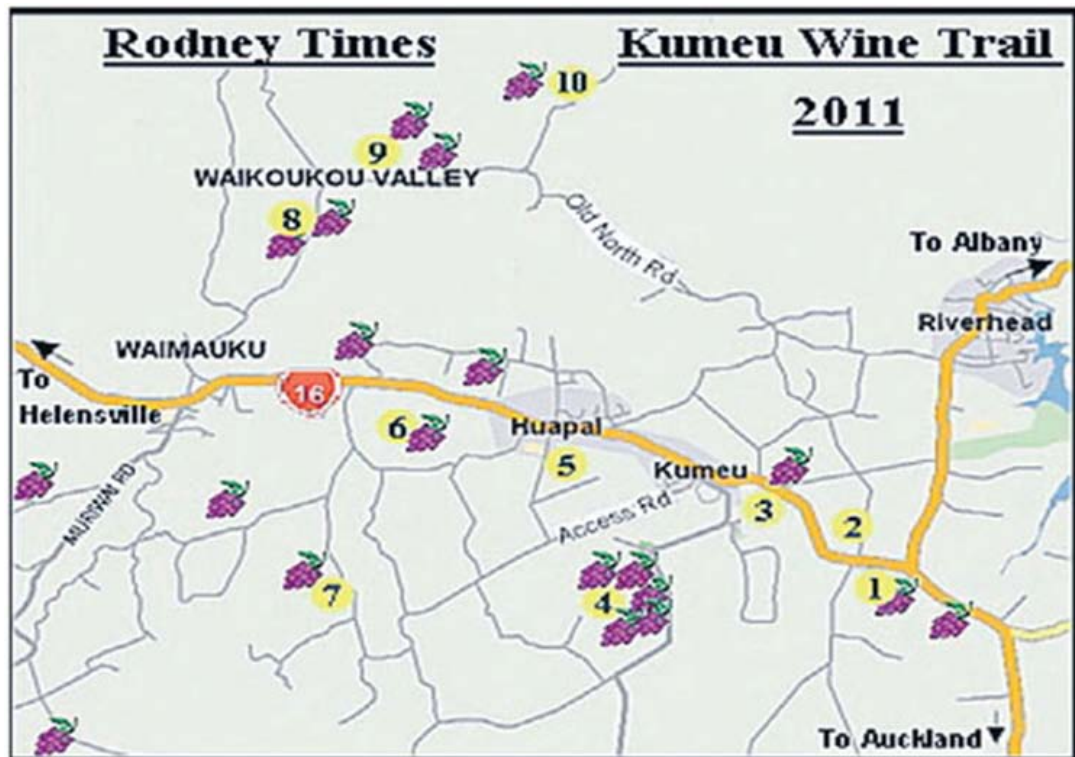


Figure 4.5: Wineries at Kumeu

Source: Auckland Stuff (2011)

Matakana, is a one-hour drive north of Auckland. Matakana is located near the main northern route and on the way to the Bay of Islands for tourists. At Matakana, the first grapes were planted in 1978 and now there are around 17 vineyards there. Wine has become a feature of Matakana's economy. There are 12 wineries at Matakana with cellar doors and one wine store at Matakana town promoting Matakana wine (Matakana Wine Country, 2011) (Figure 4.6).

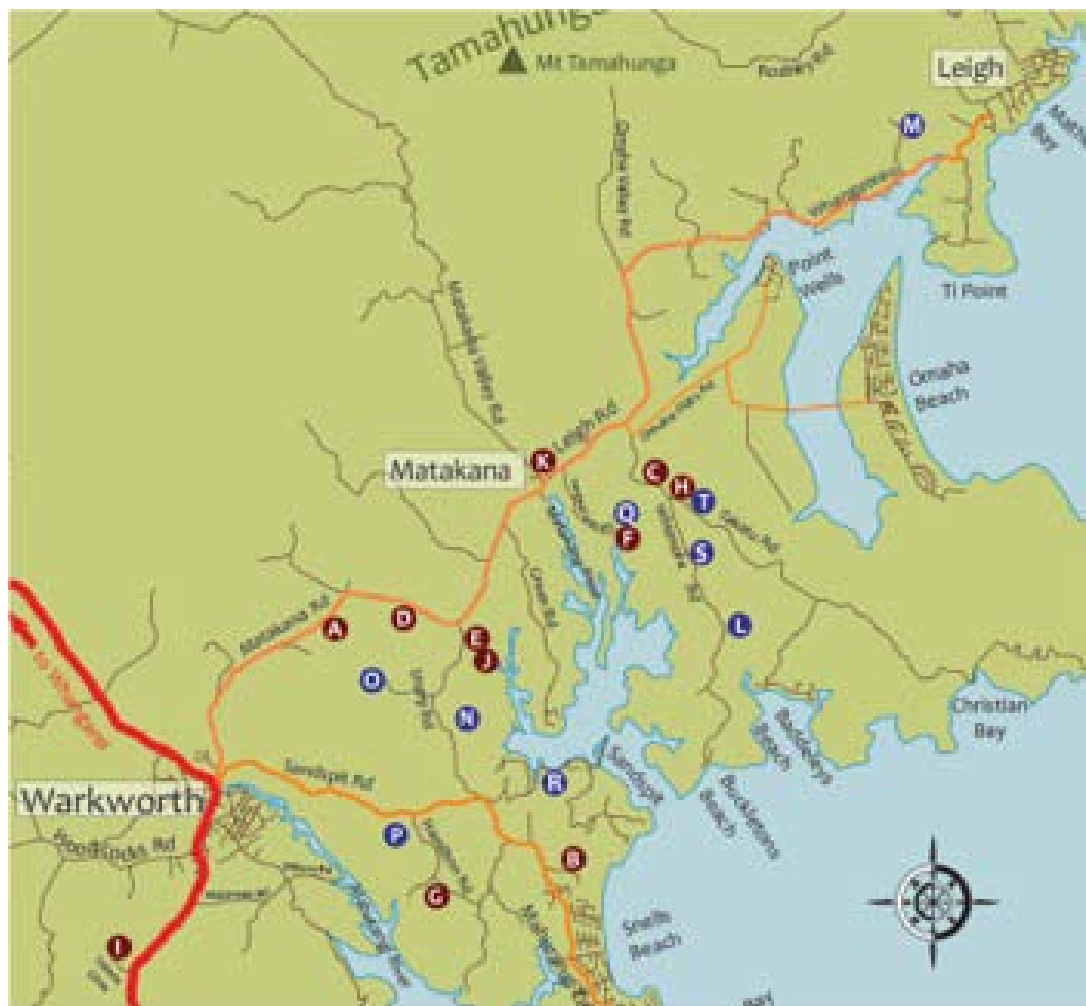


Figure 4.6: Wineries at Matakana

Source: Matakana Coast Wine Country (2011)

Waiheke is a 93 square kilometres island, 35 minutes away from the Auckland City Centre by ferry (Figure 4.7). It is becoming a popular tourist destination for international and domestic tourists, as well as Auckland residents. Every year between 400,000 and 700,000 visitors go to Waiheke Island for holidays.

On Waiheke Island, Goldwaters Estate, the first commercial vineyard, was planted in 1978. During the 1990s and early 2000s, there was a proliferation of wine producing operations on the Island. Now Waiheke Island has 23 wineries with cellar doors to host visitors.



Figure 4.7: Wineries on Waiheke Island

Source: Waiheke Island of Wine (2011)

In addition to having a cellar door as a regular service, some wineries operate events at their venues at a variety of times during the year, such as Coopers Creek Vineyard's "Summer Sunday Jazz" concerts, Soljans Estate's "Winter Wine Fair", Ascension Wine Estate's "Harvest Dinner", Heron's Flight Ltd's "Fill Your Own Wine Bottle", and Cable Bay Vineyards' "Fireside Dinner with John Hawkesby".

In order to expose their brands and wine and to seek collective promotion, wineries also participate in a range of events organised by local winegrowers associations and related organisations, such as local farmers' markets, and food and wine festivals. Local farmers' markets are held weekly, whereas food and wine festivals are organised annually or randomly. "Kumeu Beer Food & Wine Festival", "Kumeu's Best of the West Festival", "Matakana Food & Wine Festival" and "Waiheke Food and Wine Festival" are popular events in Auckland related to wine sampling. These

festivals aim to appeal to local residents and visitors from Auckland and as far away as Whangarei, to taste local products and enhance their awareness of products, and ideally to make some purchases then and later.

4.5 Chapter Summary

This chapter aimed to offer background information about the study areas to help readers to develop a better and more comprehensive understanding of this study and to establish the groundwork of understanding of the structure established of wine tourism distribution and the factors affecting the choice behaviour in the next two chapters. To do this, it first presented the characteristics of the tourism and the wine industries and wine tourism in New Zealand as a whole. It then introduced these aspects with respect to the study areas, Marlborough and Auckland. Specifically, the key differences between Marlborough and Auckland, which may affect the distribution channels are: 1. Marlborough can be directly accessed from around the country, whereas Auckland is the largest gateway to New Zealand; 2. Marlborough wineries, on average, have big production, whereas wineries in Auckland produce limited amounts of wine; 3. About 50% wineries visitors in Marlborough were from overseas, whereas about 70% visitors to Auckland wineries were domestic visitors; 4. Marlborough wineries are very compact, whereas Auckland wineries are scattered throughout the Auckland region, with three areas actively being promoted themselves as “wine country”.

The next chapter will focus on examining the structure of the distribution channels for wine tourism with the hope of gaining increased understanding of the current New Zealand wine tourism distribution chains and structure, as well as the roles and functions performed by each channel member.

CHAPTER FIVE: DISTRIBUTION CHANNELS FOR WINE TOURISM IN NEW ZEALAND

5.1 Introduction

The previous chapter provides the background information about the tourism and wine industries and wine tourism in New Zealand in general and specifically in Marlborough and Auckland. The background information is to help readers to gain a better understanding of the fieldwork results regarding tourism distribution channels.

This chapter presents the structures of distribution channels for wine tourism in Marlborough and Auckland. Specifically, it presents the distribution channels used by wine tour operators and wineries, which are the main suppliers/intermediaries in the wine tourism industry to reach various market segments “in market”, “while travelling” or “at destination” (Pearce, 2009).

As mentioned in Chapter Two, there are four primary functions of distribution channels for tourism: the dissemination of information to prospective tourists, packaging of tourism products, establishing methods for tourists to make bookings and purchases. Both direct and indirect distribution channels are employed to fulfil these functions and any channel can fulfil at least one function. Many intermediaries are involved in assisting providers to distribute their products. Some channels involve one intermediary and some channels involve two or three intermediaries. Hence, great channel diversity is revealed by the structure.

The findings of this study are summarised in four diagrams based on each of the two sets of providers in Auckland and Marlborough (Figures 5.1 to 5.4). A distribution channel is illustrated by an arrow. Four functions are presented on every diagram using coloured arrows: yellow arrows for information provision

distribution, green arrows for reservation distribution, blue arrows for purchase distribution and red arrows for package.

This chapter first compares the structures of distribution channels for wine tour operators and wineries within each region, with the comparison of the two regions. A chapter conclusion is provided at the end.

5.2 Distribution Channels for Wine Tour Operators in Marlborough

Representatives of 12 businesses related to wine tours in Marlborough were interviewed. All interviewees had small-sized businesses with roughly one to three full-time equivalent staff; most are family operated tour companies. Three interviewees are growth entrepreneurs and the rest are life style entrepreneurs. Regarding their organisational structures, each business has set positions, but their roles are quite flexible. Three of the businesses specialise in wine tours and the other businesses run other forms of tours as well. Three businesses are Qualmarked. Only four of the businesses have formalised written marketing plans and follow them to some extent; the others only have ideas in their mind.

Marlborough attracts both domestic and international visitors who are travelling independently or within tour groups. Regarding this study, most Marlborough wine tour operators (MTs) claim that tourists in Marlborough are mainly from overseas, with two out of 12 respondents having 50% domestic and 50% international tourist numbers. Eighty-three percent of the respondents commented that their customers are all free independent travellers. Among the rest of the businesses that responded, 85% of their customers are free independent travellers.

The structure of distribution channels for MTs is illustrated in Figure 5.1. As most MTs do not depend on a single market segment, multiple channels to reach the

tourists are commonly employed. On one hand, half of the interviewees in the MTs sector hold the opinion that the most effective distribution is the direct sales to visitors, although most of these participants cannot recognise whether direct distribution occurs “in market”, “while travelling” or “at destination”. That is, in this case, MTs have no idea whether the direct distribution occurs in the market, at Marlborough, or on the way travelling from the market to Marlborough. On the other hand, employing intermediaries as the most effective distribution channel is confirmed by the other half of the participants. These indirect channels tend to occur “in market”, “while travelling” and “at destination” depending on the location of intermediaries. MTs have different intermediaries that they consider to be the most effective: most MTs work with NZ ITOs, VICs or local accommodation providers.

Information Provision ↔ Reservation ↔ Purchase ↔ Package ↔

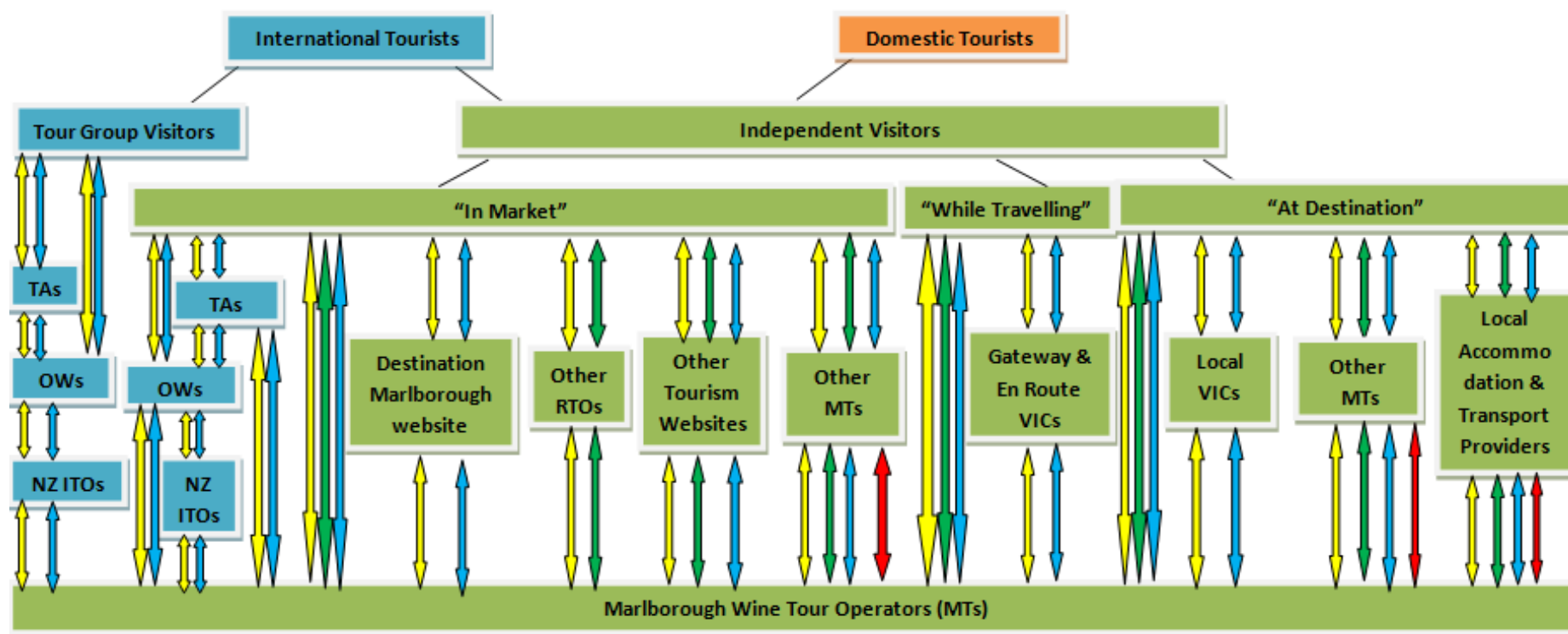


Figure 5.1 Distribution Channels for Wine Tour Operators in Marlborough

5.2.1 Information Provision

Information provision is a salient feature in the study of distribution channels for MTs. For the international group tours, the distribution channel structure is a classic and conventional one. MTs disseminate information to international tour groups “in market” through channels involving New Zealand inbound tour operators (NZ ITOs), overseas wholesalers (OWs) and travel agencies (TAs). Also, international group visitors can receive information in their market direct from the OWs without using the TAs. There is no direct channel of information from MTs to international group tourists “in market”. The flow of information from MTs to international group tourists “in market” depends on intermediaries.

The provision of information to international and domestic independent visitors tends to occur in all of the geographical dimensions. Both international and domestic independent visitors receive information by employing direct and indirect channels at the three places. In terms of indirect channels, international independent visitors are reached “in market” through similar channels to those reaching international tour group visitors or by using one intermediary, the wholesalers. Likewise, domestic independent travellers “in market” can get information about wine tourism activities from the Destination Marlborough’s website, other regional tourism organisations (other RTOs), tourism websites and other MTs. Furthermore, domestic independent travellers can gain information directly “in market”. Use of the gateway and en route visitor information centres (gateway and en route VICs) “while travelling” for distribution of wine tourism product information is widespread by international and domestic independent tourists. When international and domestic independent tourists arrive “at destination”, local visitor information centres, other operators, and accommodation and transport providers are the intermediaries for suppliers to provide the information to tourists.

Information provision through the Internet can be gained by visitors “in market”, “while travelling” and “at destination” through direct and indirect channels. Most MTs disseminate their information directly through their own websites and social media websites, e.g. Facebook and Twitter. A few MTs also advertise with Google Ads. For indirect information distribution by Internet, MTs use the Destination Marlborough’s website and some other tourism websites, e.g. Tourism New Zealand website, TripAdvisor and Rankers.

The most popular marketing medium that MTs use “at destination” is their brochures. Brochures are distributed to visitors mainly through placement at the Picton and Blenheim VICs and local accommodation venues. In addition, one MT also displays its brochures at some gateway and en route VICs, i.e. Christchurch VIC, Wellington VIC and Nelson VIC. The brochures are sent to NZ ITOs, OWs and TAs in order to attract international visitors.

Advertising on the official Destination Marlborough Visitor Guide is popular among MTs. One MTs interviewed also advertises in local tourist newspapers and the Picton and Nelson guide books, i.e. Great Time at Nelson Guide and Visit Picton Guide. Information can also be distributed by being mentioned in travel journals, e.g. Kia Ora, the Air New Zealand Inflight Magazine, or guidebooks, e.g. Lonely Planet and Frommer’s. Word of mouth is highlighted by all MTs.

5.2.2 Reservations

International and domestic independent tourists are the target markets for MTs for reservation function. Reservations can be made directly and indirectly in all of the geographical dimensions by international and domestic independent tourists. Direct reservation channels for international and domestic independent visitors occur in all geographical dimensions. With regard to indirect distribution, international and domestic independent visitors can make reservations using intermediaries such as other RTOs, tourism websites, and other operators “in market”. No indirect

reservation channel for independent travellers has been found “while travelling”. In addition, indirect reservations occurs “at destination” via other operators, and local accommodation and transport providers.

Tourists can make direct or indirect reservations. For direct reservations, tourists from all market segments can book with MTs through the Internet, specifically on their websites’ booking pages or by email “in market”, “while travelling” and “at destination”. Reservations by calls or text messages is another popular way for direct bookings among international independent travellers “while travelling” and “at destination”, and among domestic visitors at any of these places. For indirect bookings, all intermediaries help tourists by email or phone.

5.2.3 Purchase

Purchase is a significant feature in the study of distribution channels. It is done after a through information search and comparison of all alternatives. For MTs, the purchase function varies according to the different market segments. To approach international tour groups, they deal directly with NZ ITOs, and NZ ITOs put together the package tours being offered by OWs. These tour packages are sold to customers directly or through TAs “in market”. Both international and domestic visitors in these three places can be reached directly by MTs for purchase purposes.

However, there are slight differences in the use of the indirect distribution channel for independent travellers “in market”. International independent visitors can use structured purchase distribution channels, which involve NZ ITOs, OWs and TAs in a same chain, or one intermediary, i.e. OWs. Meanwhile, international and domestic independent visitors “in market” can use the Destination Marlborough’s website, tourism websites and other MTs for payment. Domestic and international visitors “while travelling” employ the same intermediaries as “at destination”. These include gateway and en route VICs “while travelling” and local VICs, other MTs and local accommodation and transport providers “at destination”.

Payment for wine tours can be accomplished directly or indirectly. Tourists with direct bookings pay for their wine tours on the MTs' websites or pay when they meet with MTs. International tour group visitors and some international independent visitors who book indirectly pay through intermediaries. For the rest of international independent tourists and all domestic independent tourists with indirect bookings, tour fees can be paid through the Destination Marlborough website, some tourism websites, and gateway, en route and local VICs when tourists make bookings. For the tour package fees, payment goes to the MT who is the distributor, or the local accommodation provider who is the distributor.

5.2.4 Packages

Wine tourism products are sold to visitors bundled together into packages of different components. With the package function, five of twelve interviewees were engaged in bundling. One MT, as a supplier and distributor, packages her wine tour with MT, who provides a cruise tour and lunch on board. This is a new package and they designed it to attract both domestic and international tourists, as well as tour groups and independent tourists. Another respondent, as a supplier and distributor, packages its accommodation and dinner with one MT, as a supplier only, who was also interviewed during the study fieldwork. This package mainly appeals to international independent travellers, although a small percentage of customers purchasing this package are from other market segments. The fourth business running accommodation and wine tours bundles his products into a package; specifically, guests staying for at least two nights get a free wine tour. International independent visitors are the main consumers of this package. The last MT, as a supplier, has a package with a transportation business, the supplier and distributor of this package. Appealing to all segments of tourists is the goal of this package. Although a variety of components exist in these packages, all of these packages are made available "in market" and "at destination".

5.3 Distribution Channels for Wineries in Marlborough

Representatives of 13 wineries in Marlborough were interviewed. Eight are family owned businesses, three are owned by two shareholders, and the other two wineries are owned by overseas international companies. Business sizes were significantly different, from having three full time staff to over 300 full time staff with a number of seasonal part time staff. Their organisational structures are very different; the smaller the business is, the flatter their organisational structure. All of the businesses serve cellar door wine tasting, three businesses have restaurants, two businesses run regular tours, one winery provides on-site accommodation and several of them can arrange functions or meetings by appointment. One restaurant is Qualmarked. Different positive and negative attitudes are held by these businesses. Only one company has a formal marketing plan for its wine tourism services; four companies combine their tourism plans into their whole business' plans; the other eight businesses do not have a written marketing plan for their wine tourism products.

International tour group visitors, international independent travellers, domestic independent visitors and domestic corporate groups are attracted to Marlborough wineries (MWs). MWs receive a range of international and domestic visitors. Some MWs are dominated by domestic visitors, some MWs are dominated by international visitors, and some MWs receive 50% domestic and 50% international visitors. In addition, most MWs' representatives interviewed, 13 in total, stated that the majority of winery visitors are independent visitors.

Due to the variety of market segments, in practice, multiple channels are commonly used to distribute wine tourism products. This phenomenon results in a complex system of tourism distribution channels for MWs as shown in Figure 5.2. However, because wine tasting, the core tourism product provided by MWs, is free, there is no need for the function channels for reservation and purchase. Hence, the channel of information provision is more important. Directly approaching visitors "at

destination” is the most effective distribution channel. MTs are the most effective intermediaries that MWs employ.

Information Provision  Reservation  Purchase  Package 

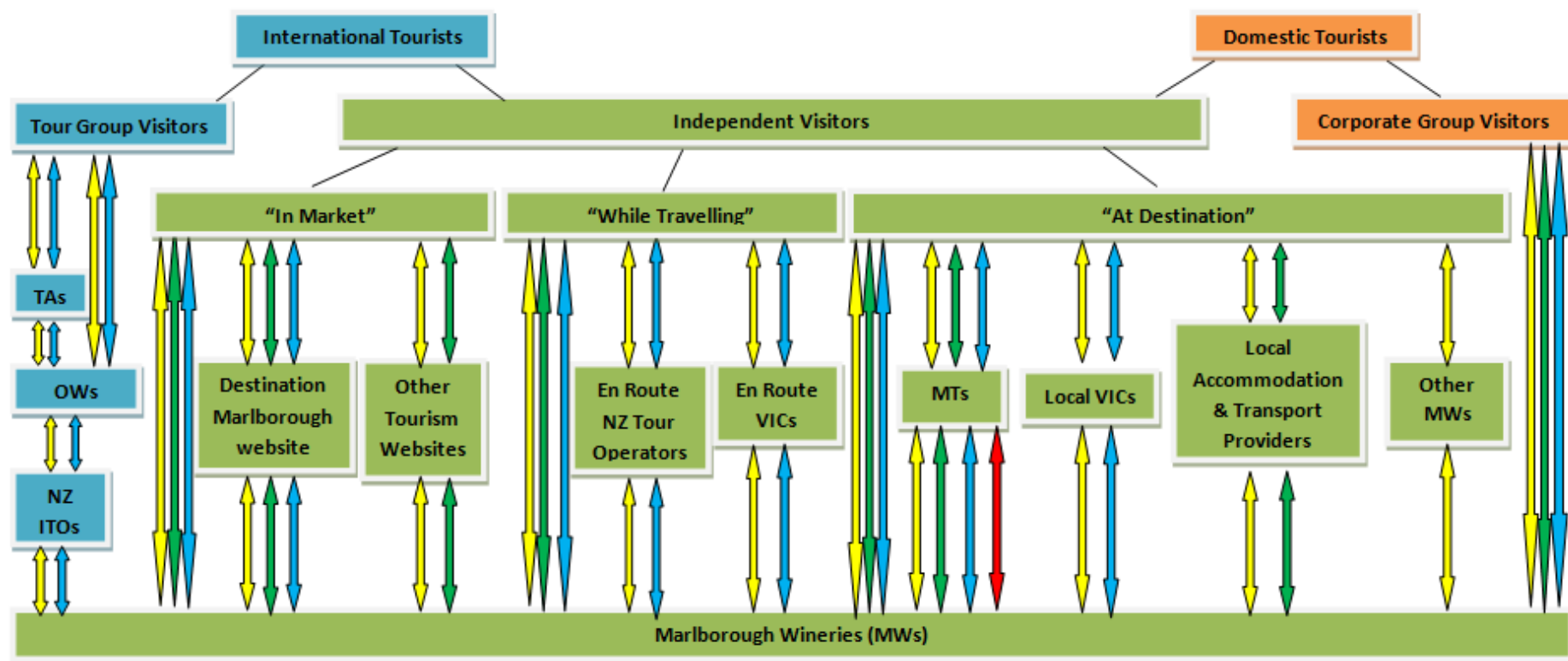


Figure 5.2 Distribution Channels for Wineries in Marlborough

5.3.1 Information Provision

Visitors to MWs have a number of options to get information. International tour group visitors can gain information from the channel by employing TAs, OWs and NZ ITOs as intermediaries in a same distribution chain. They can also be approached in terms of information dissemination by the assistance of OWs and NZ ITOs together. International and domestic independent travellers can directly or indirectly access information “in market”, “while travelling” and “at destination”. Indirect information searching occurs through intermediaries such as the Destination Marlborough’s website and some tourism websites “in market”, en route New Zealand tour operators and en route VICs “while travelling”, and MTs, local VICs, local accommodation and transport providers and other MWs “at destination”. For domestic corporate groups, the direct channel is employed for information dissemination by MWs.

Winery information can be searched for by international and domestic independent tourists in both direct and indirect ways, and both direct and indirect distributions occur “in market”, “while travelling” and “at destination”. With respect to indirect information searching, there are different degrees of popularity of intermediaries that international and domestic independent visitors use at different places. For instance, for the sake of gaining information, international and domestic independent tourists tend to use the Destination Marlborough’s website and some tourism websites “in market”, en route New Zealand tour operators and en route VICs “while travelling”, and MTs, local VICs, local accommodation and transport providers and other MWs “at destination”. For domestic corporate groups, a direct channel is employed for information dissemination.

Visitors can gain winery information through the Internet “in market”, “while travelling” and “at destination” by direct and indirect channels. All MWs have websites and produce e-newsletters several times a year. Some MWs use social media to build awareness. For indirect channels using Internet, the Destination

Marlborough's website, some tourism websites and some MTs' and accommodation websites provide potential visitors with winery information.

"At destination" the official wine trail map is the most popular material for MWs to make themselves known to visitors. All MWs have united and the Marlborough Winegrowers Association has produced this official map. The official map is mainly distributed to local VICs, local accommodation venues and MWs' cellar doors. An independent wine trail map is also made, and some MWs pay to display in it.

Every surveyed MW has its own brochures, which are mainly distributed at the cellar door and local accommodation venues. Some businesses also display their brochures at some en route VICs and local VICs and some local restaurants.

All MWs' participants mentioned advertising together in a series of Cuisine magazines with New Zealand wine country as the theme. Advertising on the official Destination Marlborough Visitor Guide is also undertaken by some MWs. A few MWs advertise on radio or newspapers when they are going to have specific promotions. Being mentioned in travel journals or in guidebooks is another way to disseminate information and a few MWs have been lucky enough to get the publicity. Events are the good opportunities for MWs to be exposed to potential visitors, e.g. the Marlborough wine festival. MTs believe that word of mouth is crucial for information provision. They give their recommendations about other MWs to visitors who are at their cellar door.

5.3.2 Reservations and Purchase

The functions of reservations and purchase are not performed significantly among MWs, although a range of distribution channels can be used for these functions.

A variety of wine tourism products are supplied by MWs, e.g. wine tasting, vineyard dining, vineyard tours, on-site accommodation, events and functions. Different

products are provided from one winery to another. Different reservations requirements exist among different MWs with different wine tourism products. Wine tasting reservations, during their cellar doors' opening hours, are not necessary for independent visitors; after hour visiting has to be by reservation. Wine tastings are free of charge among MWs. A few MWs provide regular vineyard tours at certain times during summer, hence, visitors do not have to book in advance, and visitors can pay directly or indirectly through the Destination Marlborough website, en route and MTs, VICs; Booking is essential for tours at some other MWs; most these tours are free. Most customers at winery restaurant dining are domestic. MWs prefer visitors to pre-book for restaurant dining, but not essential. Other wine tourism products, e.g. functions and on-site accommodation have to be booked in advance and arrange payments later. International tour groups book and pay "in market" indirectly through intermediaries, i.e. NZ ITOs, OWs and TAs in a same distribution channel, or ITOs and OWs in a same chain. Domestic corporate groups book directly by email or phone calls.

In summary, since the wine tasting is the core product, the functions of reservations and purchase are not significant for wine tourism distribution among MWs.

5.3.3 Packages

The package function is not particularly significant among MWs. Two of thirteen interviewees have packaged their products with other businesses. One interviewee packages products with a MT, i.e. a helicopter company, and products from its own business, i.e. one package includes coffee, vineyard and winery tours, wine tastings and lunch; another package has vineyard and winery tours and lunch. The winery tends to attract high end international and domestic visitors, travelling in groups or independently. The other winery claims that they bundle with two MTs, i.e. a helicopter company and a MT focusing on tour groups and specialising in cruise tours around Marlborough Sounds. Potential customers of these two packages are high end consumers, both international and domestic visitors, and tour group

visitors and independent visitors. International and domestic independent visitors can buy these packages “in market” or “at destination”.

5.4 Distribution Channels for Wine Tour Operators in Auckland

Nine wine tour operators in Auckland were involved in this study. Most businesses are small-sized, mainly with one or two full-time equivalent staff. Most of these businesses are family owned and operated. Four of the nine businesses would like to expand their businesses and the others are life style entrepreneurs. With respect to organisational structure, six businesses do not really have one since they are mainly one staff businesses. Two tour operators run wine tours only and they are certified by Qualmark. Only four of the businesses have formal tourism marketing plans and implement them.

In terms of wine tours, the Auckland wine tour operators (ATs) interviewed indicated both international and domestic tourists have enthusiasm for wine tours, but the majority of customers are from overseas. To ATs, corporate group visitors from Auckland are part of their customers. Hence, in the Auckland context, domestic tourists are categorised into two groups, Auckland visitors and non-Auckland domestic visitors who come from other parts of New Zealand. In addition, non-Auckland domestic visitors can be sub-categorised into non-Auckland domestic independent visitors and non-Auckland domestic corporate group visitors.

Figure 5.3 demonstrates the diversity of distribution channels that ATs use for reaching the different market segments. All participants comment that direct channels play the most effective role in the distribution of wine tours, although they cannot point out whether the direct distribution occurs “in market”, “while travelling” or “at destination”. In terms of the most effective intermediary, ATs

have different perceptions whether it is NZ ITOs, VICs or gateway accommodation providers that they consider to be the most effective ones.

5.4.1 Information Provision

ATs are active in distributing the information about their product to tourists “in market”, “while travelling” and “at destination”. Different channels are used for different segments of the market. In order to approach international tour group visitors, they rely on the cooperation of NZ ITOs and OWs, who sometimes work with TAs, and offshore conference companies. International independent tourists share the same information distribution channels with non-Auckland domestic independent visitors, as well as contacting other intermediaries to gain information, that is, from the assistance of TAs, OWs and NZ ITOs together “in market”. To independent international and non-Auckland domestic visitors, product information provision can occur directly “in market”, “while travelling” and “at destination”. Indirect information dissemination can also be achieved through a variety of intermediaries in all of the geographical dimensions. Regarding indirect information distribution, ATs cooperate with some intermediaries, i.e. the Tourism Auckland website and some tourism websites “in market”, gateway VIC and gateway accommodation providers “while travelling”, and local VICs and local accommodation providers “at destination”. Some effort is also made to reach non-Auckland domestic corporate group visitors and Auckland corporate group visitors by direct and intermediary information distribution involving event providers.

By using the Internet, all segments of tourists can directly and indirectly get information “in market”, “while travelling” and “at destination”. Every AT interviewed has a website to provide information. Some use social media to get exposure. Advertising with Google Ads is undertaken by a few ATs. In terms of indirect Internet information distribution, ATs use the official Auckland tourism website, Auckland Tourism, Events & Economic Development Ltd., and some other tourism websites, e.g. Tourism New Zealand website, TripAdvisor and Rankers.

Brochure-distribution “at destination” is the most popular method among ATs focusing on all independent tourists. Visitors can mainly obtain their brochures at

VICs at Auckland domestic and international airports, and two sites in Auckland CBD. Most ATs place their brochures at accommodation venues in the CBD themselves or by employing Jason's to display at their stands. The placement of brochures at local VICs or local community centres is also undertaken by some ATs.

Moreover, a few ATs also advertise in several travel booklets "at destination", such as the official Tourism Auckland Guide and Auckland A to Z. Being mentioned in travel journals or guidebooks, e.g. Lonely Planet and Frommer's, increase the awareness of their products with tourists. The importance of word of mouth is realised by all ATs.

For international tour group visitors, some international independent visitors, and some corporate groups, information about Auckland wine tours can be provided by intermediaries.

5.4.2 Reservations

International independent tourists and non-Auckland domestic independent visitors are the only two market segments attracted by ATs. These segments can make bookings with ATs in all of the geographical dimensions. Reservations can be conducted directly and indirectly in these three places by these tourists. Intermediaries used include tourism websites "in market", gateway accommodation providers "while travelling", and local accommodation providers "at destination".

Direct or indirect bookings can be made by tourists. For direct reservations, the Internet can help tourists from all market segments make reservations with ATs "in market", "while travelling" and "at destination". They can make bookings using ATs' websites which have booking pages or by email. Direct reservations can also be achieved by calls or text messages, commonly by international independent travellers "while travelling" and "at destination", and domestic visitors at any of

three distribution places. For indirect bookings, all intermediaries use emails or phone calls to help tourists.

5.4.3 Purchase

When it comes to the distribution of the purchase function, the same channels for information provision are employed by ATs. The purchase function can be directly or indirectly distributed. For direct bookings of wine tours, tourists pay through the ATs' websites or pay on the day they are doing tours. When international tour group visitors, some international independent visitors and some domestic corporate group visitors book indirectly, payment goes through their intermediaries. Regarding the rest of international independent tourists and domestic corporate groups, and all domestic independent tourists with indirect bookings, tour fees can be paid through the Tourism Auckland website, some tourism websites, gateways and local VICs, and some gateway and local accommodation.

5.4.4 Packages

No packages have been made with others by the participant ATs. Wine tourism products tend to be sold separately and not included in tour packages.

5.5 Distribution Channels for Wineries in Auckland

Interviews were conducted with representatives of 17 wineries in Auckland. Fourteen of the wineries are family owned and the other three have a collection of shareholders. These businesses are all quite small, with three to 27 full time staff plus seasonal part time vineyard workers. Most wineries have no organisational structure, rather they are quite flat. Fifteen wineries have cellar door service and the other two do not. The reason for conducting interviews with representatives of a few wineries without cellar doors was to obtain a better understanding of winery

visitation. Eight of the 17 wineries have restaurants, two have on-site accommodation and several can arrange functions or meetings for visitors. The businesses hold different positive and negative attitudes towards tourism. Three businesses mentioned that they have written marketing plans for their wine tourism services; another three businesses have tourism marketing plans within their overall business plans; the rest have only some ideas in their mind.

The appeal of Auckland wineries (AWs) is to visitors from a wide range of market segments: international tour group visitors, international independent visitors, non-Auckland domestic independent visitors, non-Auckland domestic corporate group visitors, Auckland corporate group visitors and Auckland independent visitors. According to the 17 interviews with AWs, most winery visitors are New Zealanders, and the majority of these domestic visitors are from Auckland. A large number of free independent travellers and a small number of tour group and corporate group visitors constitute winery visitors in Auckland.

The variety of tourist market segments lead to multiple channels employed in order to reach these visitors. Therefore, a complex system of tourism distribution channels for AWs is constructed (Figure 5.4). The direct channel “at destination” predominates among all distribution channels. The most effective indirect channel is through ATs.

Information Provision  Reservation  Purchase  Package 

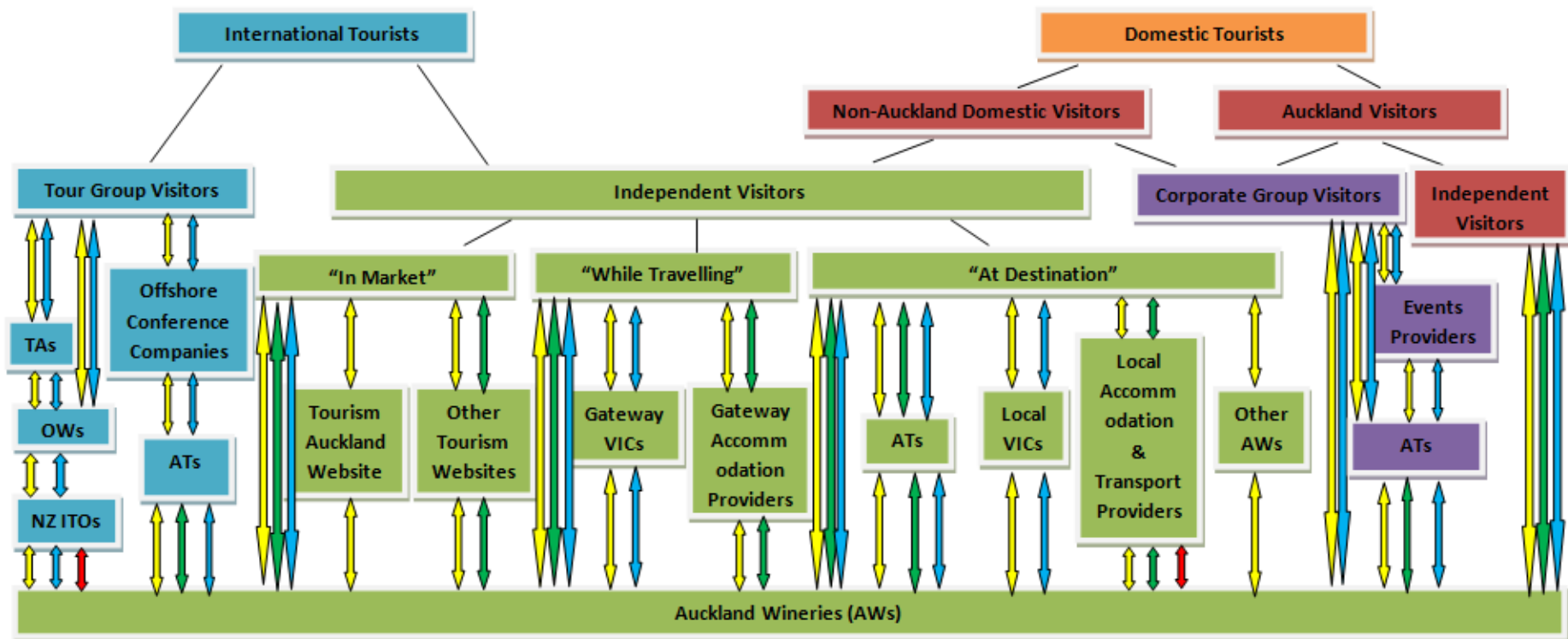


Figure 5.4 Distribution Channels for Wineries in Auckland

5.5.1 Information Provision

AWs have a wide range of choices to distribute the information about their products. They choose their distribution channels on the basis of the markets they target. NZ ITOs, OWs and TAs in the same chain is the channel AWs use with to distribute their information to international tour group visitors. Likewise, international tour groups can also gain information through a shorter channel including NZ ITOs and OWs as intermediaries. Independent international and non-Auckland domestic visitors can get information directly and indirectly when they are “in market”, “while travelling” and “at destination”. To reach international and non-Auckland domestic independent visitors, AWs distribute their information indirectly by cooperating with a variety of intermediaries at different geographical dimensions, i.e. the Tourism Auckland website and tourism websites “in market”, gateway VICs and gateway accommodation providers “while travelling”, and ATs, local VICs, local accommodation and transport providers, and other AWs “at destination”. Information dissemination targets non-Auckland domestic and Auckland corporate group visitors via the direct channel and indirect channels through ATs only or through ATs and events providers. For Auckland independent visitors, AWs prefer to directly provide their information.

Furthermore, visitors can directly and indirectly gain AWs’ information “in market”, “while travelling” and “at destination” by using the Internet. Each winery surveyed in Auckland had a website, and e-newsletters were sent to people who had joined their mailing list. Social media is also employed by a few AWs to disseminate their information. Some AWs are listed on the Tourism Auckland website and some other tourism websites, ATs’ websites and local accommodation websites.

Moreover, the most useful tool for tourists getting to know AWs is through official local winery maps, i.e. Waiheke Winery maps, maps from Kumeu Wine Country brochures and maps from Matakana Coast Wine Country brochures. These

published materials can be gained from the Auckland CBD's VICs, and the corresponding local VICs, accommodation and transport providers.

Most AWs also disseminate their information "at destination" through their own brochures, which are not as widely distributed in the same way that the official combined ones are distributed. Tourists can get some AWs owners' brochures at local VICs, local restaurants and local accommodation. In the same way, advertisements on local radio, in newspapers and magazines are bought by most AWs interviewed. Travel journal articles are also used to spread information about AWs. Events are the valuable opportunities for AWs to disseminate their information to visitors "at destination". It is worth noting that all AWs emphasise the importance of word of mouth and most rely on this method as a powerful marketing tool.

5.5.2 Reservations

As far as the reservation function is concerned, visitors can book through different ways. When offshore conference companies arrange a winery visitation for international tour group visitors, they work ATs who make reservations with AWs. International and non-Auckland domestic independent visitors can book directly with AWs "in market", "while travelling" and "at destination". They can also indirectly make reservations by contacting intermediaries "in market", "while travelling" and "at destination", i.e. tourism websites "in market", gateway accommodation providers "while travelling", and ATs and local accommodation and transport providers "at destination". Reservations made by ATs can also be on behalf of non-Auckland domestic and Auckland corporate group visitors, and sometimes also via events providers. Auckland independent visitors tend to book winery visits directly with AWs.

For the core wine tourism product, wine tasting, the reservations requirement is different for market segments. Booking for wine tastings are not necessary for

independent visitors to AWs during cellar door opening hours. International tour groups need to make reservations by the intermediaries they use to arrange their holidays. AWs receive bookings from domestic corporate groups either directly or through intermediaries with which they cooperate. Other wine tourism products provided by AWs are preferably booked in advance either directly or indirectly, such as restaurant dining, vineyard tours, and events. Reservations for functions and on-site accommodation are essential.

5.5.3 Purchase

The purchase function reveals considerable channel diversity. Both direct and indirect distribution channels are employed for the purchase of winery visit by each participant AW. International tour group visitors can pay for their winery visitations with TAs, or bypass TAs and directly pay OWs who work with NZ ITOs who cooperate with AWs. Offshore conference companies and TAs can be the intermediaries between international tour group visitors and AWs. For international and non-Auckland domestic winery visitors, they can make payments directly or indirectly through intermediaries, e.g. gateway VICs “while travelling” and TAs and local VICs “at destination”. Payment for winery visitation by non-Auckland domestic and Auckland corporate group visitors is made directly to the AWs. It can also be achieved in indirect distribution channels, by using one intermediary, ATs, or two intermediaries, ATs and events providers. For Auckland independent visitors, it appears that direct purchase occurs.

Most AWs charge for wine tasting, which is the core wine tourism product provided by AWs. Other wine tourism products at AWs include vineyard tours, restaurant dining and on-site accommodation, events and functions. Such products require a purchase function, and this plays a vital role in wine tourism distribution among AWs. The products can be purchased directly or indirectly. Payment for independent visitors is mostly at the cellar door. For international tour groups, AWs are paid by the intermediaries who link them with visitors.

5.5.4 Packages

The package combination of the wine tourism product is provided by AWs and ATs. According to this study, two out seventeen AWs reported having packages. One AW has packages with NZ ITOs for the sake of appealing to international tour group visitors “in market”. The other AW bundles its product with a local transport provider for the purpose of attracting all segments of the market. The local transport provider, as the package supplier and distributor, can distribute the package to international and non-Auckland domestic and Auckland independent visitors “at destination”.

5.6 Tour Operator and Winery Comparison:

Marlborough

International tour group visitors, international and domestic independent visitors are the market segments for both MTs and MWs. MWs appeal to the demand of domestic corporate groups who access information about MWs directly. Independent visitors are the dominant group that MTs and MWs receive. According to the participants, international independent visitors are the main customers for all MTs, but a range of international and domestic independent visitors is received by MWs.

Both MTs and MWs use multiple channels to reach visitors “in market”, “while travelling” and “at destination”. This includes direct distribution channels as well as indirect distribution channels via a wide range of intermediaries. Compared with MWs, MTs show more attempts to attract visitors “in market”. Conversely, MWs show a preference to approach visitors “at destination”.

In general, direct distribution channels are believed to be the most effective channel by both MTs and MWs, although MTs are not fully aware of the most effective distribution, whether it occurs “in market”, “while travelling” or “at destination”, and MWs comment that it occurs “at destination”.

With regard to the indirect channels, the key intermediaries employed by MTs and MWs are the same, namely TAs, OWs, NZ ITOs, the Destination Marlborough’s website, tourism websites, local VICs, and local accommodation and transport providers. TAs, OWs and NZ ITOs are the intermediaries that MTs and MWs cooperate with to approach international tour group visitors. This interaction occurs “in market”. International independent visitors can also arrange their MTs with the assistance of these three intermediaries. The most effective indirect distribution channel differs from business to business among both MTs and MWs. Some businesses cannot identify the most effective distribution intermediary for their products and services. Some businesses do not know the difference among TAs, OWs and NZ ITOs, and hence refer to all as TAs. In addition, the importance of one distribution channel to each business is different in terms of the function. For example, in general, working with local VICs is recognised as a useful distribution channel by both MTs and MWs. However, local VICs are helpful in terms of the purchase function for MTs and information provision for MWs. Amongst MTs, wine tour operators have good relationships with each other. The same applies to the relationships amongst MWs, and between MTs and MWs. MTs are one group of intermediaries for MWs.

In terms of packaging, MTs more actively bundle with other businesses than MWs. According to the interviewees in this study, five of twelve MTs bundle their products with other businesses, but only two of thirteen MWs engage in packaging.

5.7 Tour Operator and Winery Comparison: Auckland

There are a large variety of market segments in wine tourism in Auckland: both ATs and AWs receive international tour group visitors, international independent visitors, non-Auckland domestic independent visitors, non-Auckland domestic corporate group visitors, and Auckland corporate group visitors; Auckland independent visitors are also attracted by AWs.

In order to reach these different market segments “in market”, “while travelling” and “at destination”, a variety of distribution channels is used by ATs and AWs, including direct and indirect channels. Generally speaking, with regard to ATs, direct distribution channels play the most effective role in distributing their wine tours, although it is not clear whether the distribution occurs “in market”, “while travelling”, or “at destination”. The direct channels “at destination” predominate among all distribution channels for AWs. Regarding indirect distribution channels, both ATs and AWs employ one or more intermediaries for each distribution channel. More effort is shown by ATs to approach visitors “in market”, cooperating with more intermediaries than AWs, whereas AWs pay more attention to attract visitors “at destination”.

For indirect channels, a range of intermediaries is used by ATs and AWs. Intermediaries which are very important to distribute products for ATs and AWs, are employed by both of them, i.e. TAs, OWs, NZ ITOs, offshore conference companies, the Tourism Auckland website, tourism websites, gateway VICs, gateway accommodation and transport providers, local VICs, local accommodation and transport providers, and event providers. International tour groups can arrange their Auckland wine tours “in market” by the help of TAs, OWs and NZ ITOs, or offshore conference companies. ATs, as intermediaries, work between offshore conference companies and AWs to assist AWs reach international tour group visitors “in market”. “At destination” ATs work between event providers and AWs,

or between Auckland corporate group visitors and AWs to help AWs to reach Auckland corporate group visitors. Also, there is a greater cooperation between the AWs in terms of information provision, unlike ATs.

Providers have different perceptions about the most effective indirect distribution channel for their businesses. This phenomenon exists among both ATs and AWs. The most effective distribution intermediary for their businesses could not be identified by some interviewees because they did not keep records. Confusion about the meaning of TAs, OWs and NZ ITOs exists among some providers. As a result, TAs is the common term used. In addition, some intermediaries are important to providers because they are used for different functions. For instance, gateway VICs and local VICs are important for ATs for the information provision and purchase functions. These visitor information centres, gateway VICs and local VICs, are also important for AWs in terms of the information provision.

The bundling function scarcely exists among ATs and AWs. No package bundled by ATs was found and only one package is organised by AWs.

5.8 Cross Destination Comparison: Wine Tour Operators

A variety of visitors is attracted by MTs and ATs. The customers that MTs receive consist of international tour group visitors, international independent visitors and domestic independent visitors. International tour group visitors, international independent visitors, non-Auckland domestic independent visitors, non-Auckland domestic corporate group visitors, and Auckland corporate group visitors are received by ATs.

Multi channels are seen in the structure of the distribution channels for MTs and ATs. Visitors are approached directly and indirectly “in market”, “while travelling”

and “at destination”. Each of these distribution channels for MTs and ATs fulfils two or more functions, i.e. information provision and reservation; information provision and purchase; information provision, reservation and purchase; information provision, reservation, purchase and bundling. Direct channels are the most effective channels for MTs and ATs with uncertainty about occurring “in market”, “while travelling” or “at destination”. For indirect distribution channels, one or more intermediaries are included in each channel of MTs and ATs “in market”, “while travelling” or “at destination”. More effort is made by MTs and ATs to approach visitors “in market”. MTs target meeting visitors “in market” and “at destination”.

According to this study, tourists can join wine tours through indirect channels consisting of various intermediaries. The same intermediaries that both MTs and ATs cooperate with include TAs, OWs, NZ ITOs, tourism websites, gateway VICs, local VICs and local accommodation providers. Working with their own regional tourism organisation is one way for them to distribute their product. In this case, they are Destination Marlborough and Tourism Auckland. What is more, the same intermediaries used by MTs and ATs fulfil the same functions.

Some differences occur related to the intermediaries that MTs and ATs use. On the one hand, in comparing with the intermediaries ATs use, the unique ones among Marlborough businesses are other RTOs, other MTs and local transport providers. These different intermediaries are used at different places, i.e. employing other regional tourism organisations “in market”, other MTs “in market” and “at destination”, and local transport providers “at destination”. It shows there is a better relationship among MTs since most of them work with each other. Furthermore, unlike ATs, to reach international independent tourists, sometimes MTs work with OWs, bypassing NZ ITOs and TAs, or work with OWs and either NZ ITOs or TAs. On the other hand, ATs use more intermediaries, i.e. offshore conference companies, gateway accommodation providers and event providers. Each of these intermediaries has corresponds with the distribution place, i.e.

offshore conference companies for approaching international tour group visitors “in market”, gateway accommodation providers for targeting international and non-Auckland domestic independent visitors “while travelling”, and events providers for approaching Auckland corporate group visitors “at destination”.

Nevertheless, different indirect channels are perceived by both MTs and ATs as the most effective one to distribution. The most effective indirect channel differs from business to business, yet some interviewees are not sure which intermediary they cooperate with gives them the most business, owing to a lack of records.

5.9 Cross Destination Comparison: Wineries

Market segments of MWs and AWs are largely different. Since the fact that most visitors are from Auckland is reported by all AWs, and they are from corporate groups or independent visitors, more market segments are involved in the visitors in AWs than for the MWs. Hence, AWs receive international tour group visitors, international independent visitors, non-Auckland domestic independent visitors and non-Auckland domestic corporate group visitors, Auckland corporate group visitors and Auckland independent visitors.

Distribution from both MWs and AWs is achieved through a range of direct and indirect channels “in market”, “while travelling” and “at destination”. Compared with the distribution channels that MWs employ, AWs play a more active role in distributing information and services available at the winery using more intermediaries and more distribution channels.

In general, direct distribution occurring “at destination” is the most effective way for both MWs and AWs to distribute their wine tourism products. Specifically, international tour group visitors have to go through intermediaries to arrange their winery visitation. TAs, OWs and NZ ITOs are the common intermediaries that MWs and AWs work with. Besides, there is also cooperation among AWs, offshore

conference companies and ATs for the sake of attracting international tour group visitors. International independent visitors can directly and indirectly make their winery visitation to MWs and AWs in all of the geographical dimensions. As for indirect distribution “In market”, both MWs and AWs work with tourism websites and destination regional tourism organisations, in this case Destination Marlborough and Tourism Auckland. Visitors heading to MWs and AWs contact different intermediaries “while travelling”, i.e. en route New Zealand tour operators or en route VICs for winery visitation in Marlborough, and gateway VICs or gateway accommodation providers for winery visitation in Auckland. Local wine tour operators (MTs for MWs and ATs for AWs), local VICs, local accommodation and transport providers, and other local wineries (other MWs for MWs and other AWs for AWs) are the common intermediaries that MWs and AWs use.

Regarding the bundling function, it is distributed through only one channel by both MWs and AWs. That is, one package exists between MWs and MTs, and one package exists between AWs and local accommodation and transport providers.

5.10 Chapter Summary

This chapter illustrates the structures of distribution channels for wine tourism in Marlborough and Auckland specifically focusing on wine tour operators and wineries. It identifies direct and indirect distribution channels exist “in market”, “while travelling” and “at destination” and a range of intermediaries used to approach a variety of market segments with four primary distribution functions, i.e. information provision, reservations, purchase and packages, applied. All these elements make the diversity of wine tourism distribution channels. Therefore, four complex distribution structures are revealed.

The most effective channel has been found for each distribution structure. Each structure is separated into four parts according to the four functions. Therefore, each structure is elaborated within one function to another from direct and indirect

distributional issues. The intermediaries that suppliers use to distribute these four functions have been found. The methods of distributing these functions are provided separately in detail.

The key similarities and differences of the distribution channels between MTs and MWs, ATs and AWs, MTs and ATs, MWs and AWs are separately pointed out.

Furthermore, Internet plays a significant role for both wine tour operators and wineries distribution channels in Marlborough and Auckland. Internet has simplified the flow of information reservations and purchase of wine tours and wine tastings. Despite the use of Internet, radio, newspapers, brochures, travel journals, events and festivals and word of mouth are some of the tool for information provision reported by MTs, MWs, ATs and AWs.

The next chapter builds on the discussion from this chapter by analysing the behavioural factors underlying distribution channel choices. This is complemented by information from the field work interviews with representatives from MTs, MWs, ATs and AWs.

CHAPTER SIX: UNDERLYING FACTORS

6.1 Introduction

The previous chapter established the structure of distribution channels for wine tourism for wine tour operators and wineries in Marlborough and Auckland, New Zealand separately. A variety of different distribution channels is used to reach international and domestic visitors and the group and independent segments “in market” “while travelling” “at destination” for four different functions, information provision, reservations, purchase and packages.

This chapter focuses on the underlying factors that influence the choice of wine tourism distribution channel based on the results in the last chapter. Factors accounting for differences in channel structure include: information provision cost, commissions, businesses’ attitudes towards tourism, perceptions of the Internet, service diversity, capacity, accessibility, availability, market segments, reputation, and nature of intermediaries. Main points in each factor are illustrated by representative quotes from channel members’ interview transcripts.

6.2 Factors of Channel Choices

6.2.1 Information Provision Cost

For the information provision function, wine tour operators and wineries disseminate their information using direct and indirect channels. The cost of the distribution channel is a vital factor influencing wine tourism businesses’ choice of channel. Internet, budgets, word of mouth and effectiveness examination are the main factors affecting the cost of information provision.

6.2.1.1 Internet

Due to the fast growth of information technology and the high costs of traditional information distribution, the Internet is seen by a number of businesses as low cost with excellent market reach.

The level of using the Internet for information provision is different from one business to another. All businesses interviewed have their own websites as a way to distribute their information to raise awareness and create communication. There are link exchanges between most wineries, and between most wineries and some wine tours operators. Most businesses interviewed use others' websites to distribute their information; some websites charge to advertise or have membership fees, whereas other websites are free of charge. For example, Google Ads charge for advertisements and the Destination Marlborough website charges for membership; travel review websites, e.g. TripAdvisor and Rankers, and social media, e.g. Facebook, Twitter and Youtube, are free of charge.

The level of using Internet to disseminate information is affected by the perception of the Internet, which will be discussed later (See 6.2.4). Generally, wine tourism businesses use their own websites and other free of charge websites for their Internet information provision.

6.2.1.2 Budget

The budget is one aspect influencing the information dissemination of wine tourism businesses. To attract tourists, except those using Internet marketing mentioned above, most wine tourism businesses focus on information provision "at destination", because of limited marketing budgets. Different approaches for information dissemination are used from one business to another.

For wine tour operators, the most popular distribution expense is brochure-distribution. Information brochures are mostly distributed through local VICs, transport providers and accommodation venues. Free information distribution also occurs through print media, such as magazine articles and guide books.

Businesses that have larger budgets use more methods for information distribution. Accepting all the information provision channels mentioned above, one business in Auckland with a larger budget noted their extra methods:

“We are the only tour operator on the Waiheke winery map. We are on Tourism Auckland and Tourism New Zealand websites. We are in the Tourism Auckland brochure and Auckland A-Z. We do e-newsletters every two months. We are on Tourism Auckland and Tourism New Zealand, so when they do road trips (advertisement) overseas, we would be represented there. And when Tourism New Zealand writes an article about Waiheke, they include our website.” (AT 3)

Wine tour operators away from gateways are recognised as using some different channels for their information provision, such as brochures at local VICs and gateway VICs. One wine tour operator with a larger budget, located in Marlborough, talked about her unusual distribution of information provision, compared with other wine tour operators in Marlborough:

“We are not only on the Destination Marlborough Visitor Guide, but also on Great Time at Nelson Guide and Visit Picton Guide. We put brochures not only at Blenheim and Picton i-SITEs, but also Wellington, Christchurch, Nelson and Kaikoura i-SITEs. We use Jason’s as our distributor. We are the only wine tour operator having an office in Marlborough. We are trying to get more clients. That’s why we have other things, like scooter hiring, fishing and water taxis.” (MT 11)

Conversely, businesses with smaller marketing budgets made some less common efforts for their marketing. Rather than using brochures, they approach visitors directly, as one tour operator addressed:

“If I have a decrease in pre booked, I have to go down the wharf and sell. For example, if you have 600 people coming off the ferry, at least 100 of these people will not book a ticket. Effectively, what you need to do is just to ask them ‘Do you have transport organised?’ Then the next thing, you just say ‘I do wine tours.’ I don’t have brochures. If I have brochures, I have to double the price to pay for the brochure.” (AT 6)

Likewise, for wineries in Marlborough and Auckland, wine trail maps made by their local wine growers associations are their most important approach to visitors. Their own brochures and e-newsletters by people joining their mailing list are also commonly used to disseminate their information. Wineries with larger budgets always distribute their brochures at i-SITEs and do advertising in some magazines. As one winery in Auckland expressed:

“We have our own brochures going to the Kumeu Visitor Centre. We rely on the Kumeu Wine Country brochure, which is distributed quite widely. We have e-newsletters every couple of months. We are on some wine related magazines, such as Cuisine and Destination. We use radio. We are in the NZ Herald once a month.” (AW 7)

Interestingly, almost all wineries interviewed in Auckland advertise their information on local radio and in local newspapers. However, little similar evidence has been found among wineries in Marlborough. It might be because Auckland residents constitute the majority part of their wine consumer market (see Figure 5.4).

In comparison, one winery in Auckland with a little budget for its marketing had the following comment:

“We have a blackboard on the front of our place. We get some card board signs and we take them around this area. We go to Matakana famers’ market and we have brochures there.” (AW 4)

To summarise, wine tourism businesses mainly concentrate on information distribution “at destination” because of limited budgets. Wine tour operators rely on brochure distribution, whereas wine trail maps are the most effective method for disseminating wineries’ information. Businesses in Marlborough and Auckland are slightly different in the methods of information provision. Businesses with larger budgets use more methods to provide their information.

6.2.1.3 Word of Mouth

Word of mouth is a way of disseminating information. It is worth noting that all businesses interviewed have recognised the importance of word of mouth, both traditionally, i.e. person-to-person, and in the modern way, i.e. travel review websites. That is because of their limited budgets and the capability of word of mouth to generate free marketing. The following points capture the view of many wine tour operators and wineries in the traditional way and in a modern way:

“We seldom do advertising. We believe the best marketing is happy customers who tell other people. Probably 80% of our business is from word of mouth by our happy customers.” (AW 14)

“Word of mouth is very important, like the recommendations from friends, Lonely Planet, TripAdvisor, etc. We have clients from Singapore, England and America. They are told to do wine tours with us. TripAdvisor is very effective. We get a lot of business from TripAdvisor.” (MT 12)

The importance of word of mouth is explained by the following “while travelling” example:

“Word of mouth is very useful. Lots and lots of travellers talk to each other. It’s really quite surprising how many times people bump into each other when they are travelling. Some people might have a tour with us here on Tuesday, when they meet some people in Kaikoura whom they last saw in Gisborne or somewhere like that. They may say, ‘Oh, where are you going?’ ‘We’re just heading up to Marlborough.’ ‘Oh, you should do a wine tour with Marlborough Wine Tours.’ Word of mouth is the best advertisement.” (MT 5)

Furthermore, one interviewee emphasised the importance of word of mouth, but also supposed others may underrate it:

“Word of mouth is quite important. It’s a 100% targeted. It doesn’t cost. Word of mouth is one of the most important things for a small company. I think a lot of people underestimate how important word of mouth can be.” (AW 9)

However, businesses are also worried about the negative influence of word of mouth as an information provision tool, as one interviewee presented:

“For word of mouth and the electronic versions, like Facebook or Twitter, you can’t get any control. If people like your products and service, then they will tell people. If people don’t like, they will tell people as well.” (AW 2)

To sum up, word of mouth is recognised as an important information provision tool by all interviewees. One business was concerned that not enough attention has been paid to word of mouth. Also, it needs to be realised that the negative influence is uncontrolled.

6.2.1.4 Effectiveness Examination

In addition, since limited marketing budgets restrict interviewees to carefully select channels, some businesses measure the effectiveness of main marketing tools they use.

All wineries commented that their local wine trail map is the most effective information provision method. As one winery mentioned:

“We are on the Marlborough Wine Trail Map made by Wine Marlborough. The map can be found at hotels, motels, backpackers, wineries and i-SITEs. It’s got very good information on the back, 60% of people come here with this map in their hands.” (MW 6)

One tour operator in Marlborough figured out the effective channels to their business in terms of information provision through feedback from their clients:

“In the first of two years, I spent more than I should on advertising, but what I did was I asked my clients how they found us. So we know which ones we should get rid of and which ones we should keep. So we’ve limited ourselves down now.” (MT 10)

One tour operator in Auckland elaborated his way to examine the effective channel:

“I tried to measure how much revenue from charter, how much from corporate and how much from FIT last year. At the end of the day, the physical numbers don't really matter. It's better to simply go that ‘you make this much money from FIT, this much money from charter and this much from corporate’. Then I can go to my advertising. If most of the revenue is from corporate, and most spending on FIT advertising, then maybe I should

take some of that (the FIT advertising budget) and put them over here (the corporate advertising budget). I'm really getting into this stage now, to break down which revenue is really from where.” (AT 2)

In summary, the Internet is becoming more popular to disseminate information than it previously was. Budget affects information distribution. Therefore, word of mouth is free and is recognised as important. Additionally, it is essential to examine the effectiveness of information provision channels.

6.2.2 Commission

Commission is another factor influencing wine tourism businesses' selection of distribution channels. With regard to intermediaries, depending on the channel used, the commission charged ranges from 10% to 25%; most VICs, accommodation providers, transport providers, other local wine tour operators, or travel agencies charge 10%, some VICs ask for 15%, and NZ ITOs or OWs normally take 20% to 25%. Furthermore, BookIt, a travel booking engine, has recently been used on the websites of many businesses. When customers pay through their websites, BookIt takes 6% commission for each transaction.

Wine tour operators in Marlborough and Auckland indirectly deal with independent tourists mostly through VICs, accommodation providers and transport providers. One reason is that, generally, these intermediaries take only 10% commission. As commented by one tour operator:

“I don't think 10% is very much to pay when you get people.” (MT 12)

Regarding the high commission that NZ ITOs or OWs expect, business representatives hold different opinions. Some wine tour operators complained:

“The disadvantage of using inbound tour operators is the high commission. They are less interested in the tour, more interested in profit.” (AT 2)

Because of the high commission that NZ ITOs or OWs demand, a few wine tour operators interviewed do not work with these intermediaries. They tend to keep their wine tour fees cheap, thus wine tour operators cannot afford the commission.

“The problem is my price is half and travel agencies want 25% commission.” (AT 6)

“If we are going to sell through the wholesalers, they would be looking at 20% commission. That would be too high. If you have this cost, people won’t come to buy the product from you, because it’s too expensive.” (MT 2)

Although cooperating with intermediaries requires the expense of commission, some providers shared their understanding with different considerations. One tour operator compared the commission cost with the information provision cost:

“We deal with wholesalers, like Value Tours, STA Travel and Flight Centre. We pay 20% commission for any booking. In terms of booking directly with me, I don’t need to pay the commission if they book directly. But it depends on how they found you, because you need to pay advertising instead anyway. I need to get my name out there.” (MT 11)

One tour operator mentioned the reason for a high commission is because several intermediaries might be involved in one distribution chain:

“In terms of travel agencies in Australia, although they take 20%, it is not that high to some extent. They pay themselves and they pay people from several others sites. That’s why it’s 20%. I don’t work with a travel agency directly. There is an extra link between us, such as Value Tours.” (MT 12)

BookIt, as a new travel booking engine, has become more popular. This is due to its effective transactions. It is widely used on a range of websites, e.g. many wine tour operators' websites, most RTOs' websites and some other tourism websites in New Zealand. Its popularity can also be seen from one tour operator's praise:

"Use BookIt. It only takes 6%. It's brilliant." (AT 2)

Another tour operator illustrated using BookIt is because of its cost-effectiveness:

"We pay 1.9 percent for merchant fee. And then it costs \$60 a month just to maintain the secure page and merchant facility. But we are looking at changing to BookIt. BookIt takes 6% commission." (MT 2)

In addition, although a commission is commonly applied for introducing tourists, some intermediaries, mostly accommodation providers, recommend wineries or wine tour operators without receiving commission. They hoped for a good experience for their customers, and maybe be repeat customers or recommendations to their friends or relatives. As some interviewees commented:

"Some accommodation providers expect commission, but some providers don't even want it. They are happy to see their clients are happy with my service." (MT 11)

"Some take, some don't. Because they just want their clients to get the best tour and they want their clients to come back happy, not necessarily drunk." (MT 3)

It is worth noting that there are also incidents where no commission is needed for wineries employing wine tour operators in both Marlborough and Auckland. First, wine tour operators mostly pay the same amount for a wine tasting fee as

independent tourists. That is, free of charge in Marlborough and mostly charge in Auckland. Second, wine purchase at the cellar door with a tour operator also does not generate commission. Furthermore, wine tour operators taking tourists to have brunch or lunch in a winery restaurant can have free meal. Interviewees commented on this point:

“We work with local tour operators on a win-win situation. There is no commission.” (AW 2)

“If our clients buy wine from a winery, we can’t get the commission. It’s just the way it is.” (AT 3)

In summary, direct distribution through the Internet is the most cost-effective way, whereas most intermediaries expect commission, and using a range of intermediaries generates a range of commission costs. Therefore, commission affects wineries’ and wine tour operators’ choices of their wine tourism distribution channels.

6.2.3 Businesses’ Attitudes towards Tourism

6.2.3.1 Wineries’ Attitudes towards Tourism

Wineries in both Marlborough and Auckland have different attitudes towards wine tourism. These attitudes affect wineries choices of distribution channels for wine tourism.

On the one hand, a few wineries, mostly in Auckland, have negative attitudes towards wine tourism. Little cooperation with tourism organisations was carried out, since they do not consider themselves part of the tourism industry:

“We are not in tourism business. We are a wine making business. Our tourism business is very small. We would not improve on that. You have to

be aware the tourism thing with the wine industry especially now, changes in air travel and financial markets. Wine tourism is just people coming around and the attraction is something to see, as part of weekend trips. It's important for vineyards to be exposed to these people, but it is not a very big part of your turnover. It's just a little bit of advertising." (AW 1)

On the other hand, businesses with positive attitudes towards wine tourism supply more wine tourism products, cooperate with more businesses and employ more distribution channels:

"Wine tourism is very important. Our winery used to be in Henderson before. I built it here in 2002. That's why when we built this place we incorporated everything into it to make it a destination for people to come to. Our idea is to maximize the access, as much as possible, to tourists. For international tourists, you can charge them for lunch or winery tours, but they are not the best buyer. It's not a big wonder because it's difficult for them to carry wine on the plane. Your domestic tourists are the best for wine sales. You have to maximize both. It's all revenue." (AW 5)

In addition, compared with wineries in Auckland, there are some larger wineries in Marlborough that consider the role of their cellar doors as public relations, rather than related to revenue generation. It might be because wine tasting is free among most wineries in Marlborough and more international visitors go to wineries in Marlborough than to the ones in Auckland. As commented by interviewees:

"Making money is not the core function of the cellar door. The core function is to engage people who come and see the brand and provide them a beneficial experience." (MW 10)

"The cellar door, even though we do sell wine, it's primarily a promotional tool. It's primarily to advertise the wine." (MW 7)

From the above, wineries hold different attitudes towards wine tourism: some perceive wine tourism as time consuming; some regard wine tourism as a potential tool for revenue generation; and some consider their cellar door as for public relations. These attitudes affect the development of wine tourism products in these wineries and their choices of distribution channels for wine tourism.

6.2.3.2 Wine Tour Operators' Attitudes towards Tourism

Wine tour operators have different attitudes towards their businesses. About half of wine tour operators interviewed were growth entrepreneurs. They mentioned they would like to expand their businesses and they were looking at every opportunity to distribute their wine tours:

"We would like to provide the most comprehensive services that we can, and we would like to be the best. In the future, I'll work with more businesses, do more packages and do more web work." (MT 11)

Half of the rest of wine tour operators interviewed tend to be life style entrepreneurs, running their businesses more for having fun, rather than profit making. This point of view was substantiated by one tour operator:

"Tourism is not what you would do for money. It's something for fun. It's with passion. It takes a long time and a lot of work. It's variable according to what's happening in the world." (MT 9)

Therefore, less effort goes into providing distribution channels for their wine tours: it might be neither pursuing new channels nor targeting specific markets.

One business mentioned the packages function related to her attitude, which provides an insight into the packaging issue. There is a risk on the distributor, since

the distributor has responsibilities to assure the quality of the package, yet other provider's service quality is not controllable by the distributor.

"No. I don't want to. If I am promoting a package on my website, they pay me for the whole package. So when they stay in a motel, if something goes wrong, the food is not good, the room is not good, they will ring me. They don't care about the motel, because they give the money to me. I need to take the responsibility. Because I don't run that part of business, I don't like to do the package." (MT 10)

To sum up, the attitudes of wine tour operators influence wine tourism distribution. Growth and life style entrepreneurs make different degrees of effort in distributing their tourism products. It is notable that providers' attitudes affect the packaging function of wine tourism distribution.

6.2.4 Perceptions of the Internet

6.2.4.1 Attitudes towards Internet Marketing

It is acknowledged that the Internet is a cost-effective tool to target markets in the tourism industry generally; it is widely recognised that the majority of wine consumers do not use the Internet as often as teenagers. Therefore, there is a debate whether spending time on Internet marketing is worthwhile.

Interviewees who agree with that statement discussed it by providing evidence. As commented by one Marlborough tour operator with an achievement by using Google Adwords:

"I think the Internet is the way to go. We don't have Facebook, Youtube or Twitter, but we need to look into them. I don't fully understand advertising, where I should put our advertising dollar. I think we had better to put more and more on the Internet. We pay for Google Adwords and I think that's

worth it. Although it's expensive, we are always at the top when people search wine tour in Marlborough.” (MT 5)

Some interviewees doubted the importance of Internet marketing to their wine tourism businesses. This doubt is related to their target markets:

“We have Facebook, but we don't use it very often. Because our tour is a little bit more expensive, our clients are generally 50 plus, and most people don't do Facebook.” (AT 3)

Some businesses have not taken much action on the Internet, specifically the social media, because they are unsure about its importance. As one tour operator explained:

“We are aware of the social media. But we are just waiting to see how this fits other businesses. Social media has to happen.” (MT 11)

To get a better understanding, interviewees were also asked about the frequency of updating their websites. Their answers ranged from “everyday” to “once a year”. Unsurprisingly, their updating phenomena were in line with their attitudes towards the Internet.

Briefly, businesses' attitudes towards Internet marketing affect their effort made on information provision. These attitudes are different amongst wine tourism businesses. Interviewees with positive attitudes towards Internet marketing make more effort to expose themselves to the public, whereas negative and neutral attitude holders tend not to bother it at this stage.

6.2.4.2 Internet Skills

There is clear and widespread agreement that businesses who are proficient computer users can succeed in Internet marketing. Mastering specific skills is important for businesses to succeed in information distribution.

On the one hand, getting a business' website higher on the Google search result page is to expose their information more widely to potential visitors. As far as Marlborough businesses know, there are two ways to achieve this goal: using exchange links and Google Keywords. Many businesses in Marlborough mentioned the usage of exchange links. One statement among many tourism businesses was about the relationship between more links on a business' website and its higher web search results:

"I have links on other people's websites, but I don't pay for that. There is a belief that the more links you have on your websites, the more chances you come up on a web search." (WT 12)

In addition, a few interviewees with higher Internet skills talked about using Google Keywords for having higher rankings when potential customers search related information online. Using the same key words at many places and continuously keeping the website updated are the main methods to gain a higher ranking on the Google search result page:

"I'm learning Google Keywords at the moment. I really try to focus on marketing plans. It's free. Using the same key words, like personalised tours, wine tours, wine tastings, at a lot of places, so that Google will see it and it brings you further up on the list. So when people Google, for example, 'wine tours on Waiheke', hopefully my website would come up on the first page. It's a huge area really. There is so much competition that you actually have to do it, like continually keep updating things. I found it quite difficult while I

think a large company can hire a marketing manager who actually can spend a lot of time on doing it for them. But I am just a small company, so I can't afford that. I'm trying to get my website higher on the Google searching engine." (AT 4)

More technically, one tour operator gave different page headings on their website with the most common words. Therefore, when potential tourists use Google search with similar keywords typed in, the tour operator's information is always easy to get:

"About two years ago, I realised we are on Page five if someone put in 'Marlborough Wine Tours' for key words. I thought that's not good enough. So I started tweaking our words and I got on Page two. So it's amazing what you can do just changing it. So we are thinking about another name for wine tours. We got the name for the seal tours. We introduced that to the web and have that link to a page. Maybe have different headings on web pages for different tours. We could do that with the wine tour as well." (MT 2)

On the other hand, businesses with a lack of computer skills have to hire someone in order to distribute their information more widely. As mentioned by a winery in Auckland:

"We have Facebook, Twitter, and videos on Youtube, but we just set them up and at the moment we don't rely on that. We are looking for someone who can help with the marketing and use these effectively." (AW 7)

This point of view was substantiated by a Marlborough tour operator who had a preference for doing bundling, but was a lack of computer skills and shortage of money to hire someone to help:

“We might do packages, but you need to do advertising for them somewhere. Every page on our website costs \$150, since you need to have someone to design the web page for you. It’s all money. If there is a winery or a motel that would like to package with us, and they want to do that, then we would.”

(MT 12)

In short, businesses with Internet skills tend to be more successful in information distribution than the ones with a lack of Internet skills. Many interviewees considered link exchange and Google Keywords are two important Internet skills for disseminating their information effectively. Some businesses have realised the importance of Internet information dissemination, but need to hire someone to help, because of a lack of skills.

6.2.5 Service Diversity

Service diversity affects to the choice of distribution channels. A variety of wine tourism products is provided by wineries, e.g. wine tasting, vineyard dining, vineyard tours, on-site accommodation, events and functions. Wineries provide different wine tourism products with wine tasting as the core product. The more wine tourism products the winery provides, the more distribution opportunities the winery gets. An Auckland winery mentioned that some NZ ITOs contacted him to arrange lunch and wine tasting for its tourists, due to his various wine tourism services:

“We have cellar door sales and tastings, restaurant, group tours, events and private functions, like weddings and conferences...We do some work with some inbound tour operators, mainly with ID Tours who deals with cruise ships. They were looking for a place 4 or 5 years ago to recommend their clients to have a nice lunch and NZ wine tastings before they get on the cruise ships and go back home.” (AW 2)

One winery with cellar door tasting and restaurant dining services received different types of visitors for their different tourism services:

“Visitors from accommodation providers focus on dining, and visitors from local tour operators focus on tastings, generally.” (AW 11)

Though some wineries were approached by intermediaries because of their service diversity, some wineries were proactive in distributing their various wine tourism products and started their relationship with intermediaries, such as one interviewee mentioned:

“Ten years ago, we opened this building you are in today. We really focus on wine tourism. We have cellar door free tastings and sales, restaurant, three organised winery tours each day, and conferences and functions, from the general to high end products. We actually market it to inbound tour operators. Of course, we are proactive with free independent travellers as well.” (MW 4)

These accounts show that service diversity from wine tourism suppliers generates work, with a range of intermediaries applying a variety of distribution channels, and a range of methods for initial contact.

6.2.6 Capacity

6.2.6.1 Cellar Door Size

Capacity constraints limit the ability of wineries to host tour group visitors. Most winery representatives interviewed had experienced capacity constraints. Therefore, most wineries do not work with NZ ITOs or offshore conference companies very often. They rely on independent visitors. As mentioned by one winery in Marlborough:

“We are quite a small cellar door, so we are not big enough to host large corporate or package deals. We do get some from the cruise ships, but as I said we are quite small, so we tend to miss the large bus package groups.”
(MW 11)

6.2.6.2 Vehicle Size

Wine tour operators have to have vehicles to drive tourists around wine regions. Consequently, the vehicle size affects the market segments that a wine tour operator serves, the intermediaries that a tour operator cooperates with and the channels that a wine tour operator chooses. Wine tour operators tend to receive visitors whose numbers they can handle. When they receive a larger group, they tend to be an intermediary and pass it to another tour operator who has a larger vehicle:

“Sometimes I access a larger group, then I’ll go on a combo. If anything goes much larger, then I’ll contract that out to another company. If I have a group of 20 or 24 people, I’ll contract it out.” (AT 4)

6.2.7 Accessibility

The issue of accessibility affecting distribution channel choices might be illustrated from a narrow view and a broad view. From the narrow view, accessibility is related only to wineries. It was mentioned by many wineries during the field-work. For some wineries, isolation is seen as a huge barrier to receiving tourists. They believe wineries that attract tourists and wine tour operators are located along main routes:

“We are not near the ferry terminal, so we don’t get a lot of visitors with local tour operators. Local tour operators usually stay close to the ferry terminal.” (AW 11)

However, some wineries do not view the location as a disadvantage for their businesses. Instead of appealing to tourists, these wineries attract people who value their wine. As one interviewee argued:

“About our location, we don’t want to be on the main road. Our idea is to make our winery as a destination. We don’t go for passing tourists. We go for people who wish to come to try fine wine.” (AW 7)

In addition, due to their locations, some wineries do not provide proper cellar doors for hosting visitors, but visits by appointment are accepted. As one winery explained:

“We are quite away from the main road. So we are open by appointment, just in case someone is interested in it.” (AW 2)

From the broad view, to some extent, accessibility might relate to the location of Marlborough and Auckland. Auckland, as the largest gateway, receives more people for winery visits, more busloads go to wineries and more NZ ITOs or offshore conference companies work with Auckland wine tourism businesses.

To sum up, accessibility is one factor influencing distribution channel choices both narrowly regarding the locations of wineries, and broadly about the locations of Marlborough and Auckland.

6.2.8 Availability

Because there is no guarantee for wine tour operators to earn money regularly, some wine tour operators run their business on a part-time basis. Therefore, not much effort is made to distribute their wine tourism products.

“We have a lack of time, since we do part time work here. If you only have limited time, you only get limited growth, since you are not putting enough time that the business needs.” (MT 9)

6.2.9 Market Segments

Wineries and wine tour operators tend to use different distribution channels to attract different market segments. The different reservation channels that domestic and international customers use were mentioned by a tour operator in Marlborough:

“Domestic tourists call us and book tours a month ahead, or something like that, or book when they come here, whilst most international tourists, when they get to Blenheim, they look around and then decide what they want to do.” (MT 8)

For winery visits, compared with tour group visitors, independent visitors are more popular with winery staff among many wineries, since their buying rate of wine at the cellar door was much better than the one of international tour groups. One winery explained the reason that they prefer independent visitors:

“If you are at a cellar door where you got a lot of people coming in or a bus load or something, it’s hard to provide great service to everyone. And a lot of people are there just to have free drink and move on. Whilst maybe walk-in people come here, they are interested in your business and your wine. So you can have a better dialogue with them and you often sell more.” (MW 10)

Another winery further elaborated the difference between independent and tour group visitors regarding the number:

"We are quite happy for the smaller wine tour operators, 5 to 10 people is ideal...People coming in a big group, such as 30 people, don't buy a lot of wine." (MW 5)

In short, many wineries emphasised that they do not encourage large bus tours, but independent visitors. That is, more effort is made by those wineries to distribute their wine tourism products to independent visitors.

Although Internet marketing is more popular, brochure-distribution is still essentially for information provision in wine tourism to reach older visitors. As one tour operator argued:

"Maybe some younger people like working on the Internet, but I don't think there are any changes for the market. It would be quite dangerous to just rely on the website. Older people still like a piece of paper in their hands. So brochures seem to be still quite important." (AT 8)

An interesting comment came from one wine tour operator in Marlborough. To attract the high-end market, his brochure-distribution did not go into i-SITEs, but some high-end accommodation sites:

"I have brochures, but not at i-SITEs. Maybe that's a mistake. But I don't use i-SITEs, because I tend to be too expensive for the clients they tell...The people going to the i-SITEs, in my opinion, maybe I'm incorrect, are more economical tourists. They don't have big budgets. They are not the sort of people who spend a lot of money on a wine tour." (MT 3)

From the above, businesses use different distribution channels to reach different segments. However, a multichannel distribution system is widely employed by most interviewees. It is because multiple channels influence the coverage of markets. Additionally, most large businesses value all market segments and cherish every

opportunity for their wine tourism product distribution. As noted by one large winery in Auckland that uses NZ ITOs to approach international tour groups, local wine tour operators to reach international independent visitors, and attracts domestic, especially people from Auckland, directly:

“They are from big buses. The companies who come here the most are ID Tours, ATS Pacific, MYDO, Pacific Destinations, Southern Travelnet, South Pacific Tours. There are about four local wine tour operators, such as Fine Wine Tours and Great Taste Tours. They come here every day while big buses from cruise ships come here seasonally. You have to look at every opportunity...We try to target our domestic market because we’ve got a million people living in Auckland and they will be our repeat customers. We try to advertise to consumers rather advertising to trades, like wine consumers, day trippers, or someone looking for weddings or functions. We’ve got a lot of different target markets and we do target them quite differently.” (AW 5)

From the above comment, it shows that intermediaries are more important, when providers have a variety of wine tourism products and would like to employ a range of intermediaries to approach different target markets.

In conclusion, different distribution channels are used to approach different market segments. However, most interviewees apply multiple channel distribution, since it can affect the coverage of the markets.

6.2.10 Reputation

Different factors in the reputation category are taken into consideration when choosing organisations to cooperate with in a channel. According to this fieldwork, Qualmark, personal criteria and personal relationships are reputation factors affecting the choices of distribution channels.

6.2.10.1 Qualmark

Qualmark, as the tourism's official mark of quality assurance in New Zealand, is recognised by the travel trade. Because it is new to activities, only a few tour operators have been qualified by Qualmark. To get a better understanding of how wine tourism businesses reflect on it in terms of their wine tourism distribution, whether Qualmarked or not, all businesses were asked to give comments. Businesses that are not Qualmarked all mentioned the high expense to have a licence and keep the licence. They do not share the opinion that international tourists know about it, as argued by one tour operator in Marlborough:

"We don't think it helps. Because we don't think overseas people understand what Qualmark means and maybe they don't even notice it." (MT 2)

Businesses that are Qualmarked hold a different opinion regarding their direct distribution channels. Businesses that are Qualmarked acknowledged the importance of their Qualmark to intermediaries. One Marlborough wine tour operator maintained the importance of Qualmark and their marketing strategy:

"Qualmark is a huge thing for NZ tourism. It's one of the highest recognized ratings of quality assurance in the world, actually...We use this as a tool for people to be assured that they are going to get quality experience here. Everything we advertise has a Qualmark sign on it. So, you can see on the AA, we have the Qualmark sign there. On the Destination Marlborough website, we have the Qualmark sign there. So when people are going to book a tour etc., they know they are going to get an excellent experience." (MW 4)

One tour operator in Auckland noted the cost of having a licence from Qualmark and keeping it. He also presented a viewpoint which might be the reason that more

activity operators have Qualmark. He further mentioned the advantages of being Qualmarked in terms of marketing and cooperating:

“You need to pay \$1,500 the first year, and you need to pay \$700 a year to keep the licence. In the way to do that, you need to have a lot of insurance and the average age of your vehicle is 7 years or less. It’s the financial requirement to hold the licence. If you are Qualmarked, you are good. If you are not, maybe you are, maybe you are not. Every top NZ activity operator has Qualmark. On the Tourism New Zealand website, all the Qualmark are on the top. New Zealand inbound tour companies want to see the Qualmark... Qualmark is helpful.” (AT 2)

A few wine tour operators mentioned that Qualmark helped operators to be the best they can and helped operators to appeal to intermediaries, so that it is easier for operators to sell their wine tourism products:

“Make sure where you are going, help you to find your direction and improve your area that you haven’t really attended to. It’s a quality assurance programme that has structure and place to keep you checking everything. To be the best you can be. I am not sure the individual clients do yet. But certainly it’s important to the wholesalers and inbound operators, and all the links in between.” (MT 11)

6.2.10.2 Personal Criteria

Wine tour operators’ personal criteria towards wineries have an influence on their choices of winery visits. Wine tour operators tend to be flexible with wineries when they guide tourists for winery visits. Compared with Auckland, this is especially the case in Marlborough. The wineries that wine tour operators take tourists to visit are either chosen by visitors, or by the wine tour operators. As two Auckland wine tour

operators talked about their criteria to choose wineries for wine tours, some differences emerged:

“I choose wineries: one good wine, two gives my customers a good entertainment experience, three supports me in the sense they lower their rate that they charge me for their wine tastings, and this kind of thing.” (AT 4)

“I choose the wineries based on the quality of their wine first; secondly, the location, the atmosphere, the design and the building; thirdly, the staff, friendly, their knowledge, sometimes inconsistent. Sometimes, the second and the third go together.” (AT 2)

6.2.10.3 Personal Relationships

Personal relationships are highly valued and actively maintained in the wine tourism industry. Personal relationships apply horizontally, i.e. between wineries and between tour operators in this case, and vertically, e.g. wineries and wine tour operators, wineries and accommodation providers, wine tour operators and i-SITEs, and wine tour operators and NZ ITOs.

One Marlborough wine tour operator commented on their relationships with the i-SITEs, gateway and en route VICs, and local VICs:

“We get more people from the Picton i-SITEs, and many from Wellington. Putting brochures at the Wellington i-SITEs is more expensive, but it’s much easier for us, since we get people before they come. We have a good relationship with the Wellington i-SITEs. For the Blenheim and Picton i-SITEs, it’s a package. We paid, but we get nothing from the Blenheim i-SITEs. They give them to Blenheim providers...We have a package with the Interislander

in terms of wine tours. It's their package, and we are the supplier. We've worked with each other for 12 years.”(MT 11)

Some wine tour operators mentioned the ways they keep the personal relationships with local intermediaries, e.g. i-SITEs and accommodation providers, mainly by giving them wine and taking them on their wine tours:

“Every so often I give them a bottle of wine as a thank you, if they send me a lot of people.” (MT 11)

“During off peak season we provider free wine tours to some of them.” (MT 10)

Referral networks, as part of personal relationships, are important in wine tourism. Most wineries in Marlborough and Auckland mentioned they work with others in their regions and referral is one form of relationship. It is because tourists arriving in a region tend not to visit only one winery.

During interviews, business representatives were asked about whether they had formal or informal partnerships with any of the intermediaries they cooperate with. Unfortunately, all wine tour operators and wineries interviewed do not have any formal or informal partnerships with any intermediary they work with for wine tourism. Therefore, their loose relationship might be a disadvantage for them distributing their wine tourism products.

In summary, reputation affects distribution channel choices. Qualmark, personal criteria and personal relationships are considered under the reputation category and affect the choices of distribution channels.

6.2.11 Nature of Intermediaries

The nature of Intermediaries differs from one to another over a range of aspects. As mentioned in the last chapter, NZ ITOs, VICs and accommodation providers are three significant intermediaries that local wine tour operators work with; NZ ITOs and local wine tour operators play an active role in bringing visitors to wineries.

6.2.11.1 NZ ITOs

NZ ITOs are commonly used by wine tourism businesses in Marlborough and Auckland. Several issues about dealing with NZ ITOs have been pointed out by interviewees. First, it takes a long time to build relationships with NZ ITOs, which was mentioned many times. As commented by one tour operator:

“The relationships built take time, take stamps and take paper. It could cost you \$1,500 or \$2,000 to send out 100 packages. I initially sent my business cards and my brochures to them, but it didn’t work. They contacted me then.”

(AT 2)

Second, although a higher commission is expected by NZ ITOs as discussed above, they sell providers’ wine tourism product a long time before the tour. This advantage was acknowledged by all wine tour operators and wineries that cooperate with these intermediaries. One Marlborough tour operator made the following comment:

“The advantage to me is I know a long time ahead when the tour is going to be, coz they may book a tour 6 months ahead. So I know I can work around here. The accommodation providers generally ring tonight, ‘Can you do a tour tomorrow?’ Not that convenient.” (MT 3)

In addition, working with NZ ITOs could not generate a good, quick cash flow, compared with working with other intermediaries, e.g. local accommodation providers, i-SITEs and other local tour operators. As commented by a wine tour operator in Auckland:

“They get the money from the client and they hold it. At least one month later after the client shows up, they will pay you. Some inbound operators may pay you \$10,000 a year. It takes quite a long time. That’s how they make the money. It’s not that good for new business, but it’s OK for us.” (AT 3)

6.2.11.2 VICs

VICs are popular amongst MTs and ATs in terms of information dissemination and payment functions. However, some wine tourism businesses were concerned about the effectiveness of using VICs, including ones cooperating with VICs and ones not cooperating. The advantages and disadvantages of working with VICs were illustrated. A good location is an advantage, but costly and no difference in providing the information are disadvantages, as noted by one tour operator in Auckland:

“The advantage of using i-SITEs is they are at the key areas, down the water front and in the casino. The disadvantage is costly, and the only difference between you and other wine tour operators is from the brochures. The staff won’t say anything. They probably say I got many positive feedbacks from clients about this one. And that’s all.” (AT 2)

One tour operator illustrated no distinguishing between operators with a detailed example:

“I’m the only one tour operator going up to the hill to see beautiful views. But they wouldn’t say the differences among them. Because they all pay the same amount of money to them, they can’t distinguish one from another. That’s their argument.” (MT 8)

6.2.11.3 Accommodation Providers

As mentioned above, in the section for commission, some accommodation providers do not expect commission and only hope their guests have a good experience, which is an advantage provided by wine tourism suppliers who cooperate with accommodation providers.

Another benefit for wine tourism suppliers working with accommodation providers is, unlike other intermediaries, such as VICs, brochures can be displayed at some accommodation sites for free. As one winery in Auckland mentioned:

“We have brochures at some accommodation for free.” (AW 2)

6.3 Chapter Summary

This chapter discussed the factors that influence the distribution channel choices based on the systems of wine tourism distribution channel, shown in Chapter Five. A variety of elements has been found from this study to affect the distribution channel choices for wine tourism in New Zealand: information provision cost, commission, businesses’ attitudes towards tourism, perceptions of the Internet, service diversity, capacity, accessibility, availability, market segments, reputation, and nature of intermediaries. These factors are elaborated with quotes from interviewees.

The next chapter summarises the key findings from Chapters Five and Six, provides an overall discussion and links it with the general literature on tourism distribution

channels and wine tourism. Implications of the findings for businesses and government are highlighted. General conclusions and recommendations are presented; and possible areas for further studies are proposed.

CHAPTER SEVEN: CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This study has explored the distribution channels for wine tourism in New Zealand, specifically in Marlborough and Auckland. In detail, it has focused on examining the existing structures and identifying underlying factors influencing the most prominent channel choices within the wine tourism industry in New Zealand.

Many researchers indicate the increasing importance of distribution to the tourism industry and the phenomenon of the rapid development of wine tourism in the world. However, there is a gap between tourism distribution channel research and wine tourism research. This study seeks to bridge the gap, with the hope of assisting the development of wine tourism businesses and the management of business growth.

This is a destination-based study performed by employing qualitative approaches focused on the supply-side through semi-structured interviews. The objectives were pursued by way of a comparative analysis of the distribution channels for wine tourism, through interviews with the owners or managers of wineries, and of local wine tour operators. A total of 51 in-depth semi-structured interviews were conducted and analysed with a descriptive approach.

This chapter presents the conclusions of this study. The research findings are combined and linked to the existing literature. Following that, avenues for further studies are suggested. The concluding recommendations of this study are noted from the business perspective, and the RTOs and RWO perspectives.

7.2 Research Findings

7.2.1 Structure

This study revealed four complex distribution systems for Marlborough wine tour operators (MTs), Marlborough Wineries (MWs), Auckland wine tour operators (ATs) and Auckland wineries (AWs). In each system, considerable channel diversity was found because wine tourism businesses tend to use a variety of channels, direct and indirect, to reach tourists “in market”, “while travelling” and “at destination”. Group visitors and independent visitors are reached mainly through different channels. The distribution channels for approaching international tour groups are quite conventional. These are all similar to distribution channels for heritage and cultural tourism in New Zealand (Pearce & Tan, 2004).

Although these distribution systems are quite complex, wine tourism businesses suggested that the most effective channels were direct and indirect ones “at destination”. This finding is consistent with distribution channels for heritage and cultural tourism (Pearce & Tan, 2004) and adventure tourism (Schott, 2007) in New Zealand.

Marlborough wineries have relatively simple distribution channels. This is because wine tasting, the core wine tourism product, is free at most Marlborough wineries. Hence, functional channels for reservation and purchase are not needed and channels for information provision are more important. This phenomenon is the same for free events (Smith, 2007), which use distribution channels mainly for disseminating information. Conversely, distribution channels for Auckland wineries are more complex, showing patterns similar to ticketed events (Smith, 2007).

Not unlike the limited event tourism packages (Smith, 2007), few wine tourism businesses bundle their products with others. Only five of 12 MTs, two of 13 MWs and two of 13 AWs have packages. That is, the package function seems not to be significant in wine tourism.

The majority of customers in all these businesses are independent visitors. Specifically, overseas independent tourists are the largest portion of customers to MTs and ATs. The wine tour operators work more actively with intermediaries and reach tourists “in market”, “while travelling” and “at destination” than wineries in these two regions. MWs, ATs and AWs receive domestic corporate groups, most of whom are approached “at destination” with direct distribution. Compared with wineries in Marlborough, more corporate groups use Auckland wine tour operators to visit wineries. MWs and MTs, and ATs receive more international visitors, whereas the majority of visitors to Auckland wineries are from Auckland.

7.2.2 Underlying Factors

From this study, a number of factors influencing distribution channel choice have been identified, including information provision cost, commission, businesses’ attitudes towards tourism, perceptions of the Internet, service diversity, capacity, accessibility, availability, market segments, reputation and nature of intermediaries.

First, according to Smith’s (2007) study, one factor influencing distribution channels for events is target markets. That finding is also identified in this study. Suppliers tend to employ different channels to reach different target markets. Secondly, for the issue of capacity affecting distribution channel choice, a tendency was found by Smith’s (2007) research on event distribution channels, and Pearce and Tan’s (2004) research on heritage and cultural tourism distribution channels. Thirdly, Scott (2007) pointed out the Internet’s strengths as a cost-effective tool for bridging the gap between suppliers and consumers. He further clarified that raising product awareness and providing product education are the main roles of the Internet. Commission, as a factor, was also identified in this study as in Pearce and Tan’s (2004) study.

7.3 Avenues for Future Research

Since the perception of tourism distribution differs between tourists and suppliers, there is a need to perform a study from the demand-side perspective, which can be conducted among visitors at wineries in Marlborough and Auckland, to find out the channels that wine tourists use for obtaining information, reservations and purchase. This will give an idea of tourists' motivations to use those specific channels. In addition, to get the complete picture and a full understanding of the wine tourism distribution system, intermediaries also need to be studied. In addition, research on the distribution channels for wine tourism could be studied in other countries, such as in an Old-World wine producing country, e.g. France, to compare with New Zealand, which is a New-World wine country.

7.4 Concluding Recommendations

This study has identified several factors that determine distribution channels for wine tour operators and wineries in Marlborough and Auckland regions. The study gives the following recommendations to businesses, as well as regional tour organisations and winegrowers associations.

7.4.1 Recommendations for Businesses

There are a few areas that can be improved so that businesses increase their competency in wine tourism:

- First, wine tour operators and wineries can establish formalised tourism distribution plans. According to the findings of this study, most wine tour operators and wineries interviewed did not have written tourism distribution plans. Due to the importance of distribution and the more competitive environment of the wine tourism as discussed previously,

having tourism distribution plans followed by the implementation of the plans is crucial for the success of wine tourism businesses.

- Secondly, wine tour operators and wineries can enhance their perception of the Internet and their Internet skills. This study shows that most businesses interviewed do not pay enough attention to the Internet, which can effectively resolve the issues of information dissemination, reservations and payment. Additionally, since Generate Y relies on the Internet more than Generate X and in the near future, Generate Y will become the main wine consumers and the most important wine tourism revenue contributors, it is essential for the businesses to enhance their perception of the Internet and Internet skills.
- Thirdly, wineries, especially those in Marlborough, can hold individual events, adding to their annual wine festival. From this research, it is known that Auckland wineries hold more events individually in order to attract local visitors, since. That is because Auckland has a large population and domestic visitors are good buyers of wine. Although Marlborough has a far smaller population, more events can be used to attract an increasing number of visitors from Marlborough region and other regions nearby.
- Fourth, wine tour operators and wineries can conduct their own research. This study reveals that a range of wine tourism services is provided by different wine tourism businesses. Since the characteristics of each wine tourism business are different, carrying out personal research can help them to discover suitable implications, e.g. examining the effectiveness of individual distribution channels as mentioned in this study.
- Fifth, wineries can work more closely with each other in their regions in many aspects. Two are two aspects shown from the study are that referral is important for distribution channel choices and wine trail maps are the most

effective medium to reach visitors. It is believed that more benefits can be generated by more cooperation.

7.4.2 Recommendations for RTOs and Regional Winegrowers Associations (RWAs)

This study has the following recommendations for RTOs and RWAs:

- First, RTOs can develop a regional wine tourism strategic plan. Not only the businesses need to have a wine tourism strategic plan, but also the RTOs can establish a regional one to drive the development of wine tourism in their own regions, such as the South Australia Food and Wine Tourism Strategy 2009-2014 (n.d.).
- Secondly, RTOs can provide free tourism entrepreneurship classes to wine tour operators and wineries in order to improve their business abilities. The topics for common lessons for wine tour operators and wineries could include: the importance of tourism marketing plans and the introduction of making plans; the importance of the Internet and the introduction of Internet skills; and customer service skills. Different classes can be held for wine tour operators and winery staff; wine knowledge lessons can be held among wine tour operators; and the importance of the tourism industry to their region and New Zealand as a whole can be emphasised to winery staff.
- Thirdly, RWAs can help the wineries in their regions have more cost-effective wine shipping channels. Since the shipping fee is very high, international visitors tend not to buy wine during their visits. However, since many wineries do not have many distributors overseas, cheaper shipping

fees may affect the visitors' decision-making and make international visitors good wine buyers, and eventually generate more benefits for wineries.

- Fourth, Destination Marlborough (Marlborough RTO) or Wine Marlborough (Marlborough RWA) can make a regulation about establishing the minimum wine tasting fee. It means that wineries will have to charge visitors a certain amount of money for cellar door wine tasting. This study found that many regular tourism distribution channels work through commission. Since wine tasting is free at most Marlborough wineries, intermediaries cannot charge the commission for wine tasting. In the phenomenon, the intermediaries tend not to promote the cellar door tasting itself. Therefore, charging tasting fees can influence the designing of more packages and develop more formal relationships among package suppliers. Furthermore, the reason for regulating the minimum tasting fee is to avoid malicious competition between wineries.
- Fifth, RTOs and RWAs can work much more closely. It is widely recognised that the more cooperation a business conducts, the better it become. The RTOs can cooperate with RWAs in terms of marketing and advertising, which would promote their wine regions as premier wine countries. With the increase of people's awareness of the premier wine and tourism in the region, the regional development of wine and tourism would be rapidly.

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APPENDIX A

VICTORIA UNIVERSITY OF WELLINGTON
Te Whare Wānanga o te Ūpoko o te Ika a Māui



VICTORIA
MANAGEMENT SCHOOL
Te Kura Whakahaere

Distribution Channels for Wine Tourism in New Zealand

Participant Information Sheet

For my Master of Tourism Management thesis at Victoria University of Wellington, I am conducting research on distribution channels for New Zealand wine tourism. The research examines these distribution channels in terms of structure and the reasons for their use.

As the owner or manager of a wine tourism business, your opinions on wine tourism distribution channels could be of certain directive significance to the development of wine tourism in New Zealand. I would like to take 45-60 minutes to conduct an interview with you discussing some key areas of distribution channels for New Zealand wine tourism, including such aspects as the channels you use to distribute your wine tourism products and why you use these channels. With your consent, the interview will be recorded and/or notes will be taken.

Information or opinions given during the interview will only be attributed to you with your consent. Other comments will be reported in an aggregated form. All data will be destroyed two years after the research is done. The results of this project will be part of a Master's thesis. Hence, a copy will be deposited in the Victoria University of Wellington Library. Findings might be presented at conferences or published in academic or professional journals. This research project has been reviewed and approved by the Victoria University of Wellington Pipitea Human Ethics Committee. You can withdraw from the project at any time before the final analysis of data in February 2011. A summary report will be available on your request after the completion of this project.

Please be free to contact us for more information about this research. Thank you for your assistance!

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APPENDIX B



Distribution Channels for Wine Tourism in New Zealand

Consent Form

- I have been provided with a participant information sheet with adequate information related to the nature and objectives of this project. I have read and understood the requirements and have been given an opportunity to ask any questions I may have about this research and my participation.
- I understand my participation in this research project is entirely voluntary.
- I understand that I may withdraw from participation in this project at any stage before the final analysis of data in February 2011. In which case, all information obtained will be immediately returned and/or destroyed.
- I understand all audio digital recordings and transcripts will be kept securely for up to 2 years and destroyed no later than August 2013. Any further use will require my written consent.
- I consent to information or opinions being attributed:
 - ☐ to my organisation
 - ☐ only be reported in aggregated form or under an alias (if more suitable in the context)
- I agree to the interview being recorded and/or in notes taken.
- I understand the information I provide will be used in a Master's thesis. Hence, a copy will be deposited in the Victoria University of Wellington Library. Findings may be presented at conferences or published in journals at a later date, and a summary will be made available to participants on request.
 - ☐ I would like to receive a summary of the results
- I agree to participate in this study.

Signature of participant: _____

APPENDIX C



Distribution Channels for Wine Tourism in New Zealand

A check list of questions

Sector:

Name of the company:

Name of the Interviewee:

❖ Company profile

1. Could you please describe your company (establishment of the company, size, ownership, structure, mission and objectives)?
2. In what ways is your company involved in wine tourism?
3. What are your wine tourism products?
4. How important is tourism to your business?
5. What do you think of the Qualmark to your wine tourism business?
6. What are your major markets?

What percentage are domestic and international tourists?

What percentage are independent and group tourists?

7. What are the advantages and disadvantages of your company itself with regard to distributing your wine tourism products?

8. Do you have marketing plans with distribution strategies and practices?

If so, could you please tell me something about your plans? Do you implement them?

If no, why not?

❖ **Distribution channel structure**

9. Does your company use direct as well as indirect distribution channels?

- **Direct distribution channels**

10. How do you reach wine tourists directly, for example do they book by email or phone, or do they just come in through?

11. (If the company has a website) I've seen your company's website. So how often do you update the information on your website?

(If the company does not have a website) Why don't you have a website? Would you like to have one?

12. (If the company has a website) what distribution opportunities does the internet offer your company?

(If the company does not have a website) in your opinion, what distribution opportunities can the internet offer you if you have a website?

- **Indirect distribution channels**

13. (If the company uses intermediaries) how many and which intermediaries does your company work with, for example tour operators, wholesalers, visitor information centres, regional tourism organisations, etc.?

14. (If the company works with intermediaries or other suppliers) how important are they as distribution channel members?

15. Does your company have formal or informal partnerships with these intermediaries?

❖ **Distribution functions**

• **Information provision**

16. How do your potential customers hear of your products? Are there any differences in the strategies for reaching different segments, for example domestic and international tourists, and independent and group tourists?

If so, what are the differences? Why are there differences?

What factors influence your company to utilise different strategies for different segments of tourists?

• **Booking**

17. What percentage of reservations comes directly, that is through your website (if the company has a website) and/or by phone?

What percentage of reservations comes from intermediaries? From which ones?

• **Purchase**

18. (If the company provides the purchase function of wine tourism products on its website) what percentage of purchasing these tourism products is direct from your website?

What percentage of purchasing these tourism products is direct at your cellar door?

19. Which intermediary helps you the most in terms of purchasing your wine tourism products?

• **Packaging**

20. Do you package your wine tourism products with tourism partners, for example your wine tasting and/ or tour and food tasting and/or tour packages, wine tasting and/ or tour and other forms of tourism activities tour packages, and wine tasting and/ or tour with transport and/or accommodation tour packages, etc.?

21. What are the main segments these packages appeal to?

❖ Behaviour

22. What are the advantages and disadvantages of each the channel that you use?
23. Which channel is the most effective and efficient one for your wine tourism business in your opinion?
24. Do you foresee any change to ways in which you will distribute your wine tourism products in the near future? Why do you want to make these changes?
25. What do you think of the relationship between wine tourism and distribution of wine?
26. Are there any other issues that you would like to raise?