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Ties between Wine Industry and Wine Tourism and their Possibilities

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Abstract

The objective of the study is to identify effective mechanisms for the development of wine industry and tourism, which represent strategically most important sectors of Georgian economy. Origination and development practice of wine tourism proves close relationship between the above sectors and their benefit. Popularity of wines with denominations of origin encourages development of tourism in wine regions, the outcomes of which are already evident in Kakheti region. The tourism destinations, which have already developed in Georgia, should be used for improving awareness of wine brand and creation of wine consumer. In addition, the research has shown that even in case of existence of resources, the above methods are effective only by applying innovations, creative approaches and differentiated strategies on target markets. Thus, to say it in general, it is a way for weak economies to remain competitive on international markets.

Keywordz: Wine tourism, Wine industry, Wine tourism model, Eine countries, Georgian tourism

Importance. It might be said that wine production and tourism are the main fields that were the exclusive fields of Georgia in the Soviet Union. But due to the closed economic and political system both sectors developed in the wrong direction and were led to the lack of awareness on the international market. As a result of the collapse of the Soviet Union, there was no market for Georgia and due to the war in Abkhazia and the civil war the country got destroyed and depreciated

infrastructure. In addition, Russian embargo on Georgian wine in 2006 caused cutting vineyards and reduction of wine export by 50%.

The importance of the topic is determined by the fact that there are not many exclusive and special products produced in Georgia, which will be competitive on the rich market segment. Wine is one of such products and tourism is attractive for any country due to its fast and high socio-economic effectiveness. It is especially attractive for Georgia, which has good potential for its development. For the last years agriculture and tourism have been recognized by the government of Georgia as priority sectors[4]. International practice of wine tourism development shows that the wine sector can gain significant benefit from tourism in terms of sales and brand image, and as tourism is increasing this issue is gaining more importance. As a result of implementation of a number of infrastructural projects, marketing activities and introduction of new regulations by the government in recent years, significant progress has been made in terms of tourism development. The growth of tourist arrivals in Georgia amounted to 7% in 2015 and 7.8% in 2016. Tourism accounted for 6.71% of the country's GDP in 2015 and 7.01% in 2016 [10]. In addition, 5% of the tourists visiting Georgia consider that their tourism activities belong to wine and culinary tourism, while the number of such tourists on the international market varies only between 2-3% [7].

Great interest in tourism and wine industry is also determined by the potential of these sectors to encourage “inclusive growth” – the growth that provides benefit not only for entrepreneurs and the people directly involved in the production, as it is often the case with economic activities in developing countries.

Based on the above-mentioned, the main goal of the study is to identify effective mechanisms for the development of Georgian wine industry and wine tourism on the basis of developing an adapted model for wine tourism development based on the study and analysis of the experience of development of wine tourism market in foreign countries, which will encourage development of wine tourism as well as branding and promotion of Georgian wine on international market.

Literature review. Wine economy has become an important area of research in recent years. In the United States, there is the American Association of Wine Economists and numerous webpages, such as www.wineeconomist.com (they create world maps of wine), managed by Mike Veseth, the author of the book *Wine Wars*, in which the author studies competition among market trends and other issues. In general, this issue is covered in many economic books and academic papers.

The situation in respect of wine tourism is quite different. Scientific studies and publications on wine tourism are relatively few compared with other areas of tourism. It may be illogical, but the fact is that researchers of wine tourism believe that scientific contribution in this field from the Anglo-Saxon countries (Canada, US, New Zealand, Australia) is greater than from the historically traditional wine producing Mediterranean countries [8].

First scientific works on wine tourism began to appear in 1990s. The scientific papers in this period are mainly related to rural tourism and its contribution to rural economy, wine tourism market segments and consumer behavior. Substantial scientific papers in wine tourism are presented by Dodd (1995), Peters (1997) and Skinner (2000) from US; by Gilbert (1992) from Spain, by Heckert (1998) from Canada, by Pavan (1994) from Italy and others. Wine researchers

in Europe make more emphasis on the areas of vineyards and statistical study of wine products. As for the studies by Georgian researchers, there is rich literature on vine and wine-making technologies, but not on the economic importance of wine [8];[2];[3];[6].

Peculiarities of the development of international market of wine tourism. Scientists believe that the first tours in the vineyards were made as early as in ancient period, but the wine-related activities became especially popular in 1980s [8].

Nowadays, wine and gastronomy represent important elements of all kinds of tourism; therefore, indirect demand for them on the world market is approximately 27 million visits annually. The growth of wine and gastronomic tourism in the last decade amounted to 5-8 percent, which is higher than the average growth rate of tourism development (4 %). The specialists predict that by 2020 growth of the wine and culinary tourism will achieve 8-10% [7].

There are different approaches to wine tourism in historically traditional wine producing countries (European model - France, Italy, Spain, Portugal, Hungary) and new wine producing regions (Australia, Argentina, Chile, US, South Africa). We mean different approaches to wine production and wine marketing, associated with the old and new world. Here, we would like to note that such division is conditional as successful experience is instantly spread and gained in current globalized world. Therefore, this difference is more visible in some places and less visible in others. The fact that the researchers believe that wine tourism models are related with wine making methods is of special interest for us. The European model of wine tourism is based on the long history of wine production and a large number of producers in this field, while the second one is based on the short history of production in the new wine regions and the highly concentrated sector. In Europe, cooperation between wine producers and adaptation is developing very slowly even in terms of global changes, making it difficult to take further steps to service activities in this area. Although there are associations of French farmers and cooperatives created based on the initiative to develop wine tourism, the amount of small farmers in France is 17 times smaller compared to the United States [8].

In Europe, wine oriented tourism has developed in the field of traditional production, which includes high material values of cultural heritage and represents an obligation for its owners to promote spread of knowledge in this direction. Later, urbanization processes in Europe led to the nostalgia of agricultural products and increased the significance of traditional wine production, which, in turn, encouraged increase in direct sales of wine from producers. Traditions, knowledge, novelties and experience oriented activities gave birth to very important forms of wine tourism in European settlements and on the river banks.

The situation in new wine producing countries is different. For example, in the United States, where the tradition of wine culture has relatively short history but there is a huge potential in terms of consumers' demand. In US, wine consumption is growing annually and takes the first position in the top ten countries by wine consumption. According to the data of 2016, consumption of wine in the US reached 31.8 million hl; it is followed by France (27.0 million hl), Italy (22.5 million hl), Germany (20.2 hl) and China (17.3 million hl). Therefore, the oriented on European wine [11].

Vineyard areas and wine production are increasing worldwide. This is especially evident in non-traditional wine producing countries (New Zealand, Australia, US), while in traditional wine countries such as Greece, France, Argentina they are decreasing. Growth of wine consumption is 1% lower compared to the growth of production. This contributes to the production of excess goods, reduction of prices and increasing competition in this field on the international market to the monopolist European countries. Wine export is increasing from the new wine countries, in particular, from Australia and South Africa, while it is decreasing from France and Spain. In European countries wine tourism accounts for approximately 20% of all wine sales. For example, in Italy the respective figure is 19%. In Greece, 32% of wine is sold from wine producing locations, wine cellars and wine-tasting halls of factories; 18% is sold in bars and restaurants; 16% in special chains; 16% in supermarkets and 4-5% by internet [8].

Domestic consumption of wine in traditional wine countries is no longer growing. Here the main task of the wine tourism activities and events is to maintain customer loyalty and the wine-related heritage, such as traditional wine cellars, surrounding cultural landscapes or wine-related customs. In the European model, the traditional product sector is related with the wine tourism initiatives. In the new world, wine tourism is more focused on brands than on locations. Wine tourism here serves as an advertisement to help consumers to have a higher opinion on the quality of local products and therefore, increases the competitiveness of these countries compared to traditional wine producing countries. The main goal here was to create a wine consumer. It was developed in parallel to the creation of new markets and was well adapted to wine tourism. New technologies and a great production structure promote supply of high quality products on the wine market in large quantities. Inclusion of territorial authenticity in the model and ensuring creation of values remain the key challenges. In this respect, keeping connection with culture in wine tourism strategies in the old continent is a good experience; therefore, the new wine countries actively use creative components, develop tourism destinations, create comfort for relaxation, add recreational elements and plan different wine related events (such as Wine and Crane Festival in California, Wine Show and Cabaret in New Zealand, wine mixing seminars in Napa and Sonoma valley – pouring wine in specially designed bottles with a name chosen by the tourists; the bottled wine is taken home by the tourists). Thus, the main tasks in wine tourism in Europe are sales and maintenance of customer loyalty. It is based on traditions and cultural characteristics. The new wine countries focus on the development of a new wine brand, which is based on creativity and development of a tourism destination.

Links between Georgian wine and tourism, perspectives. The wine tourism system is a complex structure, whose main component is the impression gained from wine tourism [4] Hull, something that remains valuable for the tourist after the trip. According to Getz, wine tourism is a kind of journey to a special market [3]. We consider that Georgia can be such a special direction due to the following circumstances: - 8000 years of wine history; more than 500 endemic grape varieties (Georgia is the only country where wine was made only from endemic grape varieties); unique qvevri wine; various customs and traditions; Georgian delicious and diverse cuisine; good climate and beautiful landscape with rich biodiversity.

Economic Aspects of Georgian Wine Industry. Currently, vineyards in Georgia cover 48-50 thousand hectares. This is only half of the area covered with vineyards until early 1980s (most of them were cut off as a result of Gorbachev's anti-alcohol campaign). Despite this, Georgia is the fourth country (after Portugal, Chile and Italy) by the share of agricultural land (8%) used for growing vine. Therefore, export of wine can be further increased by planting grapes on the areas from where they were cut off [9].

Export of Georgian wine has been increasing in recent years. According to the data of 2016, around 50 million bottles (0.75 liters) of wine were exported from Georgia to 53 different countries worldwide, which is 38% higher compared to 2015. The value of wine export in the reporting period amounted to 113.8 million USD, which is 16% higher compared to 2015. Top five exporting countries are: Russia - growth 49% (27,222,076 bottles), Ukraine - growth 70% (5,811,050 bottles), China - growth 98% (5,299,149 bottles) and Poland – growth 46% (2,329,820 bottles). In addition, 10,367,886 bottles (0.5 liters) of brandy were exported to 17 countries worldwide in 2016, which is 43% higher compared to 2015. Total revenues from exports of wines, brandy, chacha, wine materials, brandy spirits and tap brandy amounted to 194.3 million USD in 2016. The growth rate compared to 2015 reached 32%. Since 2012, after opening the Russian market, Russia has been the largest importer of Georgian wine again. In addition, the export price of wine has been increasing since the middle of 1990s when it was below 1 USD. By 2011 it increased to 3.2 USD. Currently, the export price of Georgian wine is above the world average, strengthening its status as a luxury product [9].

It is interesting how much wine can be produced in Georgia. Wine factories have been using around 30-40 tons of grapes for making wine. The harvest of the vintage 2017 amounted to 125 thousand tons of grapes [9]. Most of the harvest from the vineyards owned by households is used for making home-made wine. However, if wine companies offer higher prices for these grapes, private wine growers will sell their harvest instead of consuming it. In this case, it is possible to double commercial production of wine. In addition, wine tourism is a good way for selling home-made wine. Tourism is a tool for exporting products from the production location through direct sales [8].

In addition, as mentioned above, both wine and tourism have potential to encourage “inclusive growth”. Increase in wine production, price and sales will have a positive impact on the revenues of households in rural areas. This opinion is based on the fact that grape growing is one of the most important sources of income for many households in rural areas, especially in Kakheti region. Some of the wine companies have their own vineyards and grow grapes themselves, while others mainly buy grapes from households. Approximately 2-3 times more wine is produced by the households than by wine companies. This means that if the demand for and price of Georgian wine go up, competition between wine companies will result in the increase in grape price. In this way, popularization of Georgian wine on international markets will have direct impact on the income of Georgian smallholder farmers.

Lack of awareness of Georgian wine on international market still remains the problem. Although experts already know Georgian wine, it is not yet known to the general public outside the post

soviet countries. According to the study of Kym And erse ‘Is Georgia the Next ‘New’ Wine-exporting Country?’ the experience of wine exporting countries outside Europe has shown that advertising of the country of origin is much more effective than advertising of a particular brand. Perception of the quality of wine by consumer is directly connected with the place of origin and this is a sufficient guarantee, for example, for European wine consumers[1].

Wine tourism always includes territorial component as tourism is moving towards certain areas. Tourism development in Georgia can be used to serve Georgian wine. Wine and cuisine are inseparable components for any kind of tourism. Therefore, for the tourists visiting the country with other purposes (relaxation, business, recreation, etc.), the host country can play the function of wine promotion and wine tasting destination (banners in the streets that the visitors can see beginning from the places near the airport and which inform them that they are visiting the wine country; offering Georgian wine at restaurants, Georgian wine display stands at supermarkets, special wine shops, festivals, various Georgian folk related events, etc.). This is the strategy, when specially designed infrastructure and activities are used to attract the tourists and inform them about the wine brand; thus, awareness of the brand is created in this way. In our case it will be not a certain brand, but Georgian Wine as a brand.

The situation is different when we deal with the tourists from the post-soviet countries. High awareness of the Georgian wine in this segment was associated with the place of origin -Georgian Wine as a brand. The experience of wine tourism in traditional wine producing countries substantiates the importance of awareness of the place of origin in consumers for the development of tourism destinations and increase in sales of wine from the places of production. The impact of the awareness of Georgian wine is already apparent in different regions of Georgia, especially in Kakheti. In addition to selling wine, wine cellars get income from tours, guesthouses and other services offered to tourists. The average price of 2 hour long wine tour is 50 GEL and the average price of the guesthouse including breakfast is 30 USD. Small cellars mainly sell qvevri wine and the prices there are much higher compared to large wine cellars [10].

It should be noted as well that wine is one of the main products bought by the tourists as a memorable product from Georgia [9]. This is one more effective way to promote direct sales from the place of production, popularization of the product outside the country and creation of new customers for Georgian wine.

From the best practice of wine tourism development the following activities and methods are already used in Georgia: wine routes and wine maps; festivals and other special events; unique links - wine and food, wine and art, wine and music, wine and spa; combination of wine and other tours; wine tourism and social media. There are good examples of wine-related recreational tourism destinations such as Kvareli Eden, Chateau Mukhrani and others. Such good practice as wine villages/towns, which is an effective strategy for the destination development, is less applied or is not applied at all. Tourism is less appealing for large factories/cellars. They do not recognize the role of tourism in direct sales and are less likely to invest in wine tourism development. From this perspective, there is a good alternative in European countries (Chateaufort du Pape in France,

Montalcino in Italy) – partnership of communities around wine. It enables development of common vision and strategy, as well as creation and promotion of joint products.

Conclusion. The study of the peculiarities of wine tourism development both in Georgia and in foreign countries has shown strong interconnection between wine industry and wine tourism development. The profile of Georgian wine tourism is variegated. There is a market of post-Soviet countries for whom Georgian wine and Georgia as a tourist destination are well known and currently, this market represents the largest segment. On the other hand, there are very attractive markets of America, Europe, China and other countries, whose share is still much lower than desirable.

The level of development of tourism and tourism infrastructure is also different in different regions of Georgia.

Proceeding from the above-mentioned, application of models of both traditional and new wine countries with different approaches is useful, in particular:

a) European model, which will be based on traditions and cultural characteristics and will promote growth of sales and stimulate development of tourism destinations in Georgia. For the development of this model, the government and local authorities should stimulate development of peasant farms and establishment and development of local partnerships.

b) The regions with developed tourism infrastructure, for example, seaside regions or other places with high number of tourists mainly travelling with other purposes, should be used for increasing the awareness of Georgian wine brand by using the methods and approaches of the new wine countries.

Thus, while the behavior of wine consumer is mainly determined by the place of origin of the wine brand and a major challenge to Georgian wine still remains the problem of the lack of awareness, Georgia should use its historical relation with vine and wine more actively; promote the brand slogan of the country “Georgia – the Cradle of Wine” and care for the protection and promotion of cultural traditions.

Therefore, the study of the development of wine tourism market has shown that even in case of existence of resources, for gaining competitiveness on the international market it becomes essential to use innovations and creativity through differentiated approaches; this especially refers to the countries with weak economy, which get more chances due to the changes in the behavior of modern consumers, seeking for novelties and something special.

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