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## **Paper Two: Wine Tasting: Should Granite Belt Wineries Charge for Tasting?**

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## **Abstract**

This paper addresses the current literature about the wine tourist and wine tourism in general and will examine the role played by the Granite Belt in the Australian wine industry. The focus of the paper is to review the literature on the issue of charges that may be imposed for wine tasting with a view to understanding their impact on consumer behaviour. The purpose of this is to utilise this information to better understand the issues and to formulate questions for a forthcoming survey.

**Keywords:** Wine tourist, cellar door, Granite Belt, wine tastings, legal context.

## **Introduction**

In the past decade regional tourism has provided economic development, employment and local industry growth. Wine tourism has gained momentum and has proven to be a major tourism activity. Wine tourism is not a new phenomenon, but research into the many factors that motivate wine tourists and indeed, wineries and wine regions is yet to be fully developed (Carlsen 2004 p. 10). This paper explores the importance of cellar doors and the viability and legality of charging for wine tastings, specifically with a view to informing the emerging wine industry in the Granite Belt region of southern Queensland. A study several years ago, in 1997 in Western Australia, concluded that the introduction of tasting fees had the potential to reduce the overall visitor numbers to the wineries (King and Morris, quoted by Travers, 1999). A more recent study by Kolyesnika and Dodd (2009 p. 816) in the United States, conducted in an emerging wine region similar to the Granite Belt, found visitors who had free wine tasting spent more money at the wineries than visitors who paid a tasting fee. They noted that providing a free sample of wine was really no different to providing free food samples, as is the common practice in supermarkets and other retail outlets. They did note, however, that little research has been carried out on the impact of tasting fees on consumer behaviour (p 808).

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for a forthcoming survey. This survey will explore the views of the Queensland wine tourist and look at their motivations and like or dislike of being charged for wine tastings.

### **The Australian wine industry**

Wine grape growing and winemaking are carried out in each of the six states and two mainland territories of Australia. The principal and popular production areas are located in the south-east quarter of the Australian continent including South Australia, New South Wales and Victoria. These wine producers play a major role in the development of the industry. However, wine is produced in over 60 regions, reflecting the wide range of climates and soil types that exist across the continent. These areas include Mudgee, the Murrumbidgee River and Murray River valleys (New South Wales); the Southern Vales, Clare Valley and Riverland (South Australia); and Rutherglen and the Yarra Valley (Victoria) with the states of Western Australia, Tasmania and Queensland having smaller wine industries (<http://www.dfat.gov.au/facts/wine.html>>April 2008). There are currently over 2000 wine companies in Australia with the top 20 wine companies producing 90% of the wine sold. Currently 50 % of all wine companies are exporting in some form ([http://www.gwrdc.com.au/webdata/resources/files/Australian\\_wine\\_sector\\_at\\_a\\_glance.pdf](http://www.gwrdc.com.au/webdata/resources/files/Australian_wine_sector_at_a_glance.pdf)).

The number of grape growers has significantly decreased by 20% in 2010 with larger vineyard holding increasing their production. ([http://www.gwrdc.com.au/webdata/resources/files/Australian\\_wine\\_sector\\_at\\_a\\_glance.pdf](http://www.gwrdc.com.au/webdata/resources/files/Australian_wine_sector_at_a_glance.pdf) >, April 2011). The Granite Belt is Queensland's largest wine region, with over 60 cellar doors in this region. The Granite Belt is also home to some of the State's most magnificent national parks including Girraween and Sundown and is the Queensland's stone fruit capital (<http://wineaustralia.com/australia/Default.aspx?tabid=5462>). Not in ref list

### **Wine tourism**

Whilst there has been considerable growth in wine tourism in Australia over the last 20 years (Getz & Brown 2006; Ali-Knight & Charters 1999) this development has been replicated in other wine producing areas such as New Zealand and North America. It is generally acknowledged that there has been limited research into the nature of wine tourists, their

intentions and motivations and how they can be segmented effectively (Richardson & Dennis 2003). If wine producers are to maximise their potential gains in sales and keeping long term consumers, and if the associated tourism operators actively focus on consumers, this should ultimately optimise the services used by the customers (O'Neil, Palmer & Charters 2002).

There has been much written by both the wine and tourism industries and academics in an attempt to define wine tourism (Getz 1998; Getz & Brown 2006). For example the Western Australian Wine Tourism Strategy (2000) consolidates existing research and defines wine tourism as:

*“Travel for the purpose of experiencing wineries and wine regions and their links to (Australian) lifestyle. Wine tourism encompasses both service provision and destination marketing.”*

Whereas, Hall, Sharples, Cambourne & Macionis (2000) define wine tourism as:

*“Visitations 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 primary motivating factors for visitors.”*

Definitions of wine tourism encapsulate many characteristics including: supply and demand, life style experience, wine and food, an educational component, linkages to art and culture and association with the destination image (Getz & Brown 2006; Hall, Sharples, Cambourne & Macionis 2000). As a marketing opportunity it enhances the economic, social and cultural values of an area or region. The most common way for wine tourism experiences to be presented to the consumer is in the form of a wine or wine and food festival or event which usually includes cultural heritage, dining, hospitality, tasting, education, cellar door sales and winery tours if applicable (Hall, Sharples, Cambourne & Macionis 2000; Getz & Brown 2006).

### **The Wine Tourist**

It is difficult to give an overall profile of the wine tourist and in fact prior to 1995 in some cases the descriptions of wine tourist were not very flattering. Spawton (1986 p.57 ) describes

them as “*mobile drunks*” while Macionis & Cambourne (1998 p. 42) refers to the wine tourist as *‘the passing tourist trade who thinks a ‘winery crawl’ is just a good holiday’*. A slightly more flattering description by Treloar, Hall & Mitchell (2004) describe wine tourists as *“predominantly female, generally university or higher educated with a slightly higher than average income...usually domestic or intrastate traveller who has some experience with wine or wine education”*. Whereas, Carlsen (2004) describes the wine tourist as seeking a lifestyle package to include the experience of enjoying wine at its source: landscape, culture and food. Dodd and Bigotte (1997) suggest that high income and education best describes the overall profile of the wine tourist. This research suggests that the wine destination needs to have complimentary services and offerings in the region to deliver a holistic experience.

Research conducted by Charters and Ali-Knight (2002) segmented the Australian wine tourist based on demographic and motivational characteristics. Their findings revealed that about one-third of respondents could be called ‘wine lovers’. Wine lovers are those who desired a learning experience at the wineries suggesting that the quality of and perception of quality play a role in destination selection (Dimara, Baourakis & Kalogeras 2001; Charters & Ali-Knight 2002). Interestingly, this target segment of wine tourist are suggested to be more likely to buy wine, learn about wine, taste the wine and were not motivated by ancillary activities i.e. sightseeing conflicting with the views Carlsen (2004) . It is proposed that this target segment will be driven by the branding of the wine (Lockshin & Spawton 2001). Wine lovers are more interested in learning about the wine links with various types of food and local produce and storing and maturing wine rather than the complimentary and ancillary services and destination activities.

The two other groups are the ‘wine interested’ and ‘wine novices’ who do not have similar motivational characteristics as the ‘wine lovers’ but are likely to support the need for complimentary activities (Carlsen 2004). The research concluded that ‘bundles of benefits’ have to be offered, not just wine related experiences because wine tourism as opposed to the wine tourist, is rarely an isolated activity and for this target segment the emphasis will be on the branding of the destination holistically. As such it is proposed that regional wine tourism needs to include a combination of both connoisseur activities for the wine lover or wine buff

together with a holistic experiential set of offerings to compliment the destination for the wine novice and wine interested segment (Lofman 1991; Beames 2003).

## **The legal context**

### Queensland

Operators of a vineyard in Queensland require a licence under the *Wine Industry Act 1994* (Qld), section 6. This may be either a Wine Producer Licence, which allows the licensee to operate a vineyard or winery, or a Wine Merchant Licence, which allows the licensee to conduct business that contributes to the Queensland wine industry in a substantial way, such as using Queensland fruit to make wine on another premise, or blending different wines to create a unique wine in the state. Most cellar door operations will be required to obtain a Wine Producer Licence, and this is the one that will be discussed.

A Wine Producer Licence allows a licensee to sell the licensee's wine for tasting on the premises as a sample and consumption off the premises. Additional approvals can be sought to sell wine (other than as a sample) for consumption on the premises and at a satellite cellar door. (*Wine Industry Act 1994* (Qld), s 16). The annual fee payable by the winery is currently \$472.10 (*Wine Industry Regulation 2009* (Qld), Sch, items 1, 3).

### New South Wales

The New South Wales legislation is instructive to consider in this literature review due to the fundamental change that was made as from 1 July 2008. Prior to this time, the *Liquor Act 1982* provided that holders of an off-licence could supply wine on their premises if it is supplied gratuitously and for tasting purposes only (sections 18(3), (7)).

The *Liquor Act 2007* (NSW) overhauled the liquor licensing system. The category that applies to cellar door operators is the Producer/ Wholesale licence. In his Second Reading Speech, the Minister the Hon Graham West, explained the purpose of this licence as follows:

The licensing arrangements for wine producers will be modernised. This is a key feature that will directly assist regional tourism and regional economies. Wine

producers will be able to charge for tastings if desired, make cellar door sales, and operate multiple premises in a wine region under the one licence. ... An important reform for wine producers is that they will be able to conduct tastings and sell their wine directly to the public at wine shows and farmers' or producers' markets (Hansard 2007, p. 4632).

This followed lobbying by industry for the change. For example, in April 2007, the New South Wales Wine Industry Association signed a Memorandum of Understanding with the then Liberal opposition as a way of seeking government support for two proposals: to allow individual wineries to do bulk retail sales and relax the requirements on tastings so that wineries could, for the first time, charge a nominal amount for wine tastings (McFarland 2007). The proposal is also "intended to allow wineries to do more on-site promotions, such as events where people want to spend a longer time at a vineyard but may not be in a position to take bottle sales home. The tasting fee would be optional and is intended to allow a winemaker to put on a range of different choices for customers" (McFarland 2007).

Applauding the introduction of the laws, David Lowe, the president of the NSW Wine Industry Association, said that charges for tasting would be gradually introduced and seen as a cost recovery. He encapsulates the tension regarding whether to charge for tasting thus: "We don't want to alarm people. Tasting is a very important process for people to determine which wines they like. On the other hand, we don't want to see wines being abused and we expect that initially those most expensive wines will recover the cost of the wine samples given out free" (North 2007).

Given that wineries can legally charge for tasting at their cellar door, the question that must be answered is should wineries charge for tasting at their cellar door? Since there is a desire to develop wine tourism activities in the Granite Belt, it is important to review the issues that may encourage or discourage tourists from purchasing wine at the cellar door. The next section will provide an overview of industry practice in Australia and overseas

### **Should wineries charge for tastings: the issues**

The question of whether wineries should charge for tastings is multi-faceted and contentious. It is a source of discussion in the wine industry worldwide. Kolyesnikova and Dodd (2009 p. 807) express the dilemma thus: “Some managers believe that charging even a small fee provides an impetus to focus people’s attention. Others prefer not to charge and view complimentary wine tasting as a reward to customers for visiting their winery and a way to build brand loyalty. There are some managers who try to find a balance and charge only for tasting of their reserve wine or apply tasting fees to purchases.”

There are differences in charging policies throughout the world. Kolyesnikova and Dodd (2009, p.809) quote Fisher’s 2007 survey of United States cellar doors and found that 59% are now charging a tasting fee, with most fees being between \$3 and \$5. Interestingly, a relevant point for the Granite Belt that they noted was that established wine regions are more likely to charge a fee for tasting than developing wine regions (2009 p. 809).

The issues raised by Travers (1999 p. 69) some years ago still resonate today. Travers notes that the trepidation with charging appears to stem from a combination of fear and uncertainty. He notes that the fear is not only losing marketing share to competitors who continue to offer free tastings, but also how to police the tasting fees, especially for the larger cellar door outlets. The issue that is generally cited in favour of fee is to filter out ‘free-loaders’, who Travers defines as “a visitor who typically spends upwards of 30 minutes tasting numerous wines, engaging the cellar door staff in frivolous conversation and then leaving empty handed with a polite ‘thanks’” (1999p. 69). However, the contrary argument is that the consumer has been introduced to the brand, and may purchase this wine at a later date. Younger consumers may not have the financial capacity to purchase at that time, but are the consumers of the future and hence the free tasting is a good investment for future sales. Kolyesnikova and Dodd (2009 p. 807) quote a study by Thach that found that the number one decision-making criterion for consumers to purchase wine in both retail outlets and restaurants was the consumer’s prior experience in tasting the wine. Accordingly, they conclude that it is important for winemakers to create as many opportunities as possible for consumers to taste their wines.

The study by King and Morris in the Margaret River region of Western Australia (1997) revealed that around 1 in 5 people visiting a cellar door did not purchase wine. They reported



the concern of winery owners/ managers that they lose sales due to spending time on the non-purchaser and not having the time to talk to potential purchases They note that “[t]hese are lost opportunities as customers who do not purchase at the cellar door because they were unable to gain the desired level of attention or service are unlikely to purchase that wine at other retail outlets” (1997p. 382).

The literature suggests that there is a difference in terms of charging for tastings when additional services are provided. This may include cheese and biscuits, a wine glass to take home, or a broader tourist experience, such as the inclusion of art works in the cellar doors, picnic areas, amusements and winery tours, as our regularly offered in areas such as the Napa Valley wine region in the United States (see for example Hill Family Estate, 2012. In terms of an Australian example, Seppeltsfield, in the Barossa Valley, offers a range of options for the wine tourist. Their standard tasting fee is \$5, refundable upon purchase, with a limit of 20 minutes for the tasting, however for those wanting additional services, they provide longer tastings, private tastings or winery tours for additional fees (Seppeltsfield 2012).

An alternative view is that a lot of consumers are happy to pay a small tasting fee because it ‘removes any obligation to buy’ (Travers 1999). Indeed, this was one of the findings of Kolyesnikova and Dodd’s study (2009p. 816), that tourists who had free wine tasting reported significantly higher levels of obligation to make a purchase at the end of their visit. King and Morris have suggested a ‘middle ground’ to overcome some of the wineries’ costs by proposing a tasting fee during peak periods when there are too many people wanting to visit the wineries and eliminating the fee during the quieter winter months (1997p. 385).

### **Conclusions and further research questions**

As this literature review has indicated, tourism is of great importance to a region’s economy, and this is certainly true in the Granite Belt. The literature, whilst confirming that wineries can legally charge a tasting fee, has also disclosed a diverse range of practices and consumer behaviour at cellar door outlets. Given that most of the wineries in the Granite Belt are small wineries, attracting tourists to the cellar door sales is important, since cellar door sales comprise the major and sometimes only source of distribution for small wineries (King & Morris 1997). However, limited surveys of wine tourists have been conducted on charging for

cellar door tasting, and it is therefore timely for further research to be undertaken to disclose the views of Queensland wine tourists.

The issues which are highlighted in the literature, and which will be the tested in our survey, are as follows:

- Should a tasting fee be applied to offset the cost of the wine being poured and the staff time involved, as well as to dissuade those tourists who have no intention of buying the wine, or it is part of a winery's marketing costs?
- If a tasting fee is charged, should this be offset against any subsequent purchase made at that winery?
- If a tasting fee is charged, are wine tourists likely to pay it to taste the wine, or go to another cellar door that doesn't have a tasting fee?
- Are wine tourists more accepting of a tasting fee if some additional product or service is provided (such as a cheese platter or a take home wine glass)?
- Are wine tourists more accepting of paying a fee to taste the winery's premium wines?
- If wine tourists pay a tasting fee, are they less likely to purchase a bottle of wine than if they didn't pay a tasting fee?
- Should there be consistency of a charging policy across a wine region?
- Do different categories of wine tourists have different views about being charged for wine tastings?

A better understanding of consumer opinion will help inform Granite Belt wineries when developing their marketing strategies.

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## **Paper Three: Local Residents' Perceptions on Tourism: An Espiritu Santo and Tangoa Islands, A Vanuatu Study.**

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Abstract

The research reported in this paper sought to identify the Ni Vanuatu responses to developing small island tourism on Espiritu Santo and Tangoa Islands which form part of Vanuatu in the South Pacific region. The residents' were asked what activities or facilities they thought the tourists would require and if they thought tourism was important to their region. The sample