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KENTUCKY WINERIES NETWORKING ACTIVITIES FOR TOURISM DEVELOPMENT IN RELATION TO GROWTH AND PROFITABILITY

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ABSTRACT OF THESIS

KENTUCKY WINERIES' NETWORKING ACTIVITIES FOR TOURISM DEVELOPMENT IN RELATION TO GROWTH AND PROFITABILITY

Tourism plays a vital role in the success and sustainability of the wine industry in Kentucky. In order for the wine tourism industry to be successful in Kentucky, it is essential to continue to find ways to attract visitors to Kentucky wineries. Networking with competitors and other tourism industry stakeholders can be a successful way for winery owners to attract visitors to wineries; however, literature demonstrates that winery owners often need incentive to do so. This research explores the economic impacts of tourism on Kentucky's wineries that network with competitors and tourism industry stakeholders and those that do not. It is determined that those wineries that network, experience increased profitability and growth in sales and consequently, a growth in tourism activities to their winery. Implications related to government and winery owners for the sustained growth of wine tourism in Kentucky are included.

KEYWORDS: Wine Tourism, Networking, Kentucky Wineries, Tourism Development, Kentucky Grape and Wine Industry

Lee Ann Berlin Walton

May 18, 2007

KENTUCKY WINERIES' NETWORKING ACTIVITIES FOR TOURISM
DEVELOPMENT IN RELATION TO GROWTH AND PROFITABILITY

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THESIS

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DEVELOPMENT IN RELATION TO GROWTH AND PROFITABILITY

THESIS

A thesis is submitted in partial fulfillment of the
requirements for the degree of Masters in Science
in the College of Agriculture
at the University of Kentucky

By

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2007

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CHAPTER 1

INTRODUCTION, BACKGROUND AND STUDY OBJECTIVES

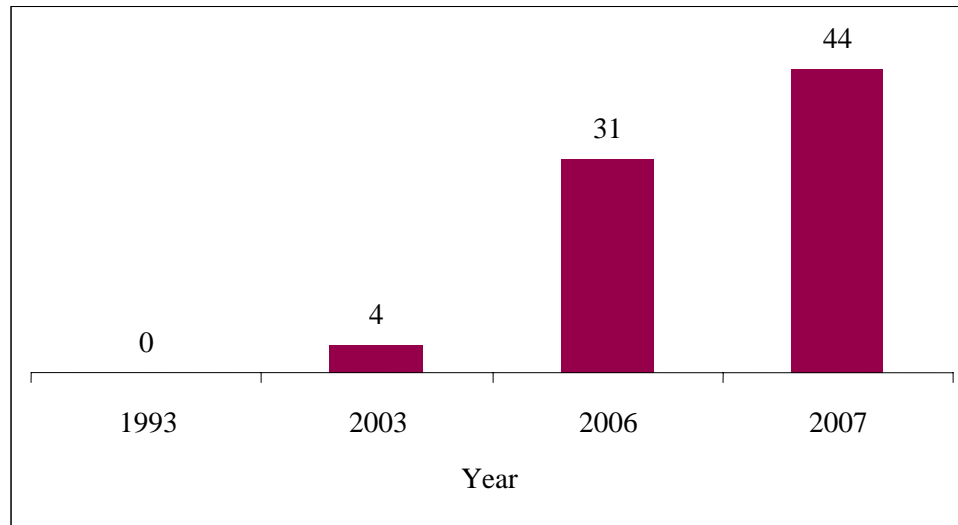
Introduction

This research project is focused on networking for tourism development between Kentucky wineries and competitors, and wineries and tourism industry stakeholders, and the potential benefits networking can bring to the Kentucky wine industry. The introductory chapter provides an overview of Kentucky's wine industry, provides a background of the study, a historical review of the wine and grape industry in Kentucky and the current marketing practices and challenges facing Kentucky's wine tourism industry. Following this review, the problem statement, purpose of this study and objectives are established, and a definition guide of terms used throughout this paper is presented at the end of this chapter.

Background of Study

Wine tourism in Kentucky is a relatively young industry. In 1993 there were no established Kentucky wineries and in 2007 there were 44 licensed wineries (see Figure 1.1) (Woods and Mansfield, 2006; Kentucky Alcoholic Beverage Control Board, 2007). A state map of Kentucky wineries by county can be found in Appendix A, and a table of all licensed Kentucky wineries by county can be found in Appendix B.

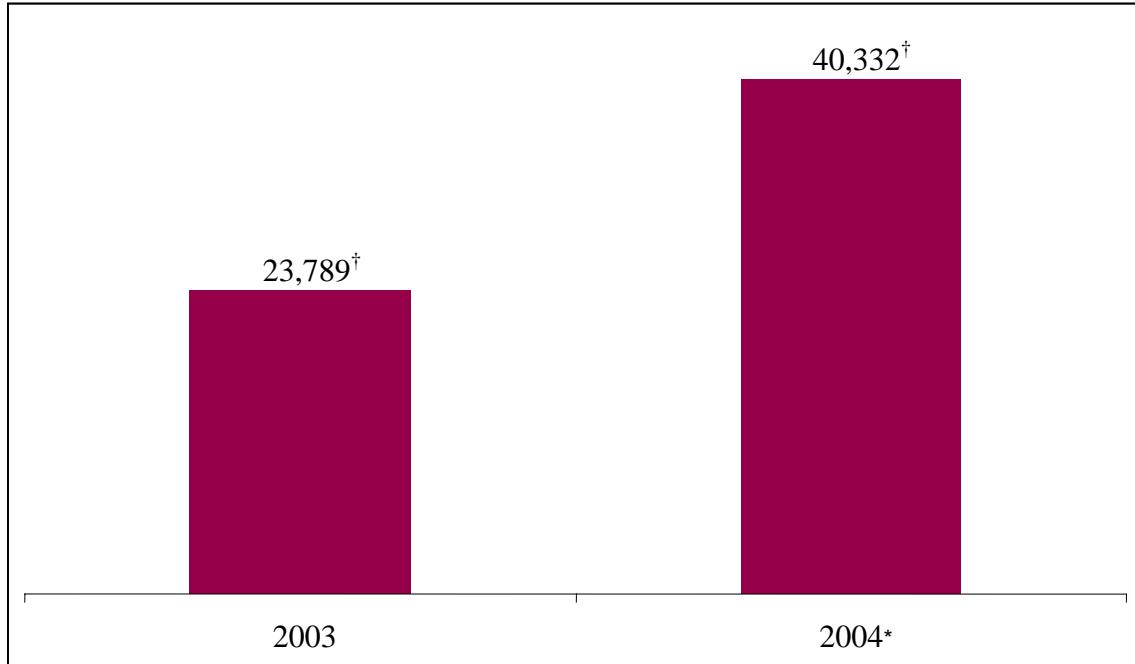
Figure 1.1 Growth of Wineries in Kentucky



Source: Woods and Mansfield, 2006; Kentucky Alcoholic Beverage Control Board, 2007

The foremost reason for the growth of the wine industry is the increase of grape plantings and subsequently the growth of wine production. A significant increase in Kentucky produced wines has occurred due to the significant increase of licensed wineries in Kentucky, which have grown from zero to 44 over the past fourteen years (see Figure 1.2).

Figure 1.2 Growth of Wine Production in Kentucky from 2003 to 2004



[†] Amount in cases

*Projection for 2004 from survey conducted in 2003

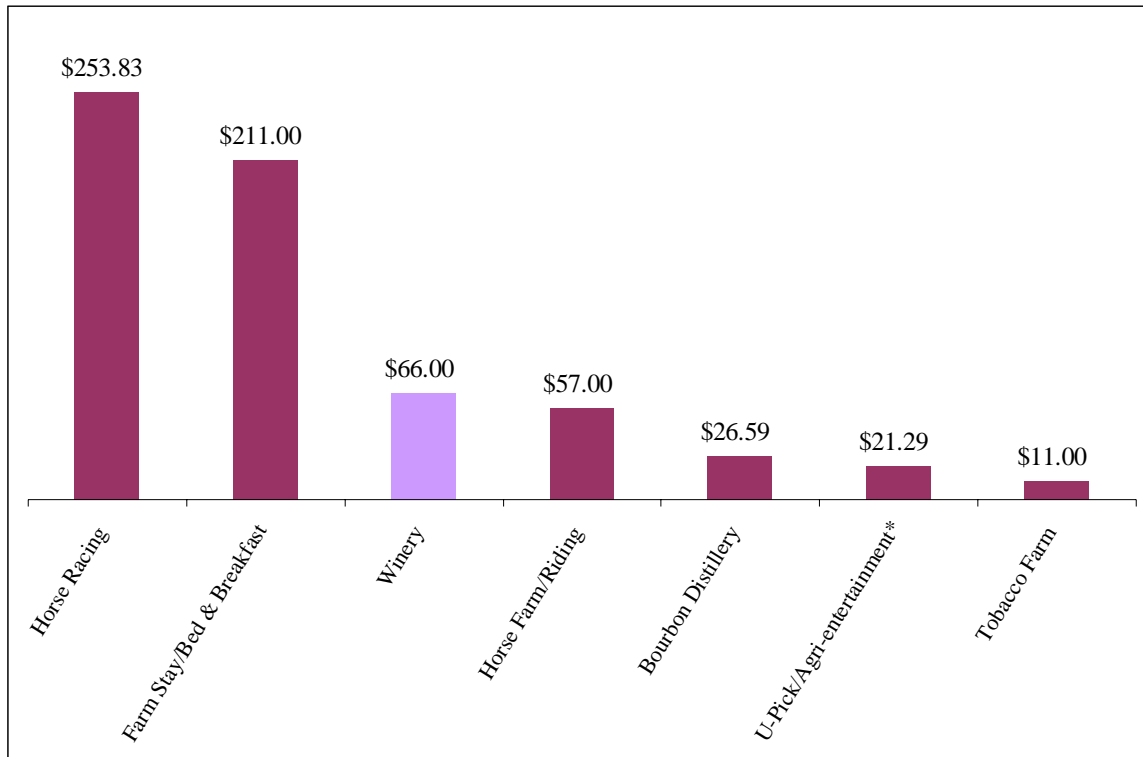
Source: Smigell et al., 2005

This significant increase of wineries and wine product means that the wine industry must find ways to sustain this growth. Wine tourism has been established as a successful way to increase wineries' profitability and sustainability (Dodd, 1995; Hall et al., 1997; Macionis and Cambourne, 1998; Kentucky Vineyard Society, 2005; Kentucky Agri-Tourism Working Group, 2001). In addition to creating a sustainable form of rural development, wine tourism allows newly established wineries to sell directly to consumers through tasting rooms, and this represents a crucial source of cash flow in early business establishment stages (Hall et al., 2000; Dodd, 1995).

With tourism recently established as the most profitable way to have future sustainable growth for the Kentucky wine industry various proactive efforts to increase tourism to wineries are being made by a handful of wine owners and wine associations

across the state (Kentucky Vineyard Society, 2005; Kentucky Agri-Tourism Working Group, 2001). Efforts include the establishment of restaurants at wineries, and the organization of wine festivals, tasting panels, and educational courses for consumers (Saladin, 2005; Buckley, 2006). In addition to these efforts, wineries are investing in tasting rooms that allow visitors to taste wines and are traditionally a large tourism draw (Dodd, 1995; Saladin, 2005; Hall et al., 2000). Currently, there are more than 20 wine tourism destinations in Kentucky offering a variety of attractions including tours, restaurants, wine tastings, bed and breakfasts, outdoor concerts, gift shops, special holiday events and art galleries (www.kentuckytourism.com). This increase in wine tourism activities is attracting more visitors and increasing visitors' interest in visiting a Kentucky winery. For example, in 2005, 5% of Kentucky travelers reported stopping at a Kentucky winery, 21% expressed an interest in adding a winery stop to their next visit and 29% of non-Kentucky travelers said they would be very interested in visiting Kentucky wineries for wine tasting (Kentucky Agritourism Market Study, 2005). In 2005, average tourist expenditures at wineries was \$66.00, the third highest of all agritourism businesses, preceded only by horse racing, farm stays and bed and breakfasts (see Figure 1.3) (Kentucky Agritourism Market Study, 2005).

Figure 1.3 2005 Tourist Expenditures at Wineries and Other Agritourism Activities

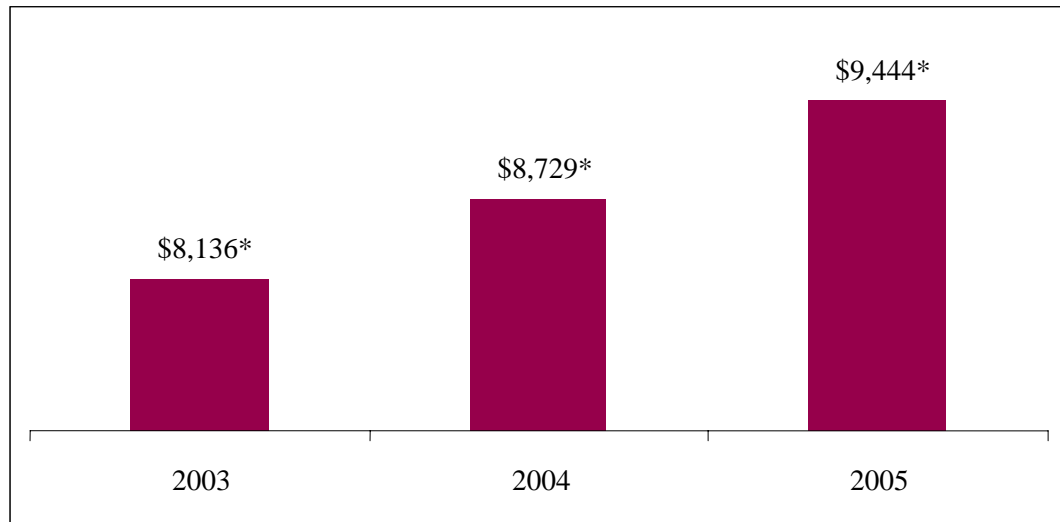


Source: Kentucky Agritourism Market Study, 2005

*Agri-entertainment activities include apple picking, hayrides, pumpkin picking or other related activities.

Further signs of tourism industry growth can be seen from a recent report prepared by the Kentucky Department of Tourism and Travel Industry Association indicating that tourism in Kentucky is an \$8.7 billion dollar industry (see Figure 1.4) (Kentucky Department of Tourism, 2006). According to a 2005 Kentucky Agritourism Market Study, tourists to Kentucky are looking for a total tourism experience through visiting many destinations. This growth of interest in various Kentucky tourism activities creates an opportunity for wineries to network with each other, and other tourism industry stakeholders to provide a tourism experience and increase both the wineries' share and industry stakeholders' share of the tourism dollar (Hall et al., 1997).

Figure 1.4 Growth of Tourism Expenditures in Kentucky from 2003 to 2005



*Dollar amounts in billions

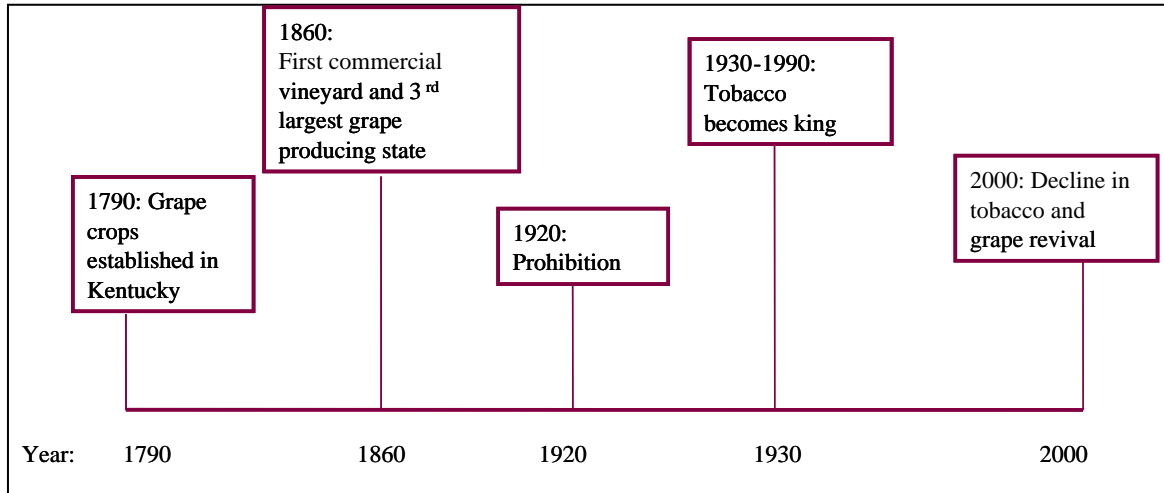
Source: Kentucky Department of Tourism, 2006

A Historical Overview of the Grape and Wine Industry in Kentucky

Kentucky grape history dates back to 1790 when grape crops were first established in Kentucky (Morton, 1985). In 1860, the first commercial vineyard was established and Kentucky was the third largest grape producing state in the U.S. The grape and wine industry thrived until 1920 when national prohibition legislation impelled farmers to desert grape vines or replace grapes with other profitable crops, such as tobacco (Morton, 1985). From 1930 to 1990 Kentucky farmers relied on tobacco for profits; however, at the turn of the 21st century tobacco suffered from increasing negative pressure from public health interest groups and increased competition from overseas growers (Smith-Mello et al., 2000). Further, cash receipts for the state's tobacco crops continue to decrease and more and more farmers are abandoning tobacco plantings (Childress et al., 2006; Ernst, 2005). Farmers searching for alternative crops are planting grapes to establish vineyards and wineries to once again create a sustainable industry

(Kentucky Vineyard Society, 2005). See Figure 1.5 for a timeline of the grape industry in Kentucky.

Figure 1.5 Timeline of Grape History in Kentucky



In order to avoid an influx of grapes that would overwhelm the market, the state began exploring ways to help farmers maintain growth in the grape and wine industry. Without a successful wine industry, the grape industry would not prosper (McLean, 2006). A 2002 wine market feasibility assessment suggested that a tourist-based winery-direct distribution model would be the most profitable and sustainable growth method for the Kentucky grape and wine industry (Kentucky Vineyard Society, 2005). The challenge for wineries is to get tourists to visit their wineries.

Marketing and Promotion of Agritourism and Wine Tourism in Kentucky

Through utilizing tourism as a sustainable growth method, the wine industry could capitalize on recent state emphasis on agritourism (McLean, 2006). Agritourism is a fast growing segment of Kentucky tourism business and the promotion and oversight of agritourism is housed in Kentucky's Department of Agriculture. An Issues White Paper on the topic of agritourism was prepared for the Kentucky Department of Agriculture in 2002. It stated that nature and agricultural based tourism is the fastest growing segment of tourism, averaging a 30% annual increase (Kentucky Agri-Tourism Working Group, 2001). Benefits of agritourism for Kentucky are summarized in Table 1.1.

Table 1.1 Benefits of Agritourism for Kentucky

Benefit	Defined
Creates direct marketing opportunities	Allows local farmers to increase their revenues by selling direct to the consumer and enhances the viability of their farm operations.
Public education	Provides a tool to educate the public about agriculture and the role it plays in the local economy and the quality of life.
Green space preservation	Helps to provide economic incentives and better agricultural and urban relations.
Creates new market	Offers a new revenue generating market for tobacco farmers impacted by recent market forces including the opportunity to sell crafts, food items and recreational activities.
Provides sustainable development	Creates sustainable development for an agricultural base
Preservation	Offers an option for historic preservation of resources on rural landscapes.

Source: Kentucky Agri-Tourism Working Group, 2001

Kentucky House Bill 654 created the Office of Agritourism, an interagency office between the Kentucky Department of Agriculture and the Kentucky Tourism Department (Kentucky Department of Agriculture, 2007). The Office of Agritourism is designed to promote agritourism in Kentucky to national and international visitors, and to assist in sustaining the growth of agritourism in Kentucky and promote agritourism locally, nationally and internationally (Kentucky Department of Agriculture, 2007). It is the agency responsible for coordinating wine tourism, an activity that impacts both the Department of Agriculture and the Department of Tourism. Wine tourism is one of many agritourism activities offered by Kentucky small business owners as demonstrated in Figure 1.3.

Problem Statement

Networking has proven to be a critical success factor in wine tourism, and by actively developing linkages between the wine and tourism industries, business owners can increase their share of tourism dollars (Hall et al., 1997; Macionis and Cambourne, 1998; Getz et al., 1999; Hall and Mitchell, 2000; Wargenau and Che, 2006; Morris and King, 1997). Previous research reveals that in order to create successful wine tourism opportunities, wineries must network with each other and with other tourism industry stakeholders to create tourist opportunities (Hall et al., 1997; Macionis and Cambourne, 1998; Getz et al., 1999; Hall and Mitchell, 2000; Wargenau and Che, 2006). The use of social networks increases a business's opportunities, affects profitability and can be viewed as a competitive advantage (Barnir and Smith, 2002). In order to convince wineries to invest time in networking with each other and industry stakeholders, the

potential benefits must be demonstrated to wine owners (Hall et al., 1997; Getz et al., 1997; Fraser and Alonso, 2003).

Although the wine industry in Kentucky is experiencing growth, as it currently exists, the potential for it to increase growth and profitability through tourism has not been fully exploited for two main reasons. First, marketing and promotion of Kentucky wineries is fragmented and networking among wineries for tourism development is limited at best (Woods and Mansfield, 2006; Kentucky Agritourism Market Study, 2005; Kentucky Vineyard Society, 2005; McLean, 2006).

Second, some winery owners and operators lack the understanding of networking benefits; thus, do not make great efforts to network (Hall and Johnson, 1998). This lack of cooperation between the wine and tourism industries often presents the largest barrier to successful wine tourism industries (Beames, 2003; Hall et al., 1997; Carlsen, 2004; Fraser and Alonso, 2003; Getz and Brown, 2006).

Purpose of Study

The purpose of this study is to compare the potential impacts of tourism on Kentucky's wineries that network with competitors and industry stakeholders for tourism development with those that do not. This study will help to determine if wineries that network for tourism development experience increased profitability and growth in sales.

Study Objectives

The overriding objective of this study is to demonstrate the potential advantages of networking for tourism development to winery owners and operators. It will determine if wineries who network with competitors for tourism development achieve higher profitability and higher rate of sales growth than those who do not.

A second objective is to measure if the Kentucky wine industry is fragmented in regard to networking for tourism development. It has been demonstrated in previous studies that networking for tourism development is a sustainable way for wineries to grow profits (Hall et al., 1997; Macionis and Cambourne, 1998; Getz, et al., 1999; Hall and Mitchell, 2000; Wargenau and Che, 2006; Morris and King, 1997). If Kentucky wineries are not networking for tourism development opportunities, then their rate of success may be limited without substantial support from the government (Hall et al., 1997).

The third objective of this research is to add to the field of literature on Kentucky wineries. Upon setting out to research this topic, it was discovered that there is very limited academic research on Kentucky's wine tourism industry and its economic impacts on tourism. This study will add to the literature on the economic impact of wine tourism as it examines the role of networking on wineries' growth and profitability. The author hopes to establish a foundation for future academic literature on Kentucky wine tourism.

Definition of Terms

This index will serve as a definition guide for terms used throughout this paper.

Agritourism

For the purpose of this paper, agritourism is any business conducted by a farmer for the enjoyment or education of the public, to promote the farm's products and to generate additional income. Kentucky House Bill 654 defines agritourism as the act of visiting a working farm or any agricultural, horticultural, or agribusiness operation for the purpose of enjoyment, education or active involvement in the activities of the farm or operation (Kentucky Department of Agriculture, 2007).

Competitors

For the purpose of this research competitors are defined as other wineries and grape growers in Kentucky (Harfield, 1999). The wine industry is production driven, thus grape growers and other wineries' production patterns create competition within the market (Harfield, 1999). Porter (1980) defines competitive strategy as "the way in which a firm can compete more effectively to strengthen its market position". Porter (1980) states that competition exists when firms in a similar industry are dependent on each other and react to business decisions made by another firm. The four forces driving competition are the threat of new entrants, bargaining power of buyers, the threat of substitute products and bargaining power of suppliers (Porter, 1980).

Grape and Wine Industry

For the purpose of this paper, the grape and wine industry is considered to be farmers growing grapes and businesses producing and selling grape related products such as wine. Members of the industry also include those involved in enhancing the product, such

as agriculture extension agents with universities across the state. Extension agents assist farmers with how to choose grape crop planting locations, how to improve grape and wine quality, determine the best grape varieties for Kentucky and serve as a resource for communicating important information to farmers and communities (University of Kentucky College of Agriculture Cooperative Extension Service, 2007).

Networks

The types of networks discussed in this paper are informal social networks between Kentucky wine owners and their involvement with their competitors and other wine tourism industry stakeholders. Informal social networks exist based on shared experiences, pre-existing social ties or other familiarity that draws members together (Grabher and Powell, 2004). Grabher and Powell (2004) state that informal networks can help members filter and process information in volatile markets and can include various activities such as shared learning, informal discussions, and friendships. Networks evolve between businesses due to location or type of business, and generate interactions that result in repeating patterns of behavior (Perry, 1999). Networks exist through personal links or ties or a combination of these and can create opportunities or barriers for business development (Perry, 1999)

Stakeholders

Stakeholders are defined as “the actors with an interest in a common problem or issue and include all individuals, groups, or organizations directly influenced by the actions others take to solve a problem” (Jamal and Getz, 1995). Stakeholders in wine tourism development include members of the grape and wine industry, hotel and accommodations, restaurant and food destinations, agritourism businesses, tourism

councils, tour operators, special event coordinators, government bodies, suppliers and distributors (Wargenau and Che, 2006; Beames, 2003; Hall et al., 2000; Morris and King, 1997; Palmer and Bejou, 1995; Macionis and Cambourne, 1998; Jamal and Getz, 1995).

Wine Tourism

For the purpose of this paper, wine tourism is defined as the visitation to vineyards, wineries, wine festivals and wine shows for which grape wine tasting and/or experiencing the attributes of grape wine region are the prime motivating factors for visitors (Hall et al., 1997). The wine tourism industry involves members of the grape and wine industry, hotel and accommodations, restaurant and food destinations, agritourism businesses, tourism councils, tour operators, special event coordinators, government bodies, suppliers and distributors (Wargenau and Che, 2006; Beames, 2003; Hall et al., 2000; Morris and King, 1997; Palmer and Bejou, 1995; Macionis and Cambourne, 1998).

Tourism Industry

The tourism industry is defined as any business involved in attracting tourists to a region. This can include hotels and accommodations, restaurants, government, convention and visitor bureaus and other tourist attractions (Crotts and Turner, 1999; Watkins and Bell, 2002; Copp and Ivy, 2001; Selin and Myers, 1998).

Wine Tourism Development

For the purpose of this paper, wine tourism development represents efforts by wineries to increase tourism to their wineries and regional wine attractions through networking with competitors and tourism industry stakeholders (Hall et al., 1997).

Summary

The wine industry in Kentucky is once again growing to be an important crop for farmers and an important industry for the state. Tourism also is a fast growing industry in Kentucky and can benefit from the increased visitor's interest in wineries. This chapter has established that the wine industry in Kentucky is growing quickly and that wine tourism is a way to sustain future growth of the industry. Wineries must find ways to successfully attract visitors to their wineries and create a total tourism experience. Networking for tourism development with competitors and industry stakeholders could be a way to attract visitors and increase growth and profitability of Kentucky wineries. The following chapter will establish the framework that this research is grounded, and review existing networking and wine tourism research literature. The hypotheses and model for this research study will be reported in chapter two.

CHAPTER 2

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

Introduction

The preceding chapter provided an overview of the grape and wine industry in Kentucky, a review of tourism in Kentucky and the purpose of this research study. Networking for wine tourism development could be economically beneficial for Kentucky's wineries. Growth can be achieved by increasing the number of visitors and visitor expenditures at wineries. This chapter will set forth the theoretical framework in which business networking is grounded and review literature focused on entrepreneurial networks, competitor networks, tourism industry networks, and also look specifically at competitor and stakeholder networks within the wine tourism industry. Each of these types of networks is reviewed to give further insight into network patterns that may exist and benefit Kentucky's wine tourism industry. Following the literature review, the research model and hypotheses are proposed.

Theoretical Framework

Networks, as discussed in this paper are defined as informal social networks between Kentucky wineries and their competitors and between the wineries and other tourism industry stakeholders.

The theoretical framework that examines networks and networking is grounded in the social and economic fields of study. Social networking research has sought to understand how networking impacts profitability, how networks are organized and the value of exchange for network members (Rauch and Hamilton, 2001).

Prior to the evolution of networking research and theory, business transactions were said to operate only in a market or hierarchal setting. In market economies, the value of goods exchanged is more important than personal relationships (Powell, 1990). In hierarchies, relationships matter, but behavior and exchanges are influenced by the formal hierarchal structure (Powell, 1990). Believing more emphasis should be placed on social relations in business transactions, Powell (1990) defined networks as a form of business transaction, separate from markets and hierarchies.

Networks came to be recognized as a distinct way to create important business linkages and interactions through social interactions, not just economic transactions (Perry, 1999). Networks differ from market and hierarchy economic organizations through several key features including the way businesses handle conflict, means of communication, degree of flexibility, dependence levels, and the climate where transactions take place (Powell, 1990). Networks exist through personal links and ties and create opportunities for business development (Perry, 1999). Advantages that networks offer include efficient use of resources, reduced risk of business transactions and flexibility to market changes (Powell, 1990; Grabher and Powell, 2004).

Networking research was furthered by Granovetter (1985) who introduced the social embeddedness theory that states that economic relationships are not easily separated from social relations and transactions between businesses must be reviewed within context of the social interactions that they occur. Social relations and networks between firms were determined to be more important to economic transactions than the traditional market and hierarchy structure of transactions. Prior to Granovetter's network research, social relations were thought to hinder competitive markets and offer no

economic incentives to members. The embeddedness theory stresses that social relations rather than formal arrangements, produce trust in economic relationships (Granovetter, 1985).

Entrepreneurial Networks

Small businesses, such as Kentucky wineries, develop networks and experience the benefits of networking differently than larger, hierarchical businesses. The newly established Kentucky wineries are small businesses seeking to thrive in a growing market. Members involved in the Kentucky wine industry can be considered entrepreneurs because they have created a new business market where none existed before (Brereton, 1974). There is increased importance for entrepreneurs, such as Kentucky winery owners, to develop networks in early business development stages. The way an entrepreneur manages networks can have a significant impact on business success (Perry, 1999). Thus, it is important to review literature related to how entrepreneurial networks may benefit participants.

Premaratne (2001) researched entrepreneurial networks and found that they provide essential resources for participating businesses, such as the provision of information, financial support and sharing of resources, all resulting in better business performance. Networking was found to be an important basis of policies, programs, and strategies for entrepreneurs to be successful.

Larson (1992) explored the impact of social relations on networks versus formal arrangements through contracts and agreements. Networks offer advantages specific to entrepreneurial firms by leveraging opportunities where competitive advantages are

realized without incurring costs associated with more traditional forms of business relationships (Larson, 1992).

Entrepreneurial Competitor Networks

Working with competitors can bring advantages to business owners that allow them to strengthen their market position and lack of networking can limit the success of a business (Porter, 1980). The use of social networks increases a firm's opportunities, affects business profitability and can be viewed as a competitive advantage for firms (Barnir and Smith, 2002). The literature reviewed here will further establish the importance of entrepreneurs networking with competitors.

Tjosvold and Weicker (1993) examined the relationships that entrepreneurs have with competitors as they establish their businesses. The researchers found that entrepreneurs with similar goals coordinated successfully, discussed opposing views, made progress on tasks, learned from interaction, were motivated to strengthen their business and confident that they could work together in the future (Tjosvold and Weicker, 1993). They concluded that entrepreneurs who did not network with competitors lacked confidence that they could work together, made little progress on tasks, did not learn, were less motivated to work on their business plan, worked inefficiently and did not expect to work together in the future (Tjosvold and Weicker, 1993).

Uzzi (1997) tested Granovetter's embeddedness theory through researching business practices of 23 small competing dress firms in New York City. Like Granovetter, Uzzi (1997) found that close relations between owners represented a small portion of economic decisions and that critical transactions on which firms depend most are embedded in networks of social relationships. Embeddedness offered the networked

business's a competitive advantage through offering easier access to information, greater knowledge of consumer preferences and demand, and learning opportunities (Uzzi, 1997).

O'Donnell et al. (2002) completed a qualitative study among small business owner-managers to examine the way they cooperate with their competitors. The researchers determined that small business owners tend to cooperate with their competitors in many ways and enter these relationships with the expectation that it will bring benefits to them. Types of cooperative behavior among small businesses included being friendly to competitors, exchanging resources and information, cooperating with indirect competitors to provide a more comprehensive product than they could on their own, and passing orders onto a competitor if they could not fill it on their own (O'Donnell et al., 2002). If the relations did not economically benefit the businesses, then they were less likely to cooperate.

Networks and the Tourism Industry

The literature reviewed to this point has discussed networking between manufacturing firms. Before reviewing literature specifically related to wine tourism development and networking with competitors and industry stakeholders, it is important to review networking within the tourism industry itself. Networking within the tourism industry can raise many challenges for businesses involved. Businesses that produce similar products or offer similar services may be inclined to network more readily than businesses in two opposing industries, such as the production-driven wine industry and the demand-driven tourism industry (Carlsen, 2004). Networking between business owners and industry stakeholders for tourism development can be the only bridge that

brings these two opposing industries together successfully. The academic literature reviewed here examines the dynamics of networking relationships present in the tourism industry and the benefits involved when tourism industry competitors and stakeholders come together.

Copp and Ivy (2001) researched the behavior of small Slovakian tourism businesses within a transition economy to better understand their use of networks. They found that there was a positive trend among the nation's tourism businesses to network with each other through formal and informal networks. Networking methods used by small business owners included advertising, participation in trade fairs, and professional association membership (Copp and Ivy, 2001). The researchers found that manufacturing firms typically enter networking relationships for the exchange of skilled labor and resources where service firms tend to network for marketing and training resources (Copp and Ivy, 2001).

Selin and Myers (1998) examined factors that resulted in partnerships formed by government, community and private tourism organizations. The researchers found that collaboration, cooperation, communication and sharing of information must occur between business associates in order to develop and sustain a partnership. Individual and organizational leadership, shared goals and good working relationships also were factors for successful business relations (Selin and Myers, 1998).

Watkins and Bell (2002) explored business to business relationships within the tourism industry by interviewing managers involved in the Australian tourism industry. The authors set out to acquire a better understanding of how businesses involved in tourism balance the needs of individualism and network for opportunity. Business

managers were found to experience business relationships as competition, cooperation and collaboration (Watkins and Bell, 2002). Each type of networking relationship was viewed as necessary in order to gain more business. Business owners involved in tourism recognized their interdependence and the need to work together, but also emphasized the need to work as an individual to maintain a competitive advantage (Watkins and Bell, 2002). If business owners network successfully an increase in business can be experienced (Watkins and Bell, 2002).

Palmer and Bejou (1995) explored the difficult nature of bringing together multiple stakeholders in the tourism industry in order to create and market a successful tourism product. The authors compared tourism alliances between United Kingdom and United States tourism stakeholders to determine if environment played a role in forming business relations. It was determined that tourism alliances and networks in the United Kingdom were more developed, where the entrepreneurial spirit of the Americans seemed to make them less likely to network with industry stakeholders for success (Palmer and Bejou, 1995).

Jamal and Getz (1995) discuss the importance of collaboration and cooperation in community based tourism planning. The authors argue that a community's citizens, local government, public and private recreational facilities, small business owners, social agencies and convention and visitor bureaus all become important stakeholders in tourism development and their collaboration is a critical success factor for tourism development. Several factors for success are suggested to guide collaborative tourism development including: interdependence in planning, mutual benefits, implementation of

decisions, involvement of key stakeholders, a convener to bring all stakeholders together, and a joint vision and goals (Jamal and Getz, 1995).

There are many challenges in bringing together competitors and stakeholders within the tourism industry. However, if networking and cooperative practices are utilized by members, sustainable and successful tourism practices can be realized. The literature reviewed next will offer insight specifically on networking within the wine tourism industry and challenges and benefits involved in bringing together this industry's competitors and stakeholders.

Competitor Networks and Wine Tourism Development

The previously reviewed literature outlined advantages to firms involved in competitor, entrepreneurial, and specifically tourism industry networks. This section will review the importance of competitor networks as related specifically to the development of wine tourism. Competitor networks with grape growers and other wineries also will be reviewed.

As previously mentioned, grape growers can be considered competition for Kentucky wine producers. This is because grape growers may also produce wines or simply offer tours of vineyards and educational opportunities to tourists, causing competition for tourists' time and dollar. However, networking with grape growers allows wineries that do not produce grapes the ability to offer tourists a total experience by increasing the visibility and popularity of a region's wines and wineries (Wargenau and Che, 2006). Developing networks with grape growers can further wine tourism development for a region (Hall and Mitchell, 2000). Wineries have indicated that

working together with other wineries and grape growers has increased brand awareness and popularity of their wine trails (Bruwer, 2003; Wargenau and Che, 2006).

An example of successful networking for wine tourism development with competitors is wine trails (Bruwer, 2003; Getz and Brown, 2006; Jaffe and Pasternak, 2004; Wargenau and Che, 2006; Hall et al., 1997). Wine trails can be defined as a cluster of wineries connected by location for tourists to experience many wineries (Getz and Brown, 2006; Jaffe and Pasternak, 2004; Preston-Whyte, 2000; Bruwer, 2003). Wine trails are considered to be the best way to bring government, wineries, tourism industries, and wine associations together for success, and promote regional growth (Hall et al., 1997). Visitors are more willing to visit a wine region when there are many wineries to visit, and wineries benefit from joint marketing and promotion activities with other wineries (Getz and Brown, 2006). Wine trails are characterized by joint-marketing activities by member wineries, common road signage, brochures and other promotional activities that allow visitors to experience a region and taste many wines (Preston-Whyte, 2000; Getz and Brown, 2006; Jaffe and Pasternak, 2004). Wine trails also create networking among wineries and create a brand image for a wine region (Preston-Whyte, 2000; Getz and Brown, 2006; Jaffe and Pasternak, 2004). Michigan, New Zealand, South America, Israel, and Australia have wine trails that have enhanced regional development and boosted wine tourism (Preston-Whyte, 2000; Getz and Brown, 2006; Jaffe and Pasternak, 2004; Macionis and Cambourne, 1998; Wargenau and Che, 2006). Kentucky currently does not have a formal, state-sponsored wine trail in place.

Stakeholder Networks and Wine Tourism Development

In order for the wine and tourism industry to be successful the two must come together to form stakeholder networks (Jamal and Getz, 1995; Selin and Myers, 1998; Copp and Ivy, 2001; Carlsen, 2004). Stakeholders in the wine tourism industry include distributors, suppliers, media, hotels and accommodations, convention and visitors bureaus, government, restaurants and food destinations, small business owners, regional sight-seeing activities and other tourist attractions (Jamal and Getz, 1995; Dodd and Beverland, 2001; Hall and Mitchell, 2000; Wargenau and Che, 2006; Macionis and Cambourne, 1998; Morris and King, 1997; Hall et al., 1997; Crotts and Turner, 1999). Each stakeholder plays an important role in wine tourism development. The following paragraphs will highlight their role in wine tourism development.

Distributors

Distributors play a key role in networking for tourism development. Through wider distribution, wineries are able to gain brand awareness and potentially attract visitors to their winery (Dodd and Beverland, 2001). Sales opportunities outside the winery increase when a wine region gains attention through tourism (Dodd and Beverland, 2001).

Suppliers/Tour Operators

Suppliers in the tourism industry can be considered organized tour operators such as motor coaches and tour suppliers (Palmer and Bejou, 1995; Crotts and Turner, 1999). Networking with tour operators can offer tourists a total experience by increasing the visibility and popularity of a region's wineries and other tourist destinations (Wargenau and Che, 2006). Networking between wineries and tour operators furthers wine tourism

development for a region (Hall and Mitchell, 2000). Crotts and Turner (1999) explored business relationships between tour wholesalers and suppliers for packaged tours and found that cooperation and working together through trustful relationships are keys to operating a successful business.

Trade Associations

Trade associations are organized communities that bring together those interested in a common subject and seek to create strategies to promote it (Hall et al., 1997).

Kentucky has several wine associations including the Kentucky Vineyard Society and the Northern Kentucky Vintners & Grape Growers Association. Trade associations offer members several important networking benefits including: provision of financial support for wine and tourism activities, exchange of industry knowledge, cooperative marketing, access to research opportunities and new markets (Hall et al., 1997).

Publicity/Special Events/Promotions

Successful networking methods used by small businesses include advertising and participation in special events (Copp and Ivy, 2001). These networking methods can create positive publicity and be a large draw for tourists (Wargenau and Che, 2006).

Wine festivals have been found to increase sales, educate consumers and create product loyalty (Hall and Mitchell, 2000). These events also increase awareness of a region as a wine destination, showcase award winning wines and attract visitors to the vineyards (Wargenau and Che, 2006). Publicity through newspaper articles and magazines helps increase traffic to a wine tourism destination (Dodd and Beverland, 2001; Wargenau and Che, 2006). Through networking, wineries can pull resources together to place joint ads or purchase more advertising space in publications (Wargenau and Che, 2006). Examples

of Kentucky wine special events and promotions include: Equus Run Vineyards Summer Concert at the Vineyard series; a Kentucky wine is chosen as a commemorative wine for the Kentucky Derby; wine exhibits at local museums; wine tasting panels; wine fund-raising events; and, various local wine festivals (Sparrow, 2005; Rutledge, 2005).

Hotels/Accommodations

Regional hotels and accommodations play an important role in wine tourism development (Macionis and Cambourne, 1998). Hotels and accommodations provide tourists with information about wineries and other attractions (Morris and King, 1997). Wargenau and Che (2006) found that wine tourists frequently stay overnight at a destination and networking between wineries and hotels can be beneficial. The researchers also found that wineries in Southwestern Michigan have formal and informal networking relationships with hotels ranging from contractual agreements for events to informal wine dinners. These relationships are considered a beneficial marketing tool that helps hotels attract visitors through working with wineries to create special events (Wargenau and Che, 2006).

Convention and Visitor Bureaus

Convention and visitor bureaus serve an important role for tourists seeking information about an area's attractions (Morris and King, 1997). Wineries may work with convention and visitor bureaus by providing the convention and visitor bureaus with promotional pieces about the winery and encourage convention and visitor bureaus to promote the winery to visitors. Small wineries can network with convention and visitor bureaus and tourist information centers to enhance visitor awareness of the wineries and to reach consumers more efficiently (Wargenau and Che, 2006).

Government

Successful networking with government plays a key role in wine tourism development (Hall and Mitchell, 2000; Hall et al., 1997; Jamal and Getz, 1995). Hall and Mitchell (2000) found that government serves a role in wine tourism development through promotion and coordination of functions of national, regional, and local tourism organizations. Government also provides financial assistance to grape growers, assists in creation of marketing and promotion networks and encourages relationships between wine and tourism industries (Hall and Mitchell, 2000). Winery owners may network with government to pass pro-wine tourism development legislation and create sustainable rural development through creation of jobs and sale of local merchandise (Hall and Mitchell, 2000). Networking with government can: establish a framework for facilitating relations between the tourism and wine industry; develop an overall wine tourism product and enhance the owner's skills and understanding about both industries (Hall et al., 1997). Since government controls land use, zoning, sales of alcohol, funding of tourism promotion and administration, its involvement in wine tourism development is critical (Carlsen and Dowling, 1998).

Restaurants/Food Destinations

Restaurants and food destinations play an important role in wine tourism development. Restaurants can ensure integration of a wine tourism experience by ensuring local wines are available which enhances the wine and culinary image for a region (Macionis and Cambourne, 1998). Through actively developing linkages to identify cross-promotional opportunities, the wine, food and tourism industries can increase their share of the tourist dollar (Macionis and Cambourne, 1998). Not

understanding the impact that local wines can have on regional image, some restaurants underestimate the benefit of selling local wines (Wargenau and Che, 2006). A winery may have a restaurant on-site where its wines are served or may work with an area restaurant to include its wines on the restaurant's wine list.

Hypotheses and Proposed Model

Previous academic literature demonstrates that networking with competitors and other tourism industry stakeholders for tourism development is beneficial for wineries and entrepreneurial businesses. Social relations can sometimes be more powerful for small businesses than formal relations (Uzzi, 1997; Granovetter, 1995). The young entrepreneurial Kentucky wine industry would be expected to benefit economically from informal social networks with competitors and tourism industry stakeholders. Social relationships, developed through talking with their competitors and tourism industry stakeholders about tourism development, allow winery owners to form relationships that assist with increasing tourism to their winery, and therefore benefit them economically. Tourism has been identified as a sustainable way for the wine industry to experience continued growth. Since successful tourism initiatives require the collaboration of competitors and industry stakeholders, wineries that network with competitors and industry stakeholders. for tourism development, are expected to experience increased growth and profitability due to increased tourism to their wineries brought on through active networking.

This research will seek to understand if informal social networks with competitors and tourism industry stakeholders result in increased profits and growth for wineries.

Thus, the hypotheses for this research study are as follows:

H1: Investment in networking with competitors for tourism development has a positive effect on profitability.

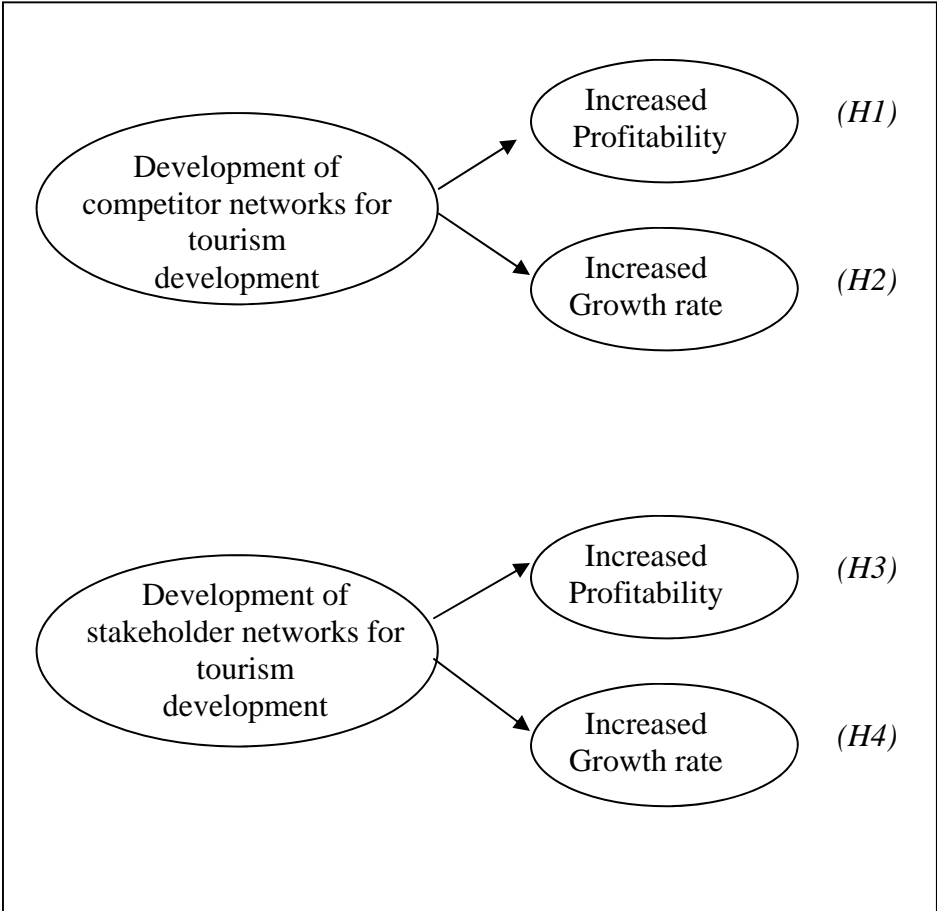
H2: Investment in networking with competitors for tourism development has a positive effect on the rate of sales growth.

H3: Investment in networking with other industry stakeholders for tourism development has a positive effect on profitability.

H4: Investment in networking with other industry stakeholders for tourism development has a positive effect on the rate of sales growth.

Profitability can be defined as positive cash flow experienced by a business. Profits are realized by a winery when revenues exceed its expenses (Finkler, 2005). Increased growth in sales represents that wineries are experiencing a growth in sales of products and services at wineries; however, due to increased costs related to offering additional products and services, the winery may not be experiencing profits. Self-reported perceptual measures will be used to determine the winery's performance for profitability and growth in sales as compared to other wineries. These perceptual measures are reliable according to previous researchers and are no less superior to objective measures (Brown and Butler, 1995). The research model and framework for this project is depicted in Figure 2.1.

Figure 2.1 Research Model and Framework



Summary

This chapter laid the framework for this research project through reviewing existing networking and wine tourism literature. The literature supports the idea that networking is important to entrepreneurial businesses and can be a useful tool for Kentucky wineries that want to increase tourism to their winery. The following chapter will review the methods utilized to determine if those wineries that network for tourism development do experience economic benefits. It will include a definition of the sample population, a description of the survey instrument, the methodology utilized to examine the hypotheses set forth and a description of the data analysis.

CHAPTER 3

METHODOLOGY

Introduction

Following the preceding chapter's review of literature and establishment of the research hypotheses, this chapter will review the methodology utilized to assess the proposed hypotheses for this research study. The previously reviewed literature underscores the importance of networking for tourism development and the positive benefits for businesses that participate in networking activities. It is now important to determine if networking for tourism development has an economic impact on Kentucky wineries. If networking for tourism development does affect a winery's profitability and growth, then owners may be more motivated to network with competitors and tourism industry stakeholders. Included in this chapter is a description of the sample utilized in this research project, the research instrument used to survey wineries, an explanation of the testing and data collection methods, and description of data analysis methods.

Sample Description

The sample for this study included all 44 Kentucky licensed small farm winery operators or owners. Small farm wineries in Kentucky are defined as a winery located on a farm with a producing vineyard, orchard, or similar growing area, manufacturing and bottling less than 25,000 gallons of wine per year (Kentucky Legislature Research Commission, 2007). Small farm wineries as defined by Kentucky legislature are permitted by law to ship a maximum of 2 cases to consumers, bottle wines on a farm with a producing vineyard, orchard, or similar growing area, and sell wine direct to consumers as long as it is located in a county that permits such sales (Kentucky Legislature Research

Commission, 2007). Thus, wineries in Kentucky include the following: wineries that are both growing grapes and producing wine; those that only grow grapes and sell them for wine production; and, wine distributors. It also should be noted that not all licensed wineries are producing wine and that not all licensed wineries are selling products or services. Wineries may have closed but still be licensed or may be in the process of planting vines and have not yet produced wines.

Also of importance to this study sample is that as of June 22, 2006 two wineries operate in dry precincts in Kentucky (Kentucky Alcoholic Beverage Control Board, 2007). These are wineries located in dry counties that do not permit the sale of wine; thus their interest in tourism activities may not be as great as those who are permitted to operate tasting rooms (Kentucky Alcoholic Beverage Control Board, 2007). Thirteen wineries operate in winery territory, meaning the county is dry, but the winery is permitted to provide wine samples to visitors and sell wine from the winery direct to consumers by vote of the county's citizens (Kentucky Alcoholic Beverage Control Board, 2007).

Prior to mailing the research instrument, materials were sent to the University of Kentucky Institutional Review Board (IRB) for approval. Materials were reviewed and approved for exempt status. Following IRB approval, survey materials were ready to mail.

A list of all wineries was obtained from the Kentucky Alcoholic Beverage Control Board by placing a phone call request to the office. Names of owners and addresses were provided by the University of Kentucky College of Agriculture enologist, who is responsible for assisting Kentucky wineries to improve the quality of their wine products.

Research Instrument

Survey respondents were asked a series of demographic information and about the amount of time spent on networking activities in relation to other wineries and their profits and growth related to other wineries. The survey questionnaire was largely based on the previous research by Brown and Butler (1995). The survey questionnaire extended the previous researchers survey questions related to networking to include tourism development. For example, a question on Brown and Butler's (1995) survey read, 'compared to other winery/managers, how much time do you spend participating in trade associations'. The same question on my survey questionnaire read, 'compared to other wineries, how much time do you spend participating in trade associations for the purpose of tourism development'. Two additional questions were added to the survey section related to networking to incorporate lodging operators and tour operators, stakeholders that play a large role in the tourism industry.

The final survey questionnaire was a total of three pages with an additional fourth page serving as both the cover letter and letter of consent for participation in the study. The cover letter introduced the survey and provided an explanation of the study being conducted and encouraged wineries' responses. See Appendix C for an example of the final cover letter and survey questionnaire.

The survey questionnaire consisted of three sections. Section one included ten questions requesting demographic information about the winery including the respondent's title, how many years the winery had been in business, yearly sales and growth, wine production amounts and wine production capacity. Question response formats were fill-in-the-blank, dichotomous scaled responses and circle the answer for

scaled questions. One question addressed the importance of tasting room sales to the wineries' business and one question asked if the winery was able to accommodate tourists. If wineries were not able to accommodate tourists, a question was added to determine if they were working towards accommodating tourists in the future. These contingency questions were important to the study, because if a winery was not interested in, nor had the capacity to handle tourists, then the winery's extent of networking with competitors and tourism industry stakeholders for wine tourism development may be limited. An additional screening question was included in section one asking if the winery had any affiliations with or reported to a larger corporation. Wineries answering yes to this question would be excluded from the hypotheses test results due to potential bias that may be associated with networking. Large corporations dictate the operating activities and strategic goals of their smaller companies, thus skewing the motivations and levels of networking of their smaller affiliates (Porter, 1980).

Section two of the survey specifically addressed the respondent's time spent networking with competitors (2) and time spent networking with tourism industry stakeholders (11) in comparison to other Kentucky wineries. There were a total of 13 questions relating to time spent on networking with competitors and stakeholders. Questions relating to networking were based on a 5 point Likert-type scale ranging from "1 = much less time" to "5 = much more time".

Section three asked respondents to rate their profitability and growth in sales as perceived by the respondents in comparison to other Kentucky wineries. There were a total of two questions, one addressed profitability and the other addressed growth in sales. These questions were based on a 5 point Likert-type scale ranging from “1 = much less lower” to “5 = much higher”.

Survey Pre-Test

The survey questionnaire was based largely upon Brown and Butler’s (1995) survey that underwent significant pre-testing and was finally mailed to 100 wineries. In order to ensure ease of readability and pertinence to Kentucky wineries, throughout the development of this study’s survey questionnaire, changes were made based upon conversations and correspondence with the University of Kentucky enologist. As a former winery owner, the enologist was able to provide feedback regarding the readability and usefulness of the survey questionnaire. In addition to this feedback, a pre-test of the survey was conducted prior to the mailing of surveys to all 44 wineries. Three winery owners were recommended based upon who the enologist believed would be willing to participate and provide constructive feedback about the survey design and wording. A letter explaining the pre-test, a pre-test form, a survey cover letter requesting consent to participate and questionnaire were mailed to the three recommended owners on February 28, 2007. These materials can be found in Appendix D. The pre-test form was designed to allow for written feedback regarding the survey readability. A self-addressed, stamped envelope was provided and respondents were asked to return the materials within a week. Survey questionnaires were coded with an identification number to help determine who had responded to the request. This information was only used to

allow for follow-up phone calls to encourage response from the wineries not responding; however, no follow-up phone calls were made due to an approaching deadline to mail the final survey.

One survey response was received representing a 33% response rate. The one survey returned was from a winery in business less than a year; thus, some questions were not answered as the person completing the survey did not believe the questions pertained to them. The survey question that asked for the winery's total growth in sales for a three year time period was changed to ask for growth in sales for three different time periods ranging from 2004 to 2007. A statement was added asking wineries to respond to this question and another relating to the wineries yearly sales, even if the winery had been in business less than a year. Following these adjustments to the survey questionnaire, the final survey was ready to be mailed.

Data Collection

All 44 Kentucky winery operators and owners were mailed the final survey questionnaire accompanied by a letter of explanation and consent to participate, and a self-addressed stamped envelope on March 12, 2007. Envelopes were addressed to the wine owners and included my return home address. Each survey questionnaire was coded with identification numbers in order to determine those wineries that had returned a survey and those who had not. This coding information was only used to determine what wineries had not responded so I could send a second survey.

Participants were asked to return the survey by Friday, March 23, 2007. Follow-up phone calls were made two days following the first mailing to the 35 winery owners whose phone numbers could be obtained. Phone numbers were acquired through an

internet search of the winery name via www.google.com and from the University of Kentucky College of Agriculture's enologist. If winery owners or a representative were reached by phone, they were asked if they had received the survey and encouraged to return it by the requested due date. If winery owners were not available, messages were left with individuals answering the telephone or with an answering machine. As a result of the phone calls, one winery address was deemed incorrect and two others provided alternative contacts at the winery that were more likely to receive and complete the survey. Subsequently, the mailing to the winery that notified me of the wrong address was returned to me as undeliverable. New surveys were immediately mailed to the new contacts and new address provided by the wineries. The first wave mailing resulted in 14 survey responses.

A second-wave mailing was completed on March 21, 2007 to wineries who had not returned a survey within one week. A note was included on the letter of study explanation stating that it was a second request and to disregard if they had already returned the first mailed survey. Wineries were provided an extension and asked to return the survey by Monday, March 26, 2007. Follow-up phone calls were placed to wineries two days after the second-wave survey mailing to encourage response. This second-wave mailing resulted in 10 additional survey responses. Survey responses received after April 14, 2007 would not be included in survey results.

Data Analysis

In total, 24 survey responses were received representing a 54.5% response rate. One winery that was mailed a survey was later discovered to be for sale and not in operation. This was discovered via an internet search for the winery phone number and through subsequent conversations with the University of Kentucky enologist. Thus, there were only 43 working wineries in Kentucky, representing a response rate of 56%. Of these 24 returned surveys, one did not complete any questions and wrote that their winery had not yet opened. One respondent reported to a larger corporation; thus, the results were not included in the data analysis of the hypotheses test.

Data were analyzed using SPSS Version 15.0. Answers from the respondent associated with a larger corporation were included in the demographic questions data analysis; thus, a total of 23 survey responses were used to analyze the demographic information requested in section one of the survey. Descriptive statistics were performed on the demographic information of respondents to the survey.

A total of 22 survey responses were used in the hypotheses test. As previously mentioned, one survey was omitted because the winery had not opened and answered no survey questions and one was omitted because of its affiliation with a larger corporation. The hypotheses test was centered on questions and responses from sections two and three of the survey questionnaire. Two questions in section two of the survey represented competitor networks and the remaining eleven questions in section two of the survey represented stakeholder networks. One question addressed the wineries profitability and one question addressed their growth in sales. These measures are discussed further in the following chapter's hypotheses test. Means and frequencies of the variables in sections

two and three of the survey were computed to see the distribution of the responses related to owner's perceptions of their networking, and profitability and growth in sales in relation to other wineries. It also should be noted that due to the small sample size and lack of normal distribution in the data sample, this data only reflects Kentucky wineries and can not be applied to any other sample. Due to this small sample size and lack of normal distribution of the variables of profitability and growth in sales, non-parametric correlation statistics were conducted to test the proposed hypotheses. Spearman's rank correlation coefficient was used to measure the strength of the association between the combined means of the competitor networking questions (2) to both profitability (*H1*) and growth of sales (*H2*) means. Stakeholder networking questions (11) combined means were correlated with profitability (*H3*) and growth of sales (*H4*) questions means.

Nine respondents partially answered questions from sections two and three of the questionnaire that related to networking. Reasons for incomplete responses were indicated on several surveys through written comments. Reasons included: the newness of the winery; lack of experience; and, total lack of networking with other wineries or tourism industry stakeholders. Questions that were left unanswered on these nine surveys were assigned a zero value for statistical purposes and on the assumption that no networking was done if the question was left unanswered.

In addition to the quantitative data gathered from survey respondents, several respondents wrote in unsolicited comments on returned surveys. These comments are summarized and reviewed in the following chapter.

Summary

This chapter described the study population, described the questionnaire utilized to capture data and the statistical methods chosen to analyze the data. The following chapter will describe results elicited from the analyzed data, provide descriptive statistics on the demographics of the survey population and determine if the proposed research hypotheses are supported.

CHAPTER 4

RESULTS

Introduction

Following the previous chapter's review of the description of the sample, survey questionnaire and methodology utilized to obtain and analyze the data, this chapter will describe the results of the data analysis, provide a description of the demographics of respondents, present frequency tables of the variables and examine whether the proposed hypotheses are supported. A summary of the unsolicited qualitative information provided by respondents on survey questionnaires also is provided.

Description of Surveyed Wineries

Survey respondents had been in business an average of four years and wineries have experienced an average growth in sales of 177% over a three year period from 2004 to 2006. Average wine production for respondents totaled 2,151 gallons and their production capacity was able to hold over double this production. This represents the ability for the industry to continue growth of wine production and underscores the importance for the industry to find ways to sustain growth. Tables 4.1 to 4.6 represent the frequency distribution for specific demographic information of the research sample.

Descriptive statistics were used to analyze these results.

Nearly 80% of respondents claimed themselves as a winery owner or manager (see Table 4.1). This large response of owners and managers can be attributed to the fact that surveys were addressed to winery owners. Small farm wineries often are self-sustaining operated by nobody other than the owner and family.

Table 4.1 Title of Respondents to Survey

Title	Frequency	Percent
Owner/Manager	19	79.2
Events Planner	2	8.3
General Partner	1	4.2
No Data	2	8.3
Total	24	100

Twenty five percent of respondents had been in business as a winery less than a year (see Table 4.2). Seventy five percent of respondents had been in business six years or less. Only 16.6% had been in business over nine years. This represents a relatively young industry as demonstrated by the recent growth of the wine and grape industry in Kentucky discussed in Chapter 1.

Table 4.2 Years in Business as a Winery

Years	Frequency	Percent
Zero to 1	6	25.0
1 to 2	4	16.7
2 to 3	3	12.5
3 to 6	5	20.8
9 to 10	2	8.3
14 or more	2	8.3
No data	2	8.3
Total	24	100

Table 4.3 illustrates the amount of yearly sales from products sold at respondents' wineries. Respondents were asked to circle a response representing their range of amount of sales in 2006 for all products and services offered at the winery. Products and services contributing to yearly sales sold at wineries could represent gift shop sales, produce sales, wine product sales or revenue from tourism activities. Less than half of respondents had

less than \$50,000 in total yearly sales for 2006 from all products and services sold at their wineries. One-third experienced more than \$100,000 total yearly sales.

Table 4.3 2006 Yearly Sales from Products and Services Offered at Wineries

Sales	Frequency	Percent
Less than \$25,000	8	33.3
\$25,000 to \$49,999	3	12.5
\$50,000 to \$74,999	1	4.2
\$75,000 to \$99,999	1	4.2
\$100,000 to \$149,999	4	16.7
\$150,000 or greater	4	16.7
No data	3	12.5
Total	4	100.0

Over 62% of winery respondents stated that tasting room sales, an important tourist attraction, were extremely important to their business (see Table 4.4). This indicates that wineries may rely heavily on tourism revenue for the success of their business. Two out of three of the wineries that indicated that tasting room sales were not at all important to their business were located in a dry county, where tasting room sales are prohibited.

Table 4.4 Importance of Tasting Room Sales to Kentucky Wineries

Importance	Frequency	Percent
Not at all important	3*	12.5
Not very important	1	4.2
Somewhat important	1	4.2
Very important	1	4.2
Extremely important	15	62.5
No data	3	12.5
Total	24	100.0

*2 wineries answering stated they were either located in a dry county where tasting room sales are prohibited or are not a wine maker, only a distributor.

Over 83% of winery owners stated that their winery had the ability to accommodate visitors (see Table 4.5). This represents that wineries are able to

accommodate visitors and possibly grow their business through offering tourism activities.

Table 4.5 Kentucky Wineries Able to Accommodate Visitors

	Frequency	Percent
Yes	20	83.3
No	2*	8.3
No data	2	8.3
Total	24	100.0

*The two wineries that answered no to this question stated they were working towards accommodating visitors in the future.

Table 4.6 represents descriptive statistics utilized for three questions relating to the sum of the wineries growth in sales from 2004 through 2007, total sales of wine in gallons and their wine production capacity. Results show that wineries experienced positive growth in sales over the period from 2004 to 2007; however, the large standard deviation represents a large variation in the amount of growth experienced for each winery. Average annual sales of wine for 2006 were 2,151 gallons and again, there is a large variance between the wineries' amount of sales. There also is a wide gap in the amount of production capacity between the wineries; however, many have the capacity to increase wine sales through production.

Table 4.6 Growth in Sales, Current Sales and Production Capacity of Wineries

	N	Mean	Median	Std. Deviation
Sum of growth in sales from 2004 to 2007	22	177.18%	46.5%	367.1%
Sales of wine in gallons in 2006	21	2,151	800	367
Wine production capacity in gallons	23	4,894	3,500	4,609

Hypotheses Testing

To achieve the study purpose, four hypotheses were proposed. Two hypotheses examined the effect of networking with competitors on profitability (*H1*) and growth in sales (*H2*). Two hypotheses examined the effect of networking with stakeholders on profitability (*H3*) and growth in sales (*H4*).

The first hypothesis (*H1*) stated that a winery's investment in networking with competitors for tourism development would result in an increase on the winery's profitability.

H1: Investment in networking with competitors for tourism development has a positive effect on profitability.

Respondents were asked to answer two questions that measured the winery's level of networking with competitors. Respondents were asked to rate the amount of time spent on each of the competitor networking activities relative to other Kentucky wineries based on a five point Likert-type scale where "1 = much less time" and "5 = much more time".

The competitor questions were as follows:

- 1) Talking to other wineries to attract tourists/visitors to your winery
- 2) Talking with grape growers about wine tourism development

The mean of the two questions used to measure competitor networking was computed to obtain a competitor networking score. Profitability was measured by asking respondents to rate their profitability (or positive cash flow) relative to other Kentucky wineries by means of a five point Likert-type scaled question where “1= much lower” to “5 = much higher”. This represented a winery’s profitability score.

Spearman’s rank correlation coefficient was computed to examine the strength of the relation between the winery’s investment in networking with competitors score and the winery’s profitability score. The correlation coefficient between the competitor networking score and profitability score was 0.317 and the p-value was 0.151. Correlation was not significant at 0.05 level (see Table 4.7). This indicates a weak positive relation between networking for tourism development with competitors and profitability.

The second hypothesis (*H2*) stated that a winery’s investment in networking with competitors for tourism development has a positive effect on the winery’s rate of sales growth.

H2: Investment in networking with competitors for tourism development has a positive effect on the rate of sales growth.

The same competitor networking score that was computed to test *H1* was utilized to test *H2*. The winery’s growth in sales was measured by asking respondents to rate their growth in sales relative to their Kentucky competitors by means of a five point Likert-type scaled question where “1 = much lower” to “5 = much higher”. This represented a winery’s growth in sales score. Spearman’s rank correlation coefficient was computed to examine the strength of the relation between the winery’s investment in networking with

competitors score and the winery's growth in sales score. The correlation coefficient between the competitor networking score and growth in sales was 0.314 and the p-value was 0.155. Correlation was not significant at 0.05 level (see Table 4.7). This indicates a weak positive relation between networking for tourism development with competitors and growth in sales.

The third hypothesis (*H3*) states that a winery's investment in networking with tourism industry stakeholders for tourism development has a positive effect on the winery's profitability.

H3: Investment in networking with other industry stakeholders for tourism development has a positive effect on profitability.

Respondents were asked to answer eleven questions that measured their winery's level of networking with tourism industry stakeholders. Respondents were asked to rate the amount of time spent on each of the stakeholder networking activities relative to other Kentucky wineries based on a five point Likert-type scale where "1 = much less time" and "5 = much more time". The stakeholder questions were as follows:

- 1) Participating in local/regional promotional events (such as wine tastings, fairs, concerts, etc.) to attract tourists/visitors to your winery
- 2) Participate in trade associations for the purpose of tourism development
- 3) Participate in governmental lobbying and public relations activities for the purpose of wine tourism development
- 4) Talking with suppliers about wine tourism development
- 5) Talking with distributors about wine tourism development
- 6) Talking with the press about wine tourism development

- 7) Talking with restaurants about wine tourism development
- 8) Talking with the public about wine tourism development
- 9) Talking with outside professionals (technical experts, chemists, etc.) about wine tourism development
- 10) Talking with lodging operators about wine tourism development
- 11) Talking with tour operators about wine tourism development

The mean of these eleven questions that measured stakeholder networking was computed to obtain the winery's stakeholder networking score. The same profitability score that was measured for *H1* was utilized for *H3*. Spearman's rank correlation coefficient was computed to examine the strength of the relation between the winery's investment in networking for tourism development with stakeholders score and the winery's profitability score. The correlation coefficient between the stakeholder networking score and profitability score was 0.643 and the p-value was 0.001. Correlation was significant at 0.01 level (see Table 4.7). This indicates a medium-strong positive relation between networking for tourism development with stakeholders and profitability.

The fourth and final hypothesis (*H4*) states that a winery's investment in networking with tourism industry stakeholders has a positive effect on the winery's rate of sales growth.

H4: Investment in networking with other industry stakeholders for tourism development has a positive effect on the rate of sales growth.

The same growth in sales score that was measured for *H2* was utilized for *H4*. Spearman's rank correlation coefficient was computed to examine the strength of the

relation between the winery’s investment in networking for tourism development with stakeholders score and the winery’s growth in sales score. The correlation coefficient between the stakeholder networking score and growth in sales score was 0.635 and the p-value was 0.001. Correlation was significant at 0.01 level (see Table 4.7). This indicates a medium-strong positive relation between networking for tourism development with stakeholders and growth in sales.

Table 4.7 Correlation between Networking for Tourism Development and Profitability and Growth

	Profitability	Growth in sales
Competitor Networks		
Correlation Coefficient	.317	.314
Significance (2-tailed)	.151	.155
N	22	22
Stakeholder Networks		
Correlation Coefficient	.643**	.635**
Significance (2-tailed)	.001	.001
N	22	22

**Correlation is significant at the .01 level (2-tailed)

Qualitative Data

In addition to the quantitative data summarized above, several respondents wrote in unsolicited comments on their surveys. Three surveys comments related to respondent’s lack of networking with other wineries. Comments from these surveys are as follows and any identifying information has been removed:

“The answers to question 11 are not geared toward "compared to other wineries", since we do not know this information. It only indicates how much time (or how little) we spend on these activities. Regarding Q12: we are unable to answer these questions...this is not something most winery owners will readily share.

Although, I must say I have never asked about specifics with any of them, rather

only general questions of how their production is going, are they in restaurants, retail stores, if in a wet county, do they have a tasting room.”

Another respondent stated:

“Re Q11: How do I know how much time other wineries spend on these things?

Q12: Do not know what other wineries are doing. I am sorry I can not answer these questions and no one here feels confident doing so either. We do not know what other wineries are doing.”

A third respondent wrote:

“Re: Q11: Lack of time to do all of this. How would we know what other wineries make? They aren’t going to tell us. How would we know what they do?”

Two respondents stated that they were located in a dry precinct; thus, tasting room sales were not as important to their business because they are unable sell direct to consumers and provide samples of their wines.

Three respondents were too new to provide information regarding their networking activities. Thus, questions relating to networking were partially answered or left blank. One of these new wineries did not answer any questions and only wrote on the survey that their winery was due to open in 2008.

Two respondents included comments on their survey relating to government support for the wineries. These comments are as follows:

“The state has changed the laws to the advantage of the liquor wholesalers to the extent that it will in the long run kill the wine industry in Kentucky. The government in Kentucky is more interested in the profits of wholesalers (so they

can get political donations from the wholesalers for their political campaigns)
they have forgotten to look out for the state.”

A second respondent attached a letter to the returned questionnaire stating:

“Just to add some information the State of Kentucky Government needs to get it's head out of it's ASS and start helping wineries again!! We are just trying to survive and they change the laws to "HELP" the big boys in Indiana because they are scared to stand up for us!!! Everyone needs to remember all people in office when voting!!!”.*

*Emphasis was not added by author.

Summary

This chapter described the demographics of survey respondents, explained the hypotheses testing results and offered an overview of the qualitative data provided by respondents. The proposed hypotheses were supported; however, the data analysis of the two hypotheses related to competitor networking produced a weak correlation. Chapter five will further describe the implications of these results for the Kentucky wine industry, discuss limitations of the study, and set-forth future research that should be explored for the Kentucky wine tourism industry.

CHAPTER 5

CONCLUSIONS

Introduction

Following the results outlined in the previous chapter, this chapter will further describe the findings and demonstrate the implications of these results for the Kentucky wine industry, wine owners and Kentucky government. Limitations of this research study also are discussed and suggestions for future research surrounding the Kentucky wine tourism industry are suggested.

Findings and Implications

Several implications for wine owners and government can be derived from the findings of this research study. The objectives of this research study were to demonstrate the advantages of networking to winery owners, measure how fragmented the Kentucky wine industry is in regard to networking for tourism development and to add to the narrow field of literature. Findings that support these objectives are outlined here.

It has been demonstrated by this research study that there are financial benefits when winery owners network for tourism development. It also is clear from previous research that in order for wine tourism to be successful, networking relationships must be established between wineries and competitors and between wineries and tourism industry stakeholders (Hall et al., 1997; Macionis and Cambourne, 1998; Getz et al., 1999; Hall and Mitchell, 2000; Wargenau and Che, 2006; Morris and King, 1997). However, it is noted that winery owners often are hesitant to join such relationships and need encouragement or reasons to become part of a network (Hall et al., 1997; Getz et al., 1997; Fraser and Alonso, 2003). Winery owners seem to understand the need to co-exist

with other wineries through formal and informal relationships, yet may need additional incentive to come together for the purpose of tourism development. The data in this research study supports that those wineries that network with competitors and industry stakeholders, for tourism development, experience higher profitability and growth in sales than those who do not. These results should encourage wineries to invest time in networking to form business relationships with competitors and tourism industry stakeholders to attract visitors to their winery. Networking with competitors and with tourism industry stakeholders, for tourism development, can be a significant marketing strategy employed by winery owners to create higher profits and sustainable growth through tourism development.

Previous literature also has demonstrated that entrepreneurial networks offer participants shared resources and information about markets, cooperation with indirect competitors to create a more comprehensive product, and shared learning opportunities about consumers. Winery owners should be encouraged to network for tourism development not only for profitability and increased growth in sales, but also for these benefits as well. Benefits from social relations include factors that play a role in increased profitability and growth in sales.

These results also should encourage small wineries and entrepreneurs to network with their competitors in order to offer a total tourism experience for tourists visiting their region. As previous studies have indicated, tourists want to visit multiple wineries. Competitor networks could be a source of competitive advantage for wineries over other tourism and agritourism product offerings. Wineries could network to create more effective advertising opportunities through joint campaigns, use similar signage to attract

tourists and create a wine tourism trail throughout Kentucky. Each of these efforts could be expected to increase tourism to wineries.

Although over 83% of respondents stated that their winery was able to accommodate visitors, comments obtained through phone calls and written survey comments indicate that wineries may not have the staffing capabilities to accommodate visitors and sustain growth through tourism development. Several winery owners stated that they were too busy to return the survey and written comments implied that they were too busy to spend time networking. In a service driven industry, such as wine tourism, it is important to offer consistent service to tourists (Olsen et al., 1998). Wineries may need to invest in staffing in order to support tourism and offer consistent levels of service, which may increase costs and effect profitability. However, good service results in satisfied visitors, loyalty and return visits which can result in higher profits (Olsen et al., 1998).

This research found that there was a weak positive relation between networking with competitors and profitability and rate of sales growth. Due to the small sample size and comments related to lack of networking with competitors, these findings should be interpreted with caution. Networking between wineries and grape growers appears to be fragmented; however, networking with each other for tourism development has the potential to increase profitability and sales growth. In addition to implications for winery owners, implications for government also should be noted. This networking fragmentation between wineries and competitors and wineries and tourism industry stakeholders could be a direct result of fragmentation between government entities responsible for marketing and promoting wine tourism activities, the Kentucky

Department of Agriculture and Department of Tourism. In order for government to play a stronger role in wine tourism development, less fragmentation needs to occur between these two bodies. More emphasis should be placed on wine tourism rather than agritourism as a whole and the government could encourage networking between wine owners through a state sponsored wine trail and increased visibility of government sponsored roadside signage. These two bodies should examine how to better network and streamline operations related to the marketing and promotion of Kentucky wineries.

This research demonstrates that government may need to play a stronger role in small winery promotion in order to create and encourage networking opportunities between wineries and other tourism industry stakeholders, and for wineries to feel supported by the government. Kentucky's government may need to offer incentives for wineries to network in order to continue growth in the tourism and wine industries. Two comments provided by respondents demonstrate the respondents' perception of lack of government support for Kentucky small wineries. These comments referencing Kentucky government are most likely related to recent legislation, Senate Bill 82, passed by the Kentucky Senate, that allows out of state wineries to purchase a state small farm winery license and to ship wine to Kentucky consumers if the consumer purchases the wine in person at the winery. The bill also offers incentives to licensed wholesalers who agree to sell small farm winery products, and eliminates the requirement that wineries use Kentucky products to produce their wine (Kentucky Legislature Research Commission, 2007). It is important for winery owners to feel supported by government, because government promotion and support plays a key stakeholder role in development of wine tourism. Government controls land use, zoning, sell of alcohol, funding of tourism

promotion and administration of local visitor and convention bureaus (Carlsen et al., 1998). Government funding and support enhances wineries networking efforts through increased association involvement, promotions, wine trail development and increased efforts at educating wineries and consumers about wine tourism (Hall et al., 1997; Sharples, 2002; Carlsen, 2004; Getz et al., 1999; Hall and Mitchell, 2000; Morris and King, 1997). With increased involvement, incentives and support for wine tourism development, winery owners may be encouraged to network for tourism development attracting more tourists to Kentucky and also creating a sustainable industry.

Limitations and Future Research

Several limitations to this research study should be noted. One of the most significant is the lack of statewide data and previous academic research available related to the Kentucky wine and tourism industries. Future academic research should explore various tourism aspects for the wine industry including the financial impacts of wine tourism on regional development and wine tourist/visitor demographic information, and successful marketing practices utilized by Kentucky wineries. These topics would assist winery owners in making critical business decisions related to tourism, and assist the government with how to allocate funds for wineries to ensure sustainability. Various data regarding wineries' tourism activities should be collected and managed by state government such as the number of visitors that wineries are able to accommodate and tourism products offered by all licensed Kentucky wineries. Future research also should seek to explore consumers' perceptions of wine tourism, and explore the amount of money being spent on tourism activities and winery products during a tourist experience.

It is important to understand how tourists that visit wineries are finding out about Kentucky wineries and to understand the best way to promote wine tourism to tourists.

A further limitation to the data is that there may have been a bias in survey responses. Although the study generated a 56% response rate, 44% of wineries did not respond. This survey and research study related directly to wine tourism; thus, wineries that received the survey that are not interested in offering or are unable to offer tourism activities may have thought this survey did not apply to them and did not respond. An additional bias may be present, because those who are more likely to network or have an interest in tourism development may have been more likely to respond due to their interest in the subject and tendency to socialize. Further research efforts should include methods to obtain a 100% response rate regarding wine tourism networking efforts in order to truly understand the tourism activities and networking efforts.

Although no state data is available about tourism activities offered at Kentucky wineries, it is understood that several small farm licensed wineries are only small operations operating out of a home or barn. Tourists visiting wineries and wine regions want to both visit a scenic vineyard and winery production facility. A visit to a tasting room only, and not the vineyard grounds, may not be as alluring to tourists. Future researchers should conduct face-to-face interviews with owners at their winery location. Although 83% of respondents to this study stated they are able to accommodate visitors, face-to-face interviews would offer more insight into exactly what type of winery tourism activities are offered.

Another limitation to wine tourism research in Kentucky is that there are dry counties where tasting room sales are prohibited. Tasting rooms are a large draw for

tourists and over 62% of wineries state that tasting room sales, an important tourist attraction, are extremely important to their business. Future research should explore how wineries operating in dry counties are affected by the inability to provide tasting room sales and samples to tourists and demonstrate the potential financial impacts to a community of tasting room sales. Research in dry counties could also review stakeholder perceptions of wine tourism. Future research also should explore the revenue generated specifically from tasting room sales and further seek to understand the advantages and disadvantages of tasting room sales for Kentucky wineries.

A final limitation is the timing of the survey mailing. Surveys were mailed at the end of March which is traditionally a busy time for winery owners. Follow-up phone calls were made to each winery and many stated they were unable to complete the survey because “we are too busy to complete this survey”, “it is pruning time”, and “we just received a shipment of bottles in and need to work to get them filled”. Another said “we are a young winery that has not begun selling at this time, our information would not be valuable”. These comments also could mean that wine owners are too stretched to network for tourism opportunities. Future research should explore the structure of wineries and determine if staffing levels effect tourism development.

There was a correlation between networking with competitors and a winery’s profitability and growth in sales; however, the relationship was weak. Future research should seek to further explore relations between winery owners and manager’s perceptions of competitors and ways owners currently work together. Understanding the relationships between competitors can further assist managers in realizing the benefits of networking.

Future research also should explore wine owner's motivations for networking and for establishing a winery. Many agritourism entrepreneurs may be production driven rather than experience driven meaning that they are not interested in pursuing business growth through tourism development. This may limit a winery owner's interest in increasing tourism to their winery and subsequently the region.

This research demonstrated that there was a significant variance in respondents' years in business as a winery, growth in sales, sales of wine in gallons and wine production capacity. Future research could further explore the underlying reasons for this variance and explore the relation between a winery's years in business and networking activities in relation to profitability and growth. A winery's life cycle stage could impact their networking activities and in turn impact profitability and growth. Younger wineries may be more inclined to network than older wineries.

The literature has demonstrated that it takes both the wine industry and tourism industry stakeholders working in tandem to create successful wine tourism development for a region. Future research should explore Kentucky's tourism stakeholders' networking patterns and perceptions of wine tourism. It is important to understand other tourism stakeholders' perceptions of the wine industry in order to continue growth and sustainability of wine tourism in Kentucky.

The unsolicited comments collected on the survey questionnaires indicate a lack of networking among Kentucky wineries, their competitors and tourism industry stakeholders. Respondents were not aware of how their competitors were performing and what they were doing and seem to have never approached this subject with competitors. Through these comments, it appears as though wineries do not share such personally

regarded information. Future research could explore the level of trust among wineries in order to determine if lack of trust serves as a barrier to networking.

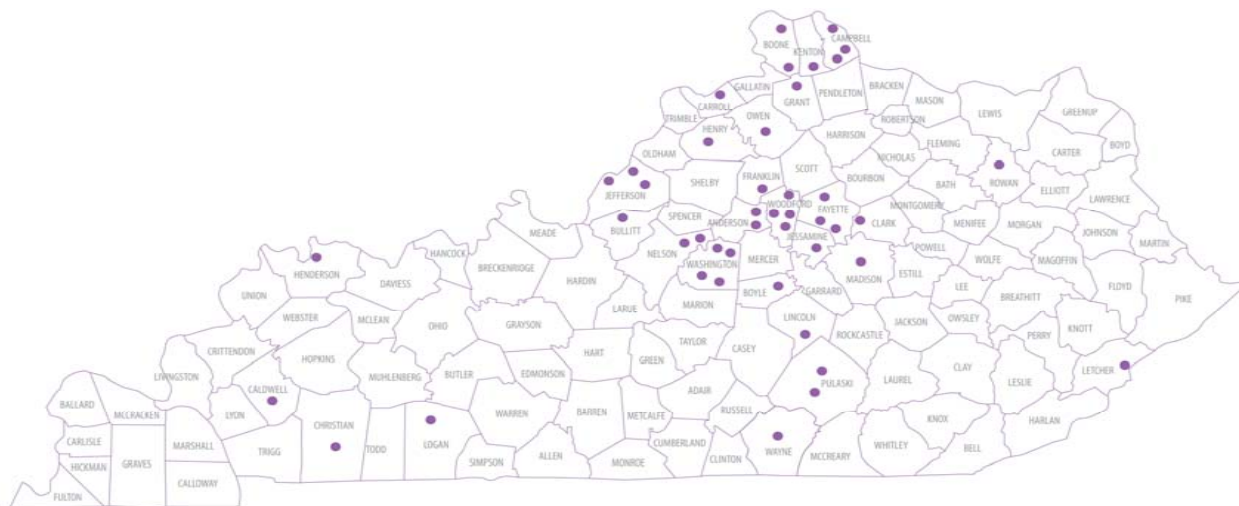
Summary

It has been determined that wineries that network with their competitors and tourism industry stakeholders for tourism development are more profitable and experience a greater growth in sales. It can be assumed that these wineries that are networking for tourism opportunities are experiencing a higher volume of tourists to their winery which is driving their increased growth and profitability. Tourism is serving as a sustainable way to grow the Kentucky wine industry.

Networking for tourism development appears to be fragmented among Kentucky wineries. This is evident in several of the written comments on surveys and lack of response to questions relating to networking on the survey. This research did not specifically address the reasons for not networking and future research on networking within the wine industry should seek to understand why wineries are not networking. Perhaps through this research, winery owners will gain more knowledge and realize that time invested in networking for tourism development is an investment in their winery.

APPENDIX A

MAP OF KENTUCKY WINERIES BY COUNTY



APPENDIX B

LICENSED KENTUCKY WINERIES BY COUNTY

County	Winery
Anderson	Lovers Leap Vineyards and Winery
Anderson	Rising Sons Home Farm Winery
Boone	Barker's Blackberry Hill Winery
Boone	Vintner's Cellars Winery of Florence
Boyle	Chateau due Vieux Corbeau aka: Old Crow Inn
Bullitt	Wight-Meyer Vineyard and Winery
Caldwell	Black Oak Vineyards and Winery
Campbell	Lost Heritage Vineyards
Campbell	Misty River Vineyard
Campbell	Stone Brook Winery
Carroll	River Valley Winery
Christian	Bravard Vineyards and Winery
Clark	Combs Ferry Winery
Fayette	Ashwood Cellars
Fayette	Jean Farris Winery
Fayette	Talon Winery
Franklin	Prodigy Vineyards and Winery
Grant	La Ferm du Cerf Winery
Henry	Smith Berry Vineyard and Winery
Jefferson	Broad Run Vineyards
Jefferson	Felice Vineyards
Jefferson	River Bend Winery
Jessamine	Chrisman Mill Vineyards
Letcher	Highland Winery
Lincoln	Lullaby Ridge
Logan	Century House Winery and Vineyards
Madison	Acres of Land
Nelson	Springhill Vineyards
Nelson	Turning Point Vineyards
Owen	Elk Creek Winery and Vineyards
Pulaski	Cedar Creek Vineyards
Pulaski	Sinking Valley Vineyards and Winery
Rowan	CCC Trail Vineyards
Washington	Horseshoe Bend Vineyards
Washington	Long Lick Farm Winery
Washington	Simple Pleasures Vineyard

APPENDIX B (continued)

LICENSED KENTUCKY WINERIES BY COUNTY

<i>Continued...</i>	
County	Winery
Wayne	Briar Patch Farm Winery
Woodford	Castle Hill Farm
Woodford	Equus Run Vineyards
Woodford	Good ol' Days Farm
Woodford	Wildside Vines

APPENDIX C

FINAL SURVEY MATERIALS*

**Formatting modified for thesis presentation*

Consent to Participate and Study Explanation

Dear Participants:

I am a Graduate student at the University of Kentucky currently researching a Master's thesis on the development of networks as related to wine tourism in Kentucky. My research will examine networking relationships for tourism opportunities among Kentucky wineries and will provide valuable information about relationships in relation to profitability. Further, the purpose is to benefit wine tourism development in Kentucky.

All wineries in Kentucky are being asked to participate by completing the attached survey. Your winery was listed as part of a comprehensive list of wineries obtained from Dr. Tom Cottrell, Enologist with the University of Kentucky College of Agriculture. The survey poses a variety of questions regarding your winery, your relationship with other wineries and industry stakeholders, and whether or not you believe your winery is more profitable than others.

To the best of our knowledge, there are no risks or harm associated with participating in this study. **Your responses, in combination with the responses of other participants, will help us better understand the wine tourism industry in Kentucky. Your responses will be kept confidential** and only reported in combination with the answers of other respondents in the study.

Your participation in this study is voluntary, and you may decline to participate at any time during the study.

A summary of results will be made available to the industry upon completion of my study. I will be following up this questionnaire with an additional mailing in the next two weeks to encourage your response.

If you have any questions about the study or the procedures, you may contact, the primary researcher, Lee Ann Walton, via email (leeannwalton@uky.edu) or call 859-619-0486. In addition, if you have any questions about your rights as a volunteer in this research, contact the staff in the Office of Research Integrity at the University of Kentucky at 859-257-9428 or toll free at 1-866-400-9428. **If you agree to participate, please begin with the questions below:**

Estimated time to complete the survey: 15 minutes

Please return by: Monday, March 23, 2007

Do you understand that your participation in the study is entirely voluntary and there is no penalty for not participating?

Yes No

Do you agree to participate in the study?

Yes No

Please remember to include this cover sheet with completed survey by March 23, 2007.

Returning your completed questionnaire constitutes your consent to participate.

Thank you in advance for your participation.

Sincerely,

Lee Ann Walton, Graduate Student, University of Kentucky

Final Survey

Section 1. This section will assist in establishing the size your winery and whether you accommodate visitors. Please remember these answers will be kept confidential.

1. What is your title at the winery (example: owner, manager, etc.)?

2. How long have you been in business as a winery (year and months)?

3. Are you associated with or report to a larger corporation? *Please circle the best response.*

a) yes

b) no

4. Please indicate which best describes the 2006 TOTAL YEARLY sales from all of your products and services offered at your winery. *Please circle the best response.*

a) Less than \$25,000

b) \$25,000 to \$49,999

c) \$50,000 to \$74,999

d) \$75,000 to \$99,000

e) \$100,000 to \$149,999

f) \$150,000 or greater

5. Please estimate how much percentage growth in TOTAL YEARLY SALES have you experienced over the past 3 years (2004, 2005 and 2006).

2004 to 2005: _____ %

2005 to 2006: _____ %

2006 to 2007: _____ % (please complete even if in business less than 1 year)

6. Please estimate your amount of annual sales in gallons in 2006 (please complete even if in business less than 1 year)

7. Please estimate your wine production capacity in gallons?

8. Overall, how important are tasting room sales to your business? *Please circle the best response.*

- a) Not at all important
- b) Not very important
- c) Somewhat important
- d) Very important
- e) Extremely important

9. Is your winery able to accommodate visitors and tourists?

- a) yes
- b) no

10. If you answered no to the above question, are you interested in or working towards accommodating visitors in the future?

- a) yes
- b) no

Section 2. This section will help me understand networking activities within the Kentucky wine industry.

11. Compared to other wineries, how much time do you spend on each of the following activities? Please circle the appropriate response for EACH statement where 5 is much more time and 1 is much less time.

	Much less time		Same		Much more time
Talking to other wineries to attract tourists/visitors to your winery	1	2	3	4	5
Participating in local/regional promotional events (such as wine tastings, fairs, concerts, etc.) to attract tourists/visitors to your winery	1	2	3	4	5
Participate in trade associations for the purpose of tourism development	1	2	3	4	5
Participate in governmental lobbying and public relations activities for wine tourism development	1	2	3	4	5
Talking with grape growers about wine tourism development	1	2	3	4	5
Talking with suppliers about wine tourism development	1	2	3	4	5
Talking with distributors about wine tourism development	1	2	3	4	5
Talking with the press about wine tourism development	1	2	3	4	5
Talking with restaurants about wine tourism development	1	2	3	4	5
Talking with the public about wine tourism development	1	2	3	4	5
Talking to outside professionals (technical experts, chemists, etc.) about wine tourism development	1	2	3	4	5
Talking with lodging operators about wine tourism development	1	2	3	4	5
Talking with tour operators about wine tourism development	1	2	3	4	5

Section 3.

12. Relative to your Kentucky competitors, how would you rate your winery in each of the following? Please circle the appropriate response for EACH statement where 5 is much higher and 1 is much lower.

	Much lower		Same		Much higher
Profitability (or positive case flow)	1	2	3	4	5
Growth in sales	1	2	3	4	5

Thank you for your time and insights.

Please return this survey along with the cover letter in the enclosed postage-paid envelope. It is anticipated that this research will be completed in May, at which time results will be made available to the industry members through the University of Kentucky.

APPENDIX D

PRE-TEST SURVEY MATERIALS*

**Formatting modified for thesis presentation*

Letter of Explanation

February 25, 2007

Dear _____:

I am a student at the University of Kentucky College of Agriculture conducting a wine tourism research study as part of my Master's Thesis. Dr. Tom Cottrell provided me your name as a likely participant in a pre-test of a wine industry survey that I will be conducting in the near future.

Enclosed is the survey and cover letter outlining the purpose of the research study. Please complete the survey and return it to me in the envelope enclosed. It is not necessary to provide accurate information as the results will not be included in the study. Only your comments on readability and usability of the survey are necessary. Any comments you provide about this survey will be used to help improve it prior to mailing to all Kentucky wineries. Please note that you will receive this survey again in several weeks and you should record accurate answers at that time.

I enclosed a sheet for any comments you have on improving clarification of any survey questions or content. **Please return the feedback sheet along with the completed survey to my attention in 7 days.** Thank you in advance for your participation. All feedback you provide will remain confidential.

Sincerely,

Lee Ann Walton
Graduate Student
University of Kentucky College of Agriculture

Enclosures:
Feedback sheet
Cover letter
Survey instrument

Consent to Participate and Study Explanation

Dear Participants:

I am a Graduate student at the University of Kentucky currently researching a Master's thesis on the development of networks as related to wine tourism in Kentucky. My research will examine networking relationships for tourism opportunities among Kentucky wineries and will provide valuable information about relationships in relation to profitability. Further, the purpose is to benefit wine tourism development in Kentucky.

All wineries in Kentucky are being asked to participate by completing the attached survey. Your winery was listed as part of a comprehensive list of wineries obtained from Dr. Tom Cottrell, Enologist with the University of Kentucky College of Agriculture. The survey poses a variety of questions regarding your winery, your relationship with other wineries and industry stakeholders, and whether or not you believe your winery is more profitable than others.

To the best of our knowledge, there are no risks or harm associated with participating in this study. **Your responses, in combination with the responses of other participants, will help us better understand the wine tourism industry in Kentucky. Your responses will be kept confidential** and only reported in combination with the answers of other respondents in the study.

Your participation in this study is voluntary, and you may decline to participate at any time during the study.

A summary of results will be made available to the industry upon completion of my study. I will be following up this questionnaire with an additional mailing in the next two weeks to encourage your response.

If you have any questions about the study or the procedures, you may contact, the primary researcher, Lee Ann Walton, via email (leeannwalton@uky.edu) or call 859-619-0486. In addition, if you have any questions about your rights as a volunteer in this research, contact the staff in the Office of Research Integrity at the University of Kentucky at 859-257-9428 or toll free at 1-866-400-9428. **If you agree to participate, please begin with the questions below:**

Estimated time to complete the survey: 15 minutes

Please return by: Monday, March 5, 2007

Do you understand that your participation in the study is entirely voluntary and there is no penalty for not participating?

Yes No

Do you agree to participate in the study?

Yes No

Please remember to include this cover sheet and survey feedback form with completed survey by March 5, 2007.

Returning your completed questionnaire constitutes your consent to participate.

Thank you in advance for your participation.

Sincerely,

Lee Ann Walton, Graduate Student, University of Kentucky

Pre-Test Survey

Section 1. This section will assist in establishing the size your winery and whether you accommodate visitors. Please remember these answers will be kept confidential.

1. What is your title at the winery (example: owner, manager, etc.)?

2. How long have you been in business as a winery (year and months)?

3. Are you associated with or report to a larger corporation? *Please circle the best response.*

a) yes

b) no

4. Please indicate which best describes the 2006 TOTAL YEARLY sales from all of your products and services offered at your winery. *Please circle the best response.*

a) Less than \$25,000

b) \$25,000 to \$49,999

c) \$50,000 to \$74,999

d) \$75,000 to \$99,000

e) \$100,000 to \$149,999

f) \$150,000 or greater

5. Please estimate how much percentage growth in TOTAL YEARLY SALES have you experienced over the past 3 years (2004, 2005 and 2006).

6. Please estimate your amount of annual sales in gallons in 2006.

7. Please estimate your wine production capacity in gallons?

8. Overall, how important are tasting room sales to your business? *Please circle the best response.*

- a) Not at all important
- b) Not very important
- c) Somewhat important
- d) Very important
- e) Extremely important

9. Is your winery able to accommodate visitors and tourists?

- c) yes
- d) no

10. If you answered no to the above question, are you interested in or working towards accommodating visitors in the future?

- c) yes
- d) no

Section 2. This section will help me understand networking activities within the Kentucky wine industry.

11. Compared to other wineries, how much time do you spend on each of the following activities? Please circle the appropriate response for EACH statement where 5 is much more time and 1 is much less time.

	Much less time		Same		Much more time
Talking to other wineries to attract tourists/visitors to your winery	1	2	3	4	5
Participating in local/regional promotional events (such as wine tastings, fairs, concerts, etc.) to attract tourists/visitors to your winery	1	2	3	4	5
Participate in trade associations for the purpose of tourism development	1	2	3	4	5
Participate in governmental lobbying and public relations activities for wine tourism development	1	2	3	4	5
Talking with grape growers about wine tourism development	1	2	3	4	5
Talking with suppliers about wine tourism development	1	2	3	4	5
Talking with distributors about wine tourism development	1	2	3	4	5
Talking with the press about wine tourism development	1	2	3	4	5
Talking with restaurants about wine tourism development	1	2	3	4	5
Talking with the public about wine tourism development	1	2	3	4	5
Talking to outside professionals (technical experts, chemists, etc.) about wine tourism development	1	2	3	4	5
Talking with lodging operators about wine tourism development	1	2	3	4	5
Talking with tour operators about wine tourism development	1	2	3	4	5

Section 3.

12. Relative to your Kentucky competitors, how would you rate your winery in each of the following? Please circle the appropriate response for EACH statement where 5 is much higher and 1 is much lower.

	Much lower		Same		Much higher
Profitability (or positive case flow)	1	2	3	4	5
Growth in sales	1	2	3	4	5

Thank you for your time and insights.

Please return this survey along with the cover letter in the enclosed postage-paid envelope. It is anticipated that this research will be completed in May, at which time results will be made available to the industry members through the University of Kentucky.

Survey Pre-Test Feedback Form

As part of the survey pre-test, please provide any comments to improve the survey for readability and usability. You may include comments on this sheet or on actual survey or both.

Things to consider include:

- Is it easy to understand the purpose of the research study from reading the cover letter?
- Were the questions clear and easy to understand?
- Are you likely to provide the information requested?
- Should any other questions be included given the purpose of the study outlined in the cover letter?

Thank you again for your feedback!

Comments:

Use back of sheet for additional comments if necessary.

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RESEARCH

Abstract favorably reviewed and accepted: “*Meeting Planners Use of Convention & Visitor Bureaus (CVBs) Web Sites to Arrange Special Events and Festivals.*” International Festival and Events Association Research Symposium, November, 2003.

Abstract accepted for poster presentation: “*Meeting Planners Use of the Lexington, Ky. Convention and Visitor Bureaus (CVBs) Web Sites to Arrange Special Events and Festivals.*” 11th Annual Graduate Education and Graduate Student Research Conference in Hospitality and Tourism, 2005.

CONFERENCE PRESENTATIONS

“UK HealthCare Emergency Department Customer Service Representative Program”. May 15, 2007. Kentucky Hospital Association 78th Annual Convention, Kentucky Society for Healthcare Consumer Advocacy. Kentucky International Convention Center, Louisville, KY.

AWARDS

2006, 23rd Annual Healthcare Advertising Awards
Healthcare Marketing Report
Bronze Medal, Billboard Category
Allergy Season Outdoor Advertising Campaign

2005, Creative Summit Award
Interactive Media, International Category
“Nursing Excellence...the UK Way”
Interactive DVD for UK HealthCare Nurse Recruitment Campaign