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Abstract

Many Australian small and medium sized businesses have websites that offer a range of facilities for the consumer: information provision, online ordering, and community participation. In a survey carried out on Australian wineries we found that the smaller the winery, the more innovative it is likely to be and the more likely it is to offer a wider range of internet facilities. This is almost the opposite of the general trend where the smaller the business the less innovative it is likely to be.

Introduction

E-commerce is a growing aspect of modern consumer and business interactions. Australian businesses are being encouraged, by both State and Federal governments to embrace this new mode of doing business. As of February 2000 a general survey of Australian small and medium sized businesses found that some 60% of small and 89% of medium businesses were using the internet (Telstra Corporation and NOIE 2000). This study was quite a general one and we wanted to examine a specialist sector of the small business market – wineries to see how it compared to the overall picture. This paper sets out the aspects of internet usage we surveyed: information provision, ordering and sales, and opportunities for wine-lovers to become part of the online community. Some of the results reveal a few surprising trends.

We firstly discuss general aspects of wine on the web and the opportunities available to businesses that choose to use the internet to enhance their business. Next we focus on wineries as small businesses on the internet and then discuss the results of a survey we carried out visiting a large number of winery websites and then attempt to draw some conclusions and point to directions our future research will take.

Wineries as Internet Businesses

This section profiles the online wine consumer and examines the types of features that a winery could provide on its web site to attract sales of its goods.

The Online Wine Consumer

The online sale of wine is becoming a large industry. In 1998, online sales were estimated to be between $US100-150 million (Steinriede 2000). The categories of consumers that purchase wine are not unlike the categories of consumers that are prepared to purchase goods over the internet, so the two areas fit together well.

A recent North American survey (Penn [b] 2000) found that most wine and beer manufacturers target men and women aged 21 to 35 years old. The most regular customers of the Australian online wine seller, Wine Planet, are well educated people with annual salaries of more than $A60,000 (around $US35,000) (Jarrett 1999). The more frequent online shoppers are highly educated, in professional occupations and aged between 25 to 35 years old (www.consult 1998).

In targeting consumers, beer and wine manufacturers generally outlay a higher proportion of their advertising budget on the internet than other drink manufacturers. It occupies $US0.13 of the advertising dollar, compared with print advertising ($US0.50) and radio/event sponsorship ($US0.21) (Penn [b] 2000).

There are three primary ways that a customer can buy wine over the internet:

- From a 'general' third party distributor, such as www.macy.com, who sell wine as part of a number of products that they sell.
- From a 'dedicated' wine distributor, such as www.winetoday.com, an award-winning site with some 1700 wines from more than 400 wineries. These sites can offer information tailored to the wine industry (Editor & Publisher, 1999). One problem facing these types of sites is that potential customers can visit them to find comparative wine information and then use that information to make a purchase at their local liquor store (Jastrow 2000; Jarrett 1999).
- Direct from the manufacturer (the winery's own web site). Some 65% of breweries and wineries have web sites (Penn [a] 2000).

A South Australian Tourism Commission Report discovered a strong relationship between visits to wineries and purchases of the visited wineries' wines during the visit (SATC 1997). All of this would tend to indicate that an innovative winery wanting to increase cellar door sales should also examine the possibility of using the internet to lure potential customers to their winery.

The Online Winery: Other than Sales, What to Offer?

Most wineries will set up a web site to assist with sales. If those sales do not occur online, they must occur through more traditional means (such as direct purchases at the winery or through a distributor). There are a number of features that can be implemented on a web site to assist with this.

Information

It is very inexpensive to provide basic information about the winery on a web site. At the very least, firms should promote their goods on their own web sites. They can do this by (Birch et al. 2000):

- Supplying information about new offerings.
- Emphasising successes.
- Communicating interesting events.

Most winery web sites provide information about wines. Consumers are able to research these sites at their leisure, and can take time to make purchasing decisions (Spence 2000; Jarrett 1999). The internet is a perfect medium for consumers to research wines in such a way. Many wine drinkers like to learn more about wine and the internet is ideal as a tool for publishing such information in a timely manner (Herceg and Flattery 2000; Bryant 2000; Jarrett 1999). One of the problems with the traditional wine literature is that it is often out of date by the time it reaches the bookshop shelves (Bryant 2000). Other, more advanced (and expensive) features can be set up on the web site to provide information for the consumer. For instance, Jacob's Creek allows consumers to take a 'virtual tour' of its Australian Vineyards (Beverage Industry 2000).

Quality/Branding

Brands create a basis for trust between a business and its customers. A business dealing with consumers over the internet may require even stronger branding because the nature of hypertext makes it so easy for them to look elsewhere. In a physical location, such as a bottle shop or wine cellar, the customer would have to *move* to another location to consider another firm's product (Birch et al. 2000).

Branding is important on the internet. Consumers will still generally buy brands that they know and trust (Herceg and Flattery 2000). A business should attempt to develop a particular logo, product identity or phrase that allows customers to relate to it on the internet, as they would in the traditional mass media (Straub 1998). Whether this is the same brand that the business uses in its traditional market areas is a matter of conjecture. Birch et al. (2000) argue that in most cases firms should consider setting up new brand names for operating over the internet because:

- Consumers favour *young, modern brands* as the internet is a young, modern medium.

- A new internet brand may avoid damage to the *integrity of established brands.* Due to the nature of the internet, a firm may have to offer its internet brand at a lower cost than its established brands. Also, damage may be avoided if the internet initiative is regarded as a failure. The established brand may not be affected.
- An internet brand should be *capable of operating internationally* if that eventuates. A nationally recognised brand or a brand name that is somehow locally linked may not be suitable for international marketing.
- There are some limited cases where the firm should use an established brand on the internet:
- Where the firm feels that the established brand is strong enough to counter *another firm's competitive lead* on the internet.
- An established brand offers opportunities for *leveraging marketing activities with the traditional business.* For example, cross promotion can occur on the internet and in traditional advertising areas for the firm (as indicated elsewhere in this section) (Birch et al. 2000).

E&J Gallo winery has been able to build a brand name as a vineyard with some of the best new wines at affordable prices by printing an email address on each bottle and promptly replying to customer emails. This has provided valuable information about customer viewpoints of the vineyard's offerings (Byrnes et al. 2000). It should also be pointed out that Gallo's is one of the largest wine businesses in the U.S. and would presumably have the resources available to do this.

Communities, Participation and Personalisation

Communities
The concept of 'building communities' on the internet as a means of attracting visitors to a web site is an important one. Firms offering their site as the centrepiece for such a service can delineate their community a number of ways. Some of these are (Martin 1997):

- Geographic communities (such as a site that provides local information and chat)
- Special interest communities (such as specific sports, camping, appliances – or whatever the interests of the target market). Wine enthusiasts fall within this category and are therefore ideal candidates.

Personalisation
The major success factors in attracting new customers via the internet are internet promotion and website design. The major success factors for keeping existing customers are developing individual customer relationships and customer-oriented business processes (Birch et al. 2000).

In traditional mass media, attempts at targeted campaigns are very inefficient. One of the major advantages of internet marketing is the opportunity available to firms to tailor (or personalise) their products and/or services to individuals. Products are tailored on an individual basis rather than on a mass level (Straub 1998). By gradually building customer profiles, the business may be able to eventually target individual customers. Electronic mail provides an instant and simple way in which to communicate with these customers (Knoll 1998).

Community and Personalisation Opportunities for Wineries

Customers react well to being treated as an individual and to have the chance to join 'exclusive' clubs that provide special services. Winetoday.com has introduced a number of personalised features. Members of the web site receive an email whenever a wine of the type they are interested in is added to their wine review database. Also, a program can be downloaded which operates on Palm Pilot handheld computers. Members can take reviews with them to stores or restaurants to help them with wine purchasing decisions (Editor & Publisher 2000). Madaboutwine.com provides an 'ask the expert' feature, where web browsers can ask a specific wine-related question via email and receive an informed response within a day or so (Thomas 2000). A competitor, the CERT group, notify customers about particular wines via email and WAP (Wireless Application Protocol) (Darby 2000).

A level of specialisation approaching personalisation is to offer different web sites according to location. ChateauOnline, an online wine seller, have separate sites for the United Kingdom, France and Germany, with plans for other countries. The content is tailored for particular countries (for instance, recipes for 'bangers and mash' in the United Kingdom and foie gras in France) (Gray 2000). The Australian Jacob's Creek site allows browsers to indicate their country (there are 21 to choose from) and be connected to a site containing specific tasting notes and food and wine matches (Beverage Industry 2000).

Wineries as Small Businesses on the Internet

This section examines the category of wineries that are the focus of this paper, Australian small wineries. It examines small business use of the internet, with an emphasis on the manufacturing industry and rural areas, two categories that a small winery is likely to fit into.

Using the Internet

A study of Australian small businesses by Telstra Corporation and NOIE (2000) determined that a business is 'small' if it has 1-19 employees. Some 60% of small businesses were using the internet at the time of the study (February 2000), this proportion having increased from 5% in the 1995 study.

Table 1. Levels of Internet Usage in Small and Medium Businesses
(Source: Telstra Corporation and NOIE 2000).

Classification	Level of Internet Usage (%) – All businesses	Level of Internet Usage (%) – Manufacturing
1-2 employees	53	
3-4 employees	70	
5-9 employees	65	
10-19 employees	65	
Total Small	**60**	**56**
20-99 employees	87	
100-200 employees	99	
Total Medium	**89**	**84**

A business is generally more likely to have connected to the internet if it has more employees. Levels of internet usage in the manufacturing industry are slightly less than those in businesses overall.

Having a Web Site

The Telstra Corporation and NOIE study also showed that one in four Australian small businesses (and manufacturing small and medium businesses) have web sites. Metropolitan small and medium businesses were more likely to have a web site (29%) than their rural counterparts (20%), which most wineries would be. Rural businesses believed that they did not have access to the skills they need to design, build and maintain web sites. 26% of Manufacturing small and medium businesses had a web site (Telstra Corporation and NOIE 2000).

For those with web sites, the main reasons for setting them up were competitive pressures, either as a reactive measure against competitors with web sites, or as a proactive measure to promote the business, providing information about products and services and the firm or for online ordering and payment. Resistance to web site adoption came in the form of a lack of understanding of the available benefits, doubt about the benefits a web site could provide, cost and the availability of the skills and time needed to set it up (Telstra Corporation and NOIE 2000).

Online Features

Close to all Australian small and medium businesses with web sites advertise their products and services (that is, provide information as described earlier), approximately half take orders (Manufacturing businesses approximately 53%; Rural businesses approximately 65%) and approximately 28% accept payments (Manufacturing approximately 31%; Rural approximately 25%). Medium business with web sites are more likely to advertise, take orders and receive payments over the internet than small business (figures derived from Telstra Corporation and NOIE 2000).

Small and medium businesses sell to local customers (89%), intrastate customers (69%), interstate customers (69%) and overseas customers (53%) (Telstra Corporation and NOIE 2000).

Australian Wineries

Australia produces 2% of world wine, but holds 2.4% of the world wine market and 3.5% by value. 32% of Australian production is now exported (2% in the mid 1980's).

There are four major online wine distributors – Wine Planet, Wine Pros, Coles Myers Vintage Cellars and Cellarmaster Wines (Dempsey 2000). These are mainly distributors for the larger wineries. Another site, Winerobot.com, will search each of these for the cheapest site!

A 'portal' site, Worldwidewine, covers 300 Australian wineries and also wholesale distributors, retailers and customers. It also has a wine club. The site lists details of each winery and has a searchable wine database in its Wine2go companion site (information provision).

Remember these are websites that specialise in marketing wines from many wineries. What we set out to do was study wineries that actually have websites.

The Study

James Halliday's Wine Companion CD (2000) contains a comprehensive list of all most all wineries in Australia and New Zealand, listing 1210 wineries. Of those, 126 (10.4%) are listed as having web sites.

This is much less than the average for even Australian **small** businesses (25%). A review of each of these sites occurred in January, 2001 by attempting to browse each site. Of the 126 web site links, 13 of the links did not lead to web sites, five were 'under construction', two lead to a site that was not the winery and one would only allow access to members. This meant that 105 of the sites could be visited. Each of these sites was browsed to determine if they had implemented the following features:

> **Information**
>> General Information - About the business (descriptive), Latest News, Press Releases, Map of the area
>> Product Information - About the wines, Customer reviews
>> Contact Information - Email address, Business address, Telephone, Fax
> **Ordering and Sales**
>> Option to print an order form and send or fax it in
>> Fill in online form, which is then emailed to the winery
>> Order direct by through email link
>> Online interactive ordering and payment
> **Community**
>> Membership club or Mailing List

A few other features were discovered, but only the above will be reported.

Method of Classification

There seems to be no universally agreed method of classifying wineries in terms of size. Wineries do not generally list number of employees. In fact, this would be a fairly misleading statistic as most use seasonal labour and/or families and friends for the harvest. The South Australian Tourism Commission Report mentions amongst other things: production of premium wine grapes, number of wine awards won, wine production areas, tonnes of grapes crushed, area of vineyards and volume of wine exports (SATC 1997). A report on the profitability of investing in a small vineyard and winery considers a small winery to be 10 – 60 hectares (Dakis et al. 1995). Vineyard output or yield is considered an important statistic and is connected with wine quality. Yield is measured either as weight of grapes/per unit of land or as a volume measurement per unit of (Robinson 1994). But, of course, not all vineyards make wine. They may just supply wineries with quality grapes for vinification. John Beeston, in his book 'A Concise History of Australian Wine' uses the average tonnes of grapes crushed per year as an indicator of winery output but like most wine writers does not attempt to use this to categorise size (1995). Tonnes of grapes crushed will give an indication of the size of the operation but does not give an idea of the area covered by the winery and as mentioned before wineries may buy in grapes to be crushed. The indicator we used and one used by writers such as Forrestal and on James Halliday's Wine Companion CD (2000) is the number of cases produced per annum. The annual production figures were not provided in Halliday's Wine Companion for 19 wineries, usually the larger wineries (this was known by reputation). This left 86 web sites for analysis.

Table 2. Classification of Winery Size Based on Output

Classification	Output (cases per annum)	Number of Web Sites Accessible
Hobby	<2000	16
Micro	2000-9999	28
Small	10000-49999	21
Medium	50000-200000	12
Large	200000+	9

It is common for small businesses with 1-5 employees to be classified as 'micro' businesses. The authors felt that it was useful to introduce a category of wineries before this, 'hobby', for the smallest wineries. Using this classification we then tabulated the internet features each winery website had.

Results

Information

1. General Information

The following table shows the breakdown of wineries that displayed some type of general information on their web site.

Table 3. Percentage of Australian Wineries with General Information on their Web Site

Classification	About the Business	News	Press Releases	Map
Large	89%	78%	22%	22%
Medium	83%	75%	25%	42%
Small	81%	62%	0%	24%
Micro	79%	50%	11%	32%
Hobby	62%	38%	6%	44%

As expected, the majority of wineries provided some type of information, mostly about the business. Large and Medium wineries were more likely to provide 'latest news' and 'press releases', probably because they were more likely to have them! Less than two thirds of hobby businesses provide even basic information about the business.

2. Product Information

Table 4 shows the breakdown of Australian wineries that displayed some type of product information on their web site.

Table 4. Percentage of Australian Wineries with Product Information on Their Web Site

Classification	About the wines	Customer reviews
Large	89%	22%
Medium	92%	17%
Small	95%	33%
Micro	71%	18%
Hobby	62%	12%

Again, the level of information provided about products drops off for Micro and Hobby wineries. They could be missing out on an opportunity to inform potential customers about their products.

3. Business Contact Information

The internet provides an opportunity for a business to tell its customers how to contact it. The following table shows the breakdown of Australian wineries that displayed some type of business contact information on their web site.

**Table 5. Percentage of Australian Wineries with Business Contact
Information on Their Web Site**

Classification	Email	Address	Telephone	Fax
Large	100%	100%	100%	100%
Medium	92%	92%	75%	75%
Small	86%	90%	90%	86%
Micro	93%	93%	93%	89%
Hobby	100%	100%	100%	100%

There seems to be no 'size related' reason as to why a business would not provide contact details. All web sites had at least one type of contact information. It is interesting that there were a few web sites that neither included address nor telephone contact details!

Ordering and Sales
Table Six shows the breakdown of Australian wineries that allowed some type of ordering and/or sales to occur on their web site. The first column, Print Order Form and Fax' did not allow submission of the order through the web site. The final column, Total 'Online' Ordering, represents the percentage of wineries that had some type of online sales (refer the previous three columns). The total of the previous three columns and the final column do not match for Micro and Hobby Wineries as some of them had more than one type of online ordering facility on their web sites.

Table 6. Percentage of Australian Wineries with Ordering and Sales Facilities on Their Web Site

Classification	Print Order form and Fax	Email Ordering by Form	Order Direct by Email	Online Sales (Wine)	Total 'Online' Ordering
Large	0%	11%	0%	0%	11%
Medium	17%	8%	0%	0%	8%
Small	14%	19%	0%	29%	48%
Micro	25%	18%	4%	29%	40%
Hobby	12%	50%	0%	19%	62%

Results show that Large and Medium Wineries DO NOT sell directly on their own web sites and not many take orders. They rely mainly on online distributors and traditional markets. Small, Micro and Hobby wineries DO allow ordering in some form over the internet. This is typical of the trend for rural small and medium businesses. The difference here is that it seems to become **more likely** as the production becomes **smaller** – which definitely does not match the small business trend.

Refer to Figure 1. When comparing the results of the study with all Australian small and medium businesses, it is obvious that the winery industry is unique.

Community
The following table shows the breakdown of Australian wineries that displayed some type of business contact information on their web site.

**Table 7. Percentage of Australian Wineries with Club Memberships or
Mailing Lists on their Web Site**

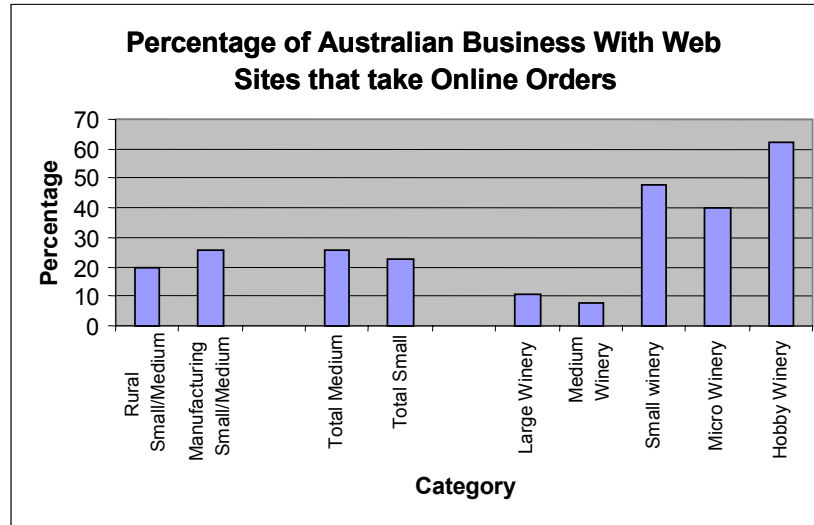| Size Desc.	Membership/ Mailing List
Large	33%
Medium	42%
Small	33%
Micro	36%
Hobby	19%

Figure 1. Percentage of Australian Businesses with Web Sites that take Online Orders

Many wineries publish regular newsletters to keep enthusiasts informed about the latest developments in many aspects of their business be it crop reports to news of recent releases. It will also contain mail-order details. Thus there is an attempt to involve wine drinkers in the winery community. It is thus hardly surprising that a substantial number of wineries have online membership and mailing lists. The interesting anomaly here is the fact that just 19% of Hobby wineries offer membership/mailing lists compared with over 30% for the other categories. Unfortunately we didn't have access to the data on the number of general small businesses that offer a comparable online facility.

Conclusion

The results of this study of the web sites of Australian 'small' wineries shows that they are unique when compared with Australian small businesses in general. The adoption rate of web sites by Australian wineries is less than that of other Australian small and medium businesses. In general, Australian businesses will be more likely to offer online ordering and payment facilities as they become larger (this, of course, depends upon the type of goods they are offering amongst other things). In the case of small wineries, once they have overcome the hurdle of creating the web site in the first place, they are more likely to adopt online ordering and sales than their larger counterparts. Although the products of larger wineries are offered on the internet through other distributors, there is still a very large percentage of small wineries with web sites that have adopted online ordering and sales when compared with small businesses in general. These findings are important for the opportunities that they provide to the many small wineries that have not created a website and may provide the catalyst for some of them to do so. What this study does point to is the need for further research to establish why the adoption rate for smaller wineries is proportionally larger than that of other small businesses. Is it because they need to establish a close relationship with consumers? Or maybe it's because the winery owners are more likely to be higher income professionals who also own a winery and can afford to establish and maintain a website? Australian wine drinkers are very catholic in their tastes and maybe they ask the wineries they visit if they have a website, consequently the owners then think that this would be a "good" thing to invest in. Most likely there will be a combination of factors that come in to play and it would be worthwhile investigating this. Another area to research would the gourmet dairy and food producers to see if there is a similar trend.

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