

# Development and Implementation of A Model for Wine Tourism

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## Разработване и прилагане на модел за винен туризъм

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През последните години на европейският пазар на вино се наблюдава силна конкуренция поради факта, че традиционно се предлагат по-големи количества вино, отколкото се търсят на пазара (World viticultural statistics 2010–2011). Това определя маркетинговата дейност на всяка винарска изба като водещото звено на бизнеса.

Целта на настоящата статия е да се представи логически модел за организиране на винен туризъм от винарска изба. Чрез неговото изпълнение се цели повишаване както на приходите на избата, така и нейната известност сред потребителите. Концептуалната теза, която се защитава, е, че успешното разработване и изпълнение на винен туризъм трябва да бъде съобразено с възможностите на избата да отговори на очакванията на пазара.

В резултат на извършения анализ се констатира, че показателите за оценка на инвестиционен проект трябва да се оценяват в контекста на конкретния проект и очакванията на мениджърите на стопанския субект. В този смисъл крайната оценка за дадена инвестиция се определя от това – до колко тя съдейства за постигане целите на мениджмънта, а не само от величината на финансовите показатели.

**Ключови думи:** винен туризъм, модел, SWOT–анализ, маркетингови дейности, инвестиции, оценка

### Introduction

In recent years, there has been increased interest to diversify tourism services as customers different from the currently marketed products. There have been created new products that aim to meet the requirements of consumers in making better spend your free time (Dimitrova, Vachevska, 2010). Important place among these is “wine tourism”, which focuses on a specific segment of the tourism market. Conduction is made by wineries because they have to combine their production activities with activities that were not subject to performance so far. The connecting element is a wine that is not only a product but also a bearer of history, culture and lifestyle, because its production dates back thousands of years. This in turn attracted the attention of a wider range of consumers of wine tourism and makes it an attractive market (Dimitrov, 2010). Meeting the

needs of users of this product requires wineries to organize wine tours combining both wine making and everything connecting with it. Organizing wine tours of wineries model is proposed, based on which to reveal the potential of the wine cellar for offering such a product and what needs to satisfy.

### Construction of the model

The model is based on the best wine tourism practices (Maizza, Rosato, 2008). It consists of five elements the performance of each is the condition to move to the next stage. The elements are arranged in their logical sequence and cover all activities that provide a comprehensive picture of the offered wine tours. The elements (see fig. 1) are:

- Determining the ability of the winery to offer and organize wine tour. For the purposes of

this point, it is recommended using the methodological tools of SWOT-analysis (Bashev, 2012). The analysis will identify the strengths and weaknesses of the winery and the opportunities and threats from the outside. Based on these matrices are constructed of interaction that represent how you seize the opportunities and neutralize threats.

- Ensuring the wine tours with the necessary resources. Resourcing of each activity creates conditions for the utilization of market potential (Nikolov, Boevsky, Atanasova, Bojukliev, 2012). The purpose of this phase is to identify the resources that the winery has regarding conducting wine tours and to identify measures to use, improve, and attracting new resources in case of necessity.

- Implementation of wine tour. There are must be made some decisions about an application for a wine tour, transport guests to and from the winery, guests stay in a wine cellar. Decisions should be tailored to customer needs, the actions of competitors, and the legal requirements relating indirectly to offer wine tours.

- Monitoring and analysis implemented wine tours. The purpose of this phase is to verify and evaluate the various parameters related to the ongoing wine tours and on this basis to make management decisions on their improvement and development in the future to facilitate the achieve-

ment of the objectives of the organization. It should be determined: indicators that take into account the results of the wine tours; in whose power is control function; what is the procedure to convert the recorded results in management decisions to improve wine tours.

- Economic justification of the planned expenditure for the implementation of projects related to wine tour. Conducted by the company's wine tours are part of its business and as such should provide a certain return on investment in this area (Atanasov, 2012). For this purpose, each winery has to assess the costs to be incurred for wine tours and expected income from this activity. Basically this stage assesses the investment project.

### Application of the model in "Little star" winery

#### *Prerequisites for organizing wine tour of the winery "Little Star"*

More and more winemakers see in organizing tastings and visits to wine cellars not only unique way of presenting their products, but also profitable investment, attracting a growing stream of wine lovers. Most of the wineries in Bulgaria switch to offering this kind of service and we can safely say that wine tourism is becoming an integral part of wine production and alternative forms of tourism services. Several tour operators include

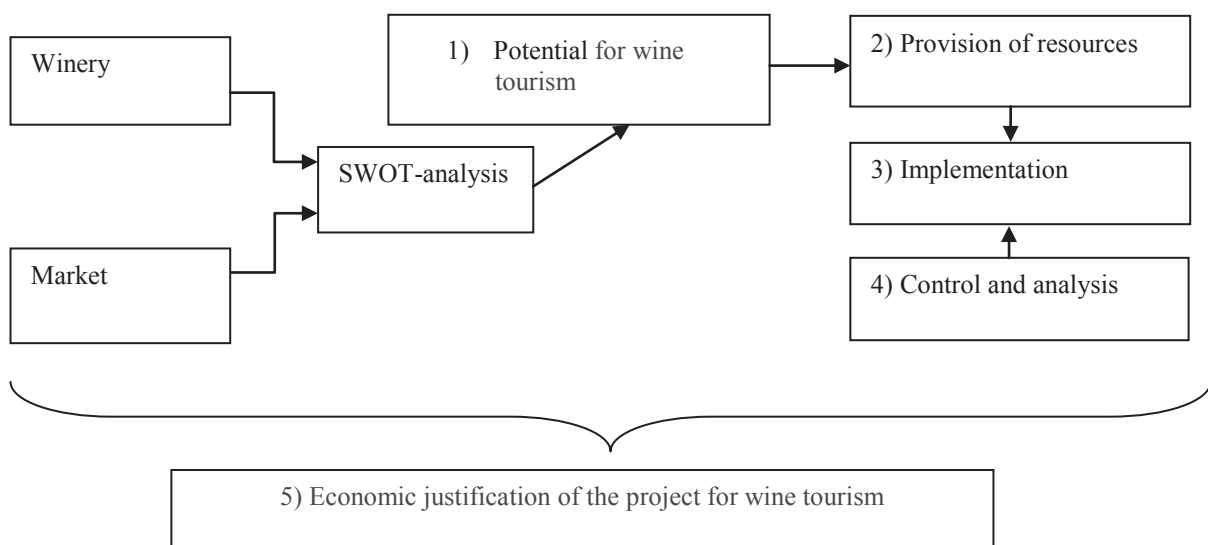


Fig. 1. Model for organizing wine tourism of winery

visits to wineries in their package holidays and organize individual tours in the country.

The decision to offer this type of service from the winery “Little Star” was made on the basis of conducted SWOT–analysis which identified the strengths and weaknesses of the company, opportunities and threats arising from the external environment, and how they interact each other. This analysis takes into account only the factors that are most relevant to the supply of wine tour.

Strengths of the winery are identified the following five:

- Uniqueness of the wine cellar. Winery “Little Star” was completely renovated in 2005, and to the production facility was built a restaurant. The winery is located in the traditional wine region (south western slopes of Sakar Mountain), including its own vineyard, offering visitors the chance to learn about the entire range of wine from the vine to the final product.

- Offered high-quality wines. The winery offers a limited edition red and white wines and rosé wines, which demand have increased in recent years. The products are marketed under its own brand “Enigma”, and to cater to the premium segment using the brand “Holy Mountain”. The high quality of the product has generated interest among consumers to learn about its production by wine tour and to enjoy this service on certain occasions.

- Financial stability. This is important not only in terms of the ability to establish their own in-

vestment company projects but also to guarantee the granting of loans by financial institutions. Greater financial resources which can be accumulated from the winery allows it to implement projects that would not be best companies in the industry with no good financial stability.

- Favorable geographical position. It refers to the fact that the winery is located in the region of Harmanli, which determines its proximity to one of the main roads of the country (highway “Maritza”) and adding its proximity to the border with Turkey and Greece wine basement has great potential to attract customers from both home and abroad.

- Variety of products. Offering a wide range allows the winery “Little Star” to serve a greater number of market segments. Also seasonality in the consumption of red wine was overcome by offering white wines and rosé type that is appropriate and in the hot months of the year.

As a weakness of the winery is defined small business size, which limits the investment activity of the cellar. Borrowing funds and applying to EU programs can not be used at the time because of the small size of the business.

As regards the external environment have been identified following two options to which the company will focus its efforts to utilize them:

- Increased interest in wine tours. Observations suggest that 4–5 years ago the wine country tourists were mostly foreigners, but today the ratio is the opposite due to the influx interest of

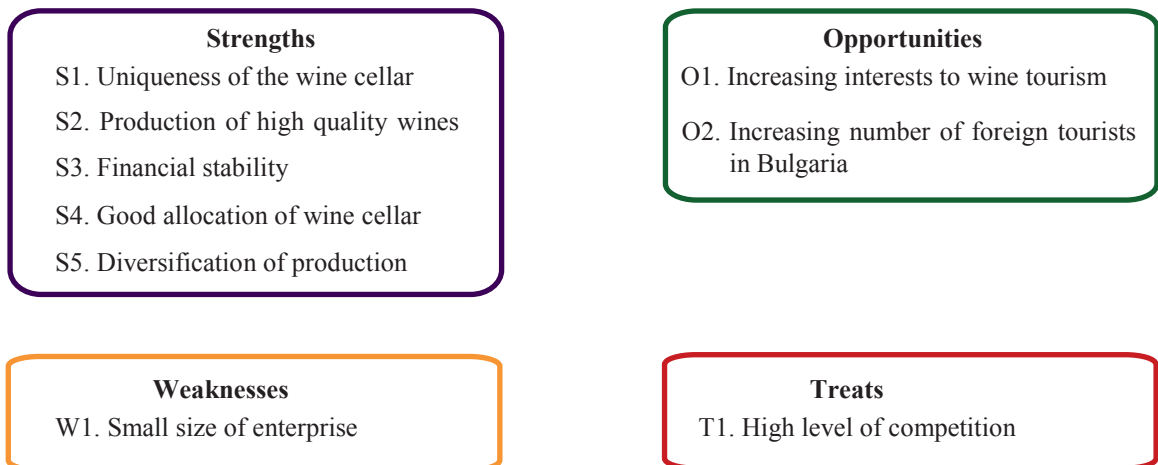


Fig. 2. SWOT–matrix

Bulgarian consumers. This is a clear indication of the prospects for development. Interest in wine tours is dictated by the following features: Drinking wine is modern, prestigious and even a way of life; drinking wine is healthy, it's part of the culture of eating; tour operators actively offer new product; consumers are looking for new, different tourist programs; per capita income increases.

- Increasing the number of foreign tourists in Bulgaria. Although the proportion of foreign/Bulgarian consumers have changed in recent years the interest from foreign tourists has not decreased for the Bulgarian wine. Moreover, the increase in their number every year offers an opportunity to increase the demand for wine tours. To exploit this possibility is necessary winery actively working with tour operators. Offering wine tour of foreign tourists is not only to familiarize them with the Bulgarian wines, but it can also be used as an impact on the consumer, stimulating him to repeat purchases after returning to his country. For this purpose, the winery will provide information on where a country can be found on the company's product.

Under the threats arising from the external environment is definitely the fact that almost all companies in the industry offer wine tours. To overcome its influence organized wine routes where tourists visit a number of wineries, giving them the opportunity to compare them with each other. Participation of the winery in this route requires the hotel facilities to accommodate tourists and provide them with a longer stay in the visited site. Another remedy to the identified threat is increasing the profile of the winery and its products. Supply of high quality wines and the unique architecture of the winery stimulate interest among consumers to get acquainted with its activities.

Based on the conducted SWOT-analysis and dies are made of the interaction between strengths and opportunities; strengths and threats; weaknesses and opportunities; weaknesses and threats.

Table 1 shows that four of the identified strengths have direct interaction with the opportunities provided by the outside environment. Realizing the potential increased interest in wine tours can be accomplished through:

**Table 1.** Matrix of interaction between strengths and opportunities

Strengths	Opportunities	
	O 1	O 2
S 1	“+”	“+”
S 2	“+”	“+”
S 3	“0”	“0”
S 4	“+”	“+”
S 5	“+”	“+”

“+” – there is interaction

“0” – there is no interaction

**Table 2.** Matrix of interaction between strengths and treats

Strengths	Treats
	T 1
S 1	“+”
S 2	“+”
S 3	“+”
S 4	“+”
S 5	“+”

- The uniqueness of the winery – visitors looking for modern, stylish built wineries, providing them the opportunity to bring the world of wine.

- To offer quality wines – consumers want high quality products not only use them, but also to learn more about their creation other interesting details about them, etc.

- Favorable geographic location – wine cellar “Little Star” is located near one of the main roads of the country, highway “Maritsa”. This facilitates access to the winery.

- A variety of products – consumers want choice and willing to try different wines.

Considered strengths interact similarly with the opportunity to increase the number of foreign tourists in Bulgaria, which essentially leads to increased demand

Table 2 shows that the identified strengths have direct interaction with the threat arising from the outside. Minimizing the impact of the threat strong competition from other companies in the industry in terms of offering wine tours can be achieved through:

- Uniqueness of the winery – though almost all wine offer wine tours, few of them have a

complete set of vineyard and winery in one place, which is more attractive to consumers. Architectural style of the winery gives additional advantage, as only 4–5 competitors can offer similar conditions.

- To offer quality wines – it would attract more paying customers who are higher interest in these wines than to ordinary.

- Financial stability – this strength allows the winery to implement projects on organizing wine tours, and to secure an advantage in combat competition.

- Favorable geographical location – the ability to quickly access the winery “Little Star” is a prerequisite for it to be preferred by consumers.

- Product diversity – offering a comprehensive range of wines provided for consumer choice, which is considered positive from a market perspective.

Table 3 shows that the weaknesses identified closely with the opportunities provided by the outside environment. Production of limited quantities of wine can cause difficulties in recovery discover opportunities due to the fact that the bulk of the production is exported, and served the premium segment of the internal market institutions. The company can be placed in a position impossible to hold a wine tour; you need to provide for supplies beyond the amounts set for wine tour.

Table 4 shows that the weaknesses identified no direct interaction with the threat from the external environment i.e. the limited quantity of wine is not a factor that puts the company at a disadvantage against the increased competition in the wine tours.

As a conclusion from the SWOT–analysis determine that the winery “Little Star” by its strengths, can successfully exploit the opportunities and minimize the threat of external environment, allowing them to organize and offer wine tours of its users.

#### ***Provision of wine tourism with resources***

Resources that are needed to conduct the wine tour are divided into three groups according to their origin: premises, equipment and staff.

**Table 3.** Matrix of interaction between weaknesses and opportunities

Weaknesses	Opportunities	
	O 1	O 2
W 1	“+”	“+”

**Table 4.** Matrix of interaction between weaknesses and treats

Weaknesses	Treats
	T 1
W 1	“0”

Currently offered wine tour includes basic premises that are associated with the production process of wine (fermentation room, room for aging the wine in oak barrels; room for storing wine) and may be referred to as directly involved in the wine tour. The company has a tasting room which hosts the final of the wine tour (wine tasting). This space is designed as a restaurant and provide the necessary facilities for the guests of the winery. As one of the main advantages of the hall may indicate its capacity (50 people), which allows to accommodate large groups. Another advantage is the ability to prepare food, which allows the site to function as a restaurant. These advantages facilitate the handling of wine tours by wine cellar is flexible and make decisions according to momentary desires of its guests.

In order to develop wine tourism wine cellar has planned to implement the project “Establishment of village” nearby. The project is implemented in two stages: the first is the construction and commissioning of the restaurant by the end of 2012, and the second includes the design, construction and commissioning of hotel facilities with adjacent facilities by the end of 2016 in the framework of this model a wine tour is considered the first stage of the planned project.

The idea to build a restaurant at the winery is dictated by the fact that a significant part of the visitors want a longer stay in the winery during which be able to combine wine with good food. The restaurant is designed in style, combining with this winery and is located in close proximity

ty to other rooms through which visitors the wine tour. The building has an indoor and outdoor area, each of which has a capacity of 50 people and adjoining bathroom. The main advantages of the implementation of this part of the project are capable of receiving large organized groups; providing additional services to their customers; an image of the company and the products it offers.

Construction of such facilities on agricultural land is not permitted by the Agricultural Land Act, which requires the status of the land on which will be built (not only the restaurant, and the whole village) to be changed. This slows down the project due to administrative deadlines in the performance of this procedure. In this sense, it is imperative for such investments to ensure appropriate change of the legal framework (Kanchev, Miteva, 2010).

The second group of resources needed to conduct the wine tour was named back yards and covers all means ensuring the functioning of the restaurant and holding wine tours. According to their purpose, they are divided into three subgroups. The first subgroup includes all the equipment of the restaurant's kitchen (stoves, refrigerators, hoods, freezers, dishwashers and so on...). That have a life of five years. The second subgroup restaurant furniture (tables, chairs, utility cars, paintings, chandeliers, etc.), whose life is also five years. In the third subgroup are all utensils (cups, plates, forks, napkins, tablecloths etc.) necessary to serve food and wine tastings and have a life-span of one year. Each instrument bears the logo of the winery, which is in line with its objective to offer high-end restaurant that meets the needs.

The third group of resources refers to the staff. Currently the company has a wine guide who conducts wine tour as his responsibilities will be retained for the future. Operation of a restaurant at the winery needs an additional staff. It is interesting to note that the staff that is employed is approximately constant number as the entire staff of the company. Guests of the winery are served by a manager, chief cook, assistant cook and three waiters. This staff is in a separate unit and the Manager has full rights and responsibilities in its management. The office manager is a person possessing the necessary qualifications and experience in the

field of catering and wine tastings, and is motivated to build the image of the winery through his work.

### ***Implementation of wine tour***

After starting the restaurant operating winery offers two types of wine tour. The first is the wine tasting, which is essentially indistinguishable from ever held. A second visit to the restaurant is without a tour of the winery complex. Each round consists of the following separate parts: receiving a request; transportation to and from the winery; conducting wine tour.

The application for a wine tour is accepted by wine guide, it can be made by telephone, via the Internet, a place and a contract with a tour operator (the conclusion of these contracts shall be the marketing manager of the company). Accepted request is recorded in the log book-by date and time of a wine tour and also the type of the wine tour, mode of transport, number of guests, special requirements, if any.

Transport to and from the winery can be their own guests to tour the wine cellar. Taking into consideration the specifics of wine tourism – wine tasting and it is a drink containing Alcohol Company offers transport. Thus expresses its concern for the safe travel of the guests on their return from the wine tour. For this purpose, purchased a van “Volkswagen” which can carry up to 12 people for larger groups will use the services of a company with passenger contracted.

Conducting wine tour depends on the requested type. The tour of the first type includes a tour of the vineyard, fermentation room grapes room for aging the wine in oak barrels, bottling room, video projection about the history of the winery and ends with a wine tasting at the restaurant. During the tour lasts two hours, guests are introduced to the basic processes in the production of wine grapes and wine, focusing on the particular nature of our company, this sets us apart from other wine producers. The film, which is projected, represents the firm and production processes that can be observed during the conduct of the wine tour. Guests are served from our wine properly served and given the opportunity to buy it at discounted prices. Wine tour ends at the restaurant, which hosted the tasting of wines that are trimmed according to the

preferences of the guests if they want or can use the self-service restaurant.

In the second wine tour guests go directly to the restaurant giving them opportunity to choose from specially designed packages (food + wine) or free to choose what to eat. Depending on their choice is determined and the price that must be paid – the former is a package, and the second is according to consumption.

**Control and analysis of wine tours**

Control conducted on wine tours is the responsibility of the marketing manager of the company and aims to assess the results of this activity to discover failings and to identify measures for improvement. Reporting of costs and revenues of the conducted wine tours will be done in the restaurant, which will operate as an independent commercial entity. There will be also collected information about visitors in a Diary of wine tours (with columns date; way to visit, location, nationality, occupation, income, additional revenue). This information will be used by the marketing manager in market analysis and develop marketing plans and strategies.

**Economic justification of the project for wine tourism**

For the implementation of the first part of its project winery “Little Star” was made an total in-

vestment of 290 000 BGN, which includes drafting the restaurant, its construction, equipment and furnishings. The entire amount will be distributed as follows: to design and build – 168 000 BGN; equipment and furniture – 122 000 BGN. Terms for depreciation of the assets are in 25 for the buildings and 5 years for equipment and furniture. Annual depreciation amount is 6 720 BGN for the first group and 24 400 BGN for the second. Total depreciation in one year amounted to the sum of 31 120 BGN.

Another group of expenses are salaries and benefits of personnel engaged in conducting wine tours. During the first four years employed is 5 people, provided average monthly expenditure for salaries and social security contributions amounting to 3 250 BGN.

Costs of wine tours and the cost of producing one bottle of wine form the operational costs.

Revenues from sales are formed on the basis of sales of wine tours and wine during the tours.

Assessment of the investment project using indicators: net present value (NPV); payback period of the investment and profitability index. Their calculation is showed in table 5 which is depicted the formation of net cash flows for the first four years of the investment period.

Net present value (NPV) of the investment for the first four years amounted to minus 74017BGN.

**Table 5.** Net cash flow (BGN)

Indicator	I year	II year	III year	IV year
A	B	C	D	E
1. Sales	188 500.00	188 500.00	188 500.00	188 500.00
2. Other revenues				
<b>Total Revenues (1 + 2)</b>	<b>188 500.00</b>	<b>188 500.00</b>	<b>188 500.00</b>	<b>188 500.00</b>
3. Costs for materials and services	74 250.00	74 250.00	74 250.00	74 250.00
4. Depreciation	31 120.00	31 120.00	31 120.00	31 120.00
5. Staff costs	39 000.00	39 000.00	39 000.00	39 000.00
6. Other costs	3 000.00	3 000.00	3 000.00	3 000.00
7. Interests costs				
<b>Total Costs (3 + 4 + 5 + 6 + 7)</b>	<b>147 370.00</b>	<b>147 370.00</b>	<b>147 370.00</b>	<b>147 370.00</b>
<b>III. Profit before Tax (I – II)</b>	41 130.00	41 130.00	41 130.00	41 130.00
<b>IV. Tax</b>	4 113.00	4 113.00	4 113.00	4 113.00
<b>V. Net Profit (III – IV)</b>	<b>37 017.00</b>	<b>37 017.00</b>	<b>37 017.00</b>	<b>37 017.00</b>
<b>VI. Payments on credits</b>				
<b>VII. Net Cash Flow (V + 4 - VI)</b>	<b>68 137.00</b>	<b>68 137.00</b>	<b>68 137.00</b>	<b>68 137.00</b>

Although NPV is negative, the investment project is estimated as acceptable, since the calculations refer to a short period of time.

The payback period of the investment in such indicators is constructed six years, which is determined by the owners of the winery as satisfying.

Profitability index is equal to 0.74, indicating that the generated discounted net cash flow during the first four years of the project will not recoup the cost of investments.

## Conclusion

As a result of the analysis it is found that the performance evaluation of an investment project should be evaluated in the context of the project and the expectations of the managers of the entity. In this sense, the final evaluation of an investment is determined by how it contributes to the goals of management, not just the magnitude of the financial indicators. The developed model for organizing wine tourism based on situation analysis helps to achieve the necessary logical connection between financial indicators and non-financial.

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## Development and Implementation of A Model for Wine Tourism

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(Summary)

In recent years, the European wine market is defined highly competitive due to the fact that wineries traditionally offer larger quantities of wine than is demanded (Borisov, 2011). This defines the marketing activities of each winery as a leading unit of the business. The purpose of this article is to present a logical model for organizing wine tourism from a winery. Through its implementation the winery aims to increase both the revenue of sales and its reputation among consumers. Conceptual thesis is that the successful development and implementation of wine tourism should be in conjunction with ability of the winery to meet the expectations of the market.

The result of the analysis it is found that the performance evaluation of an investment project should be evaluated in the context of the project and the expectations of the managers of the entity. In this sense, the final evaluation of an investment is determined by how much it contributes to the objectives of management, not just the magnitude of the financial indicators.

**Key words:** wine tourism model, SWOT-analysis, marketing activities, investments, assessment

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