

Marketing Washington Wines At the Wholesale Level

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MARKETING WASHINGTON WINES AT THE WHOLESALE LEVEL

By Mark A. Grassel and Raymond J. Folwell

INTRODUCTION

The Washington table wine industry began in the late 1960s. The industry's growth has been in premium table wines made from *Vitis vinifera* or European type grapes. Premium wines are those wines priced at \$30 or more per 12 750-milliliter bottles or per case. The production of Washington wine grapes in 1987 was 44,000 tons, with 3,500 tons of production not harvested. In 1988, 46,000 tons were produced and harvested. There is a production potential of 57,004 tons by 1991 based upon planted acreage in 1987 (Folwell and Grassel 1988). The annual growth rate in Washington wine sales has been increasing, while total wine sales in the U.S. have been declining. Despite this growth the potential supply of wine grapes exceeds the current sales levels. The potential wine grape production levels point to the need to expand the markets for Washington wines.

Additional sales for the state's wines can be attained by a better understanding of the wine market including the wholesale level where Washington wines must compete. A better understanding of the organization, general operating procedures, and factors influencing the behavior of wine wholesalers could lead to the development of more effective marketing strategies by Washington wineries.

The focus of this study was at the wholesale level. In particular, wholesalers' behavior was analyzed regarding their marketing mix consisting of: (1) product, (2) price, (3) place (or distribution), and (4) promotion.

The wholesaling of alcoholic beverages differs from the wholesaling of other goods due to the state and federal laws and regulations (Folwell, Dailey, and Bevan 1970). All alcoholic beverages are exempt from the commerce clause of the U.S. Constitution, as authorized in the Twenty-first Amendment (repeal of prohibition). Each state is allowed to regulate the sale, distribution, and taxation of wines manufactured in that state or imported for consumption. Each state can be viewed as a different market situation since such laws impact the marketing mix that can be used by wholesalers.

RESEARCH METHODS

A mail questionnaire was sent to 248 wine wholesalers in the fall of 1986. Of this total, 132 were located in Washington and 116 were out of state. The sampling frame was generated in two ways. For in-state wholesalers a list was compiled from the Washington State Liquor Control Board's records of licensees holding a wine wholesaler's license. Therefore, the questionnaire was sent to all wine wholesalers in Washington. To compile a list of wholesalers out of state who distribute Washington wines, the wineries in Washington were asked to provide their lists of wholesalers.¹

The questionnaire contained nine sections relating to the marketing mix of wine wholesalers, including: (1) the product mix and sales in terms of beer, wine, wine coolers, distilled spirits, and other beverages; (2) a profile of the respondents according to various characteristics such as years in business, number of warehouses, etc.; (3) the wine product mix; (4) importance of foreign wine imports; (5) the pricing of wine; (6) promotion practices; (7) distribution decisions in terms of retail shelf position for wine and of the businesses served by wholesalers; and (8) wholesalers' dealings with wineries and restaurants.

RESULTS

Forty-eight wholesalers who sold wine by the bottle responded to the survey. Of the 48 wholesalers, 22, or 46%, sold wine in Washington. These wholesalers are referred to as Washington wholesalers in the text. Twenty-eight, or 58%, of the wholesalers sold wine outside the state of Washington. These wholesalers are referred to as out-of-state wholesalers. Two of the wholesalers sold wine both in Washington and outside the state and are included in the results for both groups. The results of the survey are reported for two groups: (1) Washington wholesalers, and (2) out-of-state wholesalers. This division was based upon the fact that state laws differ as indicated above.

¹The sample of wholesalers who distribute Washington wine out of state is considered a non-probability sample; i.e., not every out-of-state wholesaler of Washington wine was included in the frame of out-of-state wholesalers sampled. In addition, out-of-state wholesalers who did not sell Washington wines were not sampled. Special care should be taken when using these results to make inferences about the out-of-state results.

Profile of Wholesalers

The counties in Washington most commonly served by the responding wholesalers are located in the major metropolitan area, Seattle-Tacoma. Thurston County was served by 27.3% of the respondents. Thurston County is part of the Seattle-Tacoma metropolitan area.

Idaho and Oregon were the most commonly served market areas by out-of-state wholesalers of Washington wines. These wholesalers accounted for 21.4% of the out-of-state wholesalers. Montana and California were served by 17.9% and 10.7% of the out-of-state wholesalers, respectively. Washington wines are still distributed locally, staying mostly in the far western states.

About one-half of the wholesalers of Washington wine were established in the 1970s and 1980s (Table 1). The number of warehouses per wholesaler operated by out-of-state wholesalers was higher than for Washington wholesalers with 1.7 for out-of-state wholesalers as compared with 1.1 for in-state or Washington wholesalers. The number of firms served by these wholesalers was also higher for out-of-state wholesalers, being roughly three times larger in magnitude.

TABLE 1. Profile of Wholesalers' Businesses, 1986

Item	Mean	Range	
		Low	High
Washington Wholesalers			
Year established	1970	1934	1986
Number of warehouses	1.1	1	2
Number of premises served	338	45	1,800
Volume handled (gallons sold):			
wine	309,681	10,000	3,170,065
wine coolers	82,230	2,500	62,000
beer	2,740,102	23,000	23,393,840
distilled spirits	0	0	0
other beverages	17,860	497	56,797
Washington wine	14,544	400	42,000
Out-of-State Wholesalers			
Year established	1968	1933	1986
Number of warehouses	1.7	1(0)	4
Number of premises served	1,160	12	11,000
Volume handled (gallons sold):			
wine	288,471	500	3,037,978
wine coolers	35,792	528	145,000
beer	692,326	700	2,650,000
distilled spirits	823,514	8,000	2,060,542
other beverages	70,382	1,321	136,205
Washington wine	6,224	0	42,000

Washington wholesalers served on average 338 firms, whereas out-of-state wholesalers served 1,160 firms on the average.

These characteristics do not imply that out-of-state wholesalers handle a larger volume since the rate of inventory turn-over and sales volume per account are unknown.

The type of businesses the wholesalers sold to were predominantly retail grocers, accounting for 37.6% of out-of-state wholesalers' total wine sales by volume and 58.1% of Washington wholesalers' volume (Figure 1). Restaurants were the second most important outlet for wines for both in-state and out-of-state wholesalers. The ranking of importance was based on numbers of accounts or firms served and not on volume of wines.

The sales of wine by Washington wholesalers averaged 309,681 gallons (Table 1). Beer sales had a higher volume of sales per Washington wholesaler averaging 2.7 million gallons. One Washington wholesaler sold almost 10 times more beer than the average. In this case, the median is a more appropriate measure of central tendency. The median beer sales for Washington wholesalers was 342,612 gallons.

Washington wholesalers sold twice the amount of Washington wine, on average, than out-of-state wholesalers. In 1989, the market share of the state of Washington held by Washington wines was 24%.

Average annual wine sales for out-of-state wholesalers was 288,471 gallons, with the range being from 500 gallons to 3.0 million gallons. In addition to wine, over 78% of the out-of-state wholesalers were involved in distributing some other kind of beverage (Table 2). In general, distilled spirits were the most important beverage based on gallons sold for out-of-state wholesalers whose sales mix included this beverage class. None of the Washington wholesalers distributed distilled spirits, as the state has a monopoly on the wholesaling and retailing of such beverages. Beer was more important than wine in terms of gallons sold for those wholesalers which distributed both beer and wine.

In summary, the typical in-state wholesaler of Washington wines has been in business for almost two decades, operates out of one warehouse, and serves an average of 338 premises. These in-state wholesalers sold an average of 309,681 gallons annually, of which Washington wines ac-

counted for about 5% of the total volume. In contrast, out-of-state wholesalers, while of approximately the same age, operated out of almost two warehouses on the average and served 1,160 premises, over three times as many as the Washington wholesalers. Average annual wine sales were 288,471 gallons for the out-of-state wholesalers, which is only 93% of the wine volume for Washington wholesalers. In addition, Washington wines accounted for only slightly over 2% of the out-of-state wholesalers' wine sales.

Wine Product Mix

The wholesalers were asked to rank factors in order of their importance in determining the wine brands they carried (Table 3). The most impor-

TABLE 2. Number and Percentage of Wholesalers by Type of Beverage Distributed, 1986

Type of Beverage	Number	Percentage ^a
<i>Out-of-State Wholesalers</i>		
Wine	28	100.0
Wine coolers	18	64.3
Beer	16	57.1
Distilled spirits	8	28.6
Other beverages	3	46.4
<i>Washington Wholesalers</i>		
Wine	22	100.0
Wine coolers	16	72.7
Beer	18	81.8
Distilled spirits	0	0.0
Other beverages	11	50.0

^aBased on a total of 28 out-of-state wholesalers and 22 Washington wholesalers reporting.

tant factors based on average values in ranking according to all wholesalers were profitability, price, consumer requests, and packaging. Other factors identified were promotional literature, management preferences, winery sales force, and other factors, of which quality was most frequently mentioned.

TABLE 3. Factors that Influenced Wholesalers' Wine Brand Decisions

Factor	Value			
	Average ^a	Low-est	High-est	Median
<i>Out-of-State Wholesalers</i>				
Price	2.8	1	6	3.0
Profitability	2.3	1	7	2.0
Consumer's requests	3.9	1	9	4.0
Management preferences	4.8	1	9	6.0
Winery sales force	5.3	1	9	6.0
Promotional literature	6.0	2	9	To
Packaging	4.0	1	8	4.0
Competitor influence	5.3	1	9	5.0
Other ^b				
<i>Washington Wholesalers</i>				
Price	3.3	1	6	3.0
Profitability	3.0	1	8	2.5
Consumer's requests	2.8	1	8	2.0
Management preferences	5.7	1	9	7.0
Winery sales force	5.2	1	8	6.0
Promotional literature	6.4	2	9	7.0
Packaging	4.2	1	7	4.0
Competitor influence	6.0	1	9	6.0
Other ^c				

^a1 = most important; 2 = second most important, etc.

^bIncluded 15 responses of which 11 concerned product quality.

^cIncluded 6 responses of which 3 concerned product quality.

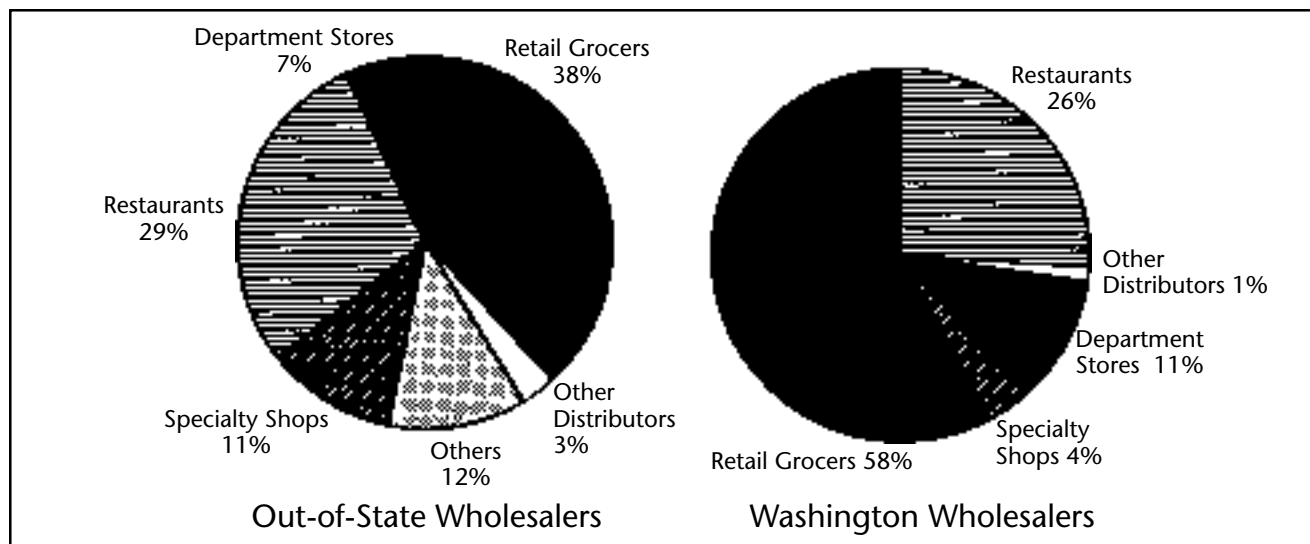


Figure 1. Percent of Wholesalers' Total Sales Accounts by Type of Business, 1986

Out-of-state wholesalers obtained 87.1% of the non-Washington wines from the wineries directly and 12.9% from other wholesalers or brokers. For Washington wholesalers the ratio was 74.7% from wineries and 25.3% from other wholesalers or brokers. For Washington wines, out-of-state wholesalers obtained 92% of their supplies from the wineries directly and the remaining 8% from other wholesalers or brokers. Washington wholesalers' ratio for Washington wines was 86% to 14% directly from wineries and other wholesalers, respectively.

Sales by volume for specific wine types indicated a difference between the product mix (array of products) of out-of-state and Washington wholesalers (Figures 2 and 3). In terms of non-Washington wine sales by out-of-state wholesalers, varietal wines were more important to out-of-state wholesalers accounting for 46.2% of their sales. Nonvarietal wines were more important to Washington wholesalers accounting for 47.9% of their non-Washington wine sales. Reasons Washington wholesalers might have a higher percentage of nonvarietal wine sales include: (1) Washington has a high per capita consumption level which suggests the use of lower-priced nonvarietal wines for everyday use; (2) Washington wholesalers are characterized as having a large proportion of sales to retail grocers which carry extensive lines of nonvarietal wines as compared with other retail wine merchants. The latter is most likely a result

of the state being a monopoly for distilled spirits; retail liquor stores do not exist in Washington as they do in other states. The product mix of Washington wholesalers is different than for non-Washington wholesalers. The Washington wine industry is based primarily upon varietal table wines. The ranking by wine type is the same for both groups of wholesalers, with varietal wines being most important followed by nonvarietal wines, sparkling wines, and flavored wines.

Imported wines were more common among out-of-state wholesalers than Washington wholesalers. Approximately 79% of the out-of-state wholesalers handled imported wine as compared with 64% for Washington wholesalers. For those out-of-state wholesalers who import, 24.2% of their total wine sales consisted of foreign imports, with the percentage ranging from 5% to 60%. Of the total wine sales of Washington wholesalers, foreign imports constituted 22% with the range being from 4% to 60%. The exchange rate between U.S. and exporting country impacts the import decisions by the wholesalers. The vast majority of the out-of-state wholesalers (90.9%) and almost two-thirds (64.3%) of the Washington wholesalers said it did, while the remaining wholesalers said it did not.

Pricing

Seventeen or 77.3% of the responding Washington wholesalers replied that percentage markup

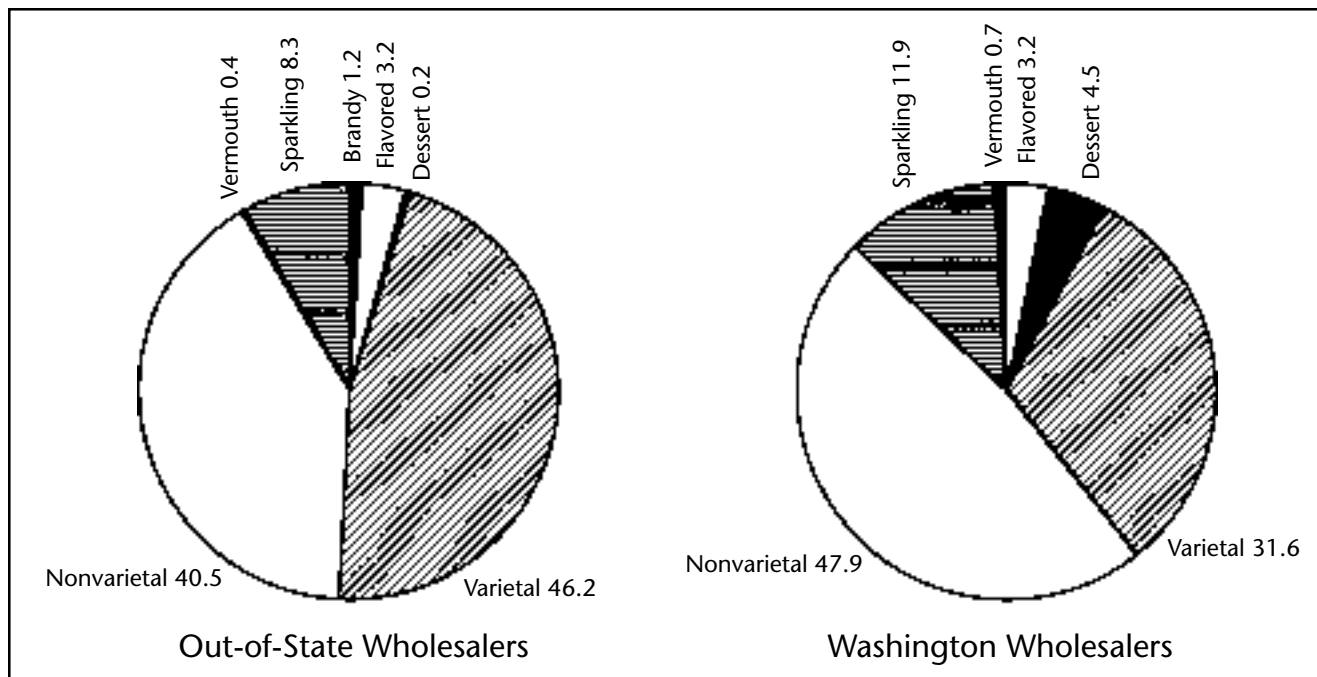


Figure 2. Wholesalers' Sales of Non-Washington Wine by Type (%)

on cost was used to set prices on at least some of the products they carried. Twenty-seven, or 96.4% of the out-of-state wholesalers replied that percentage markup on cost was used. The percentage markup among out-of-state wholesalers varied, by wine type, from 31.9% for flavored wine to 34.5% for vermouth (Figure 4). Washington wholesalers' percentage markups were lower than out-of-state wholesalers', and ranged from a low of 28.2% for flavored wine to a high of 31.2% for varietal wine. Overall, flavored wines and wine coolers carry the lowest markups for both groups of wholesalers. A few of the wholesalers indicated their percentage markup on cost decreased with wine bottle size. For example, as bottle size increases, from 750 milliliters to 1.5 liters, percentage markup on cost decreases. The markups for beer were lower than wine for both groups of wholesalers. The relationship between markups and type/size of container for the beverages is related to the volume of such products handled and the nature of competition among the various beverages. Wine coolers and beer are more competitive with each other than with wine.

Most of the out-of-state wholesalers that used percentage markup on cost also used some other form(s) of pricing. Most common among these for the out-of-state wholesalers were pricing to a competitor's price and depletion allowances.² The most common form(s) of pricing for Washing-

ton wholesalers was pricing to a competitor's price, followed by shelf margin points,³ depletion allowances, and postoffs.⁴ Of the five Washington wholesalers who did not use percentage markup on cost, two used percentage margins on selling price.

Cost was the most significant factor in setting wine prices for out-of-state wholesalers. It was followed by profit, competition, and demand (Table 4).

Profit was most important to Washington wholesalers followed by costs, competition, and demand. Approximately 54% of the out-of-state wholesalers' average price for wine was in the \$20 to \$35 price range, for a case of 12 750-milliliter bottles. Half of the Washington wholesalers characterized themselves as being in this price range (Figure 5). A larger percentage of Washington wholesalers' average price for wine was in the \$35 to \$50 price range when compared with out-of-state wholesalers, 31.8% versus 25.0%.

²A priced reduction by a winery, possibly because of a new wine, overstocking of a wine, or discontinuance of a wine.
³Pricing to a specific point such as \$3.99 where a 30% markup on cost for a wine would create a price of \$4.14.
⁴A price reduction by a wholesaler. Wholesalers are paid to be posting off from their regular price for a wine.

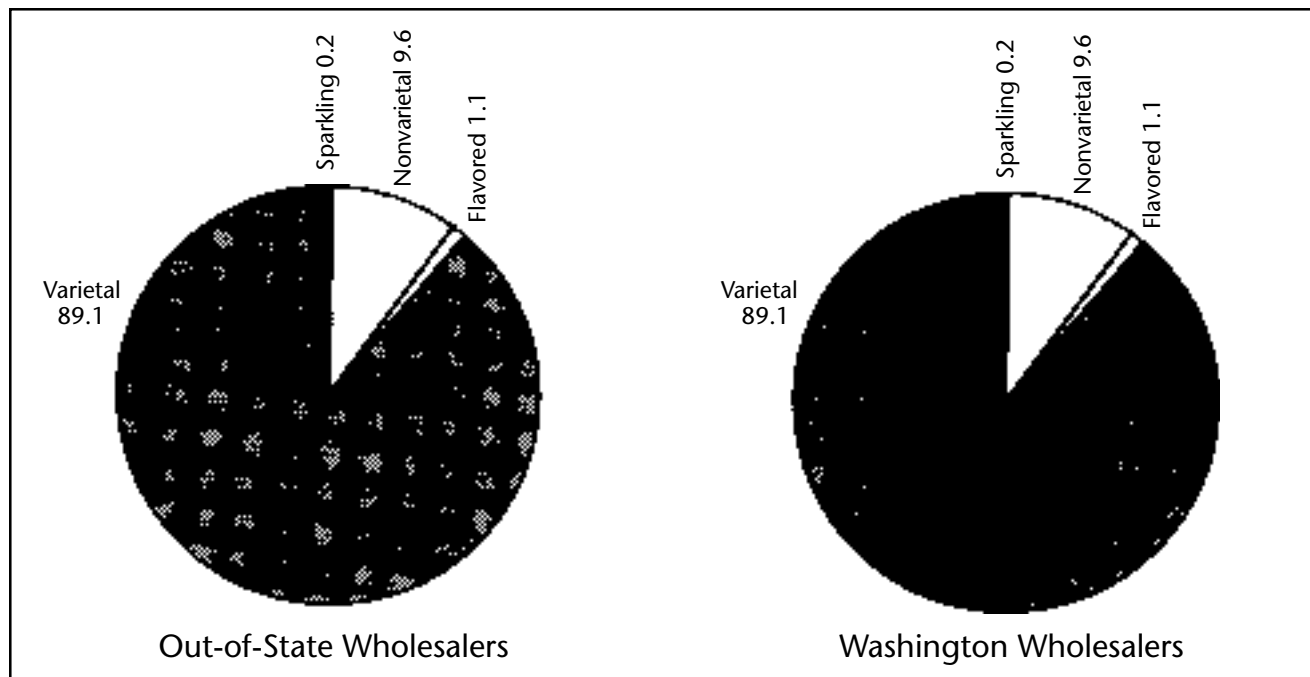


Figure 3. Wholesalers' Sales of Washington Wine by Type (%)

Product Promotion

Approximately 95% of all the surveyed wine wholesalers used promotional techniques in their marketing mix. Price and display promotions were the two most important kinds of promotion for wines. Twenty-three, or 88.5% of the responding out-of-state wholesalers used both types of these promotions, while 19, or 90.5% of the responding Washington wholesalers used them. Personal selling was more commonly used by Washington wholesalers, with 81% using personal selling as compared with 73.1% for out-of-state wholesalers. The other most commonly used kind of promotion by out-of-state wholesalers was salesperson incentives and for Washington wholesalers it was wine tastings. Holidays are by far the most important time of the year for promotions, with Christmas and Thanksgiving being the two most significant holidays.

Price reduction was the most successful promotion in the opinion of the wholesalers. Price reductions were reported by approximately 50% of each group of wholesalers as the most successful. Other responses for Washington wholesalers were price reductions with displays and the use of dis-

plays alone. For out-of-state wholesalers, other responses included wooden racks, tastings, and salesperson incentives used with price reductions.

TABLE 4. Factors that Influenced Wholesalers' Pricing Decisions^a

Factor	Value			
	Average	Lowest	Highest	Median
<i>Out-of-State Wholesalers</i>				
Costs	2.0	1	4	2.0
Competition	2.6	1	4	3.0
Demand	3.1	1	5	3.0
Profit	2.1	1	4	2.0
Other ^b	1.0	1	1	1.0
<i>Washington Wholesalers</i>				
Costs	2.2	1	4	2.0
Competition	2.2	1	5	2.0
Demand	3.3	2	4	4.0
Profit	2.0	1	4	2.0
Other ^c	2.5	2	3	2.5

^a1 = most important, 2 = second most important, etc.

^bIncluded only 1 response which was price points.

^cIncluded 2 responses. (1) add pressure from suppliers and retailers, and (2) freight expense.

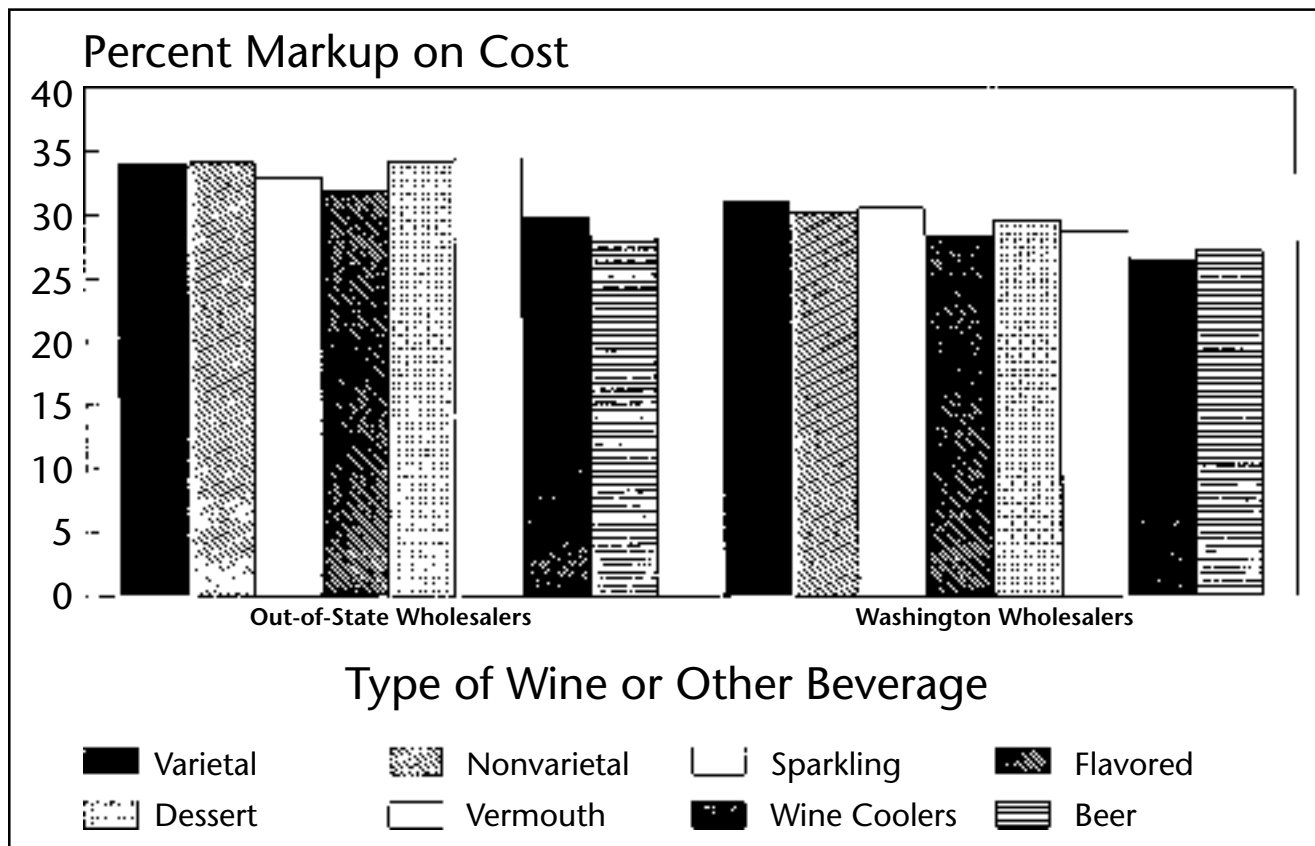


Figure 4. Wholesalers' Markup on Cost for Different Types of Beverages (%)

Both in-state and out-of-state wholesalers of Washington wines received assistance from wineries in approximately three-quarters of the promotional activities. The assistance consisted of help with: (1) an idea, (2) a display, (3) financial support,⁵ and (4) other assistance. The most common responses for other kinds of assistance were price reductions and depletion allowances. Overall, wineries take an active part in wholesaler promotions, the most common areas being displays and dollar support.

Shelf Position

The responding wholesalers ranked the importance of various factors in determining retail shelf placement for their wines. For both groups of wholesalers the order of ranking of factors for retail shelf position was identical (Table 5). Profit per unit, total sales volumes, and retailer's choice were the most important factors. Promotional reasons were least important. Price flow considerations as well as the origin of the wine were mentioned by only a couple of wholesalers.

Factors that influenced serving a particular retail outlet were few in number. As expected for any firm involved in the physical distribution of a product at the wholesale level, the total sales volume and distance to travel were paramount.

⁵Cooperation between wineries and wholesalers in terms of financial support for promotion is legal under state and federal laws.

Winery-Wholesaler Relationship

Approximately two-thirds of all the wholesalers believe winery service could be improved. There were 25 different suggestions provided by out-of-state wholesalers for improving winery service. The most common suggestions were services related to the marketing of products, communications with the wineries such as sales representative contacts, and the quality of the product. Most wholesalers viewed the competition from winery tasting rooms as being slight to none.

Sales to Restaurants

The sales of wine by container size (bottles and boxes) to restaurants were classified into two dif-

TABLE 5. Importance of Factors In Determining Retail Shelf Position by Wholesalers^a

Factor	Value			
	Average	Lowest	Highest	Median
<i>Out-of-State Wholesalers</i>				
Profit per unit	2.4	1	4	2.0
Total sales	2.2	1	5	2.0
Retailer's choice	2.3	1	5	2.0
Promotional reasons	3.0	1	5	3.0
<i>Washington Wholesalers</i>				
Profit per unit	2.7	1	5	3.0
Total sales	1.7	1	4	1.5
Retailer's choice	2.7	1	5	2.0
Promotional reasons	3.6	2	5	4.0

^a1 = most important, 2 = second most important, etc.

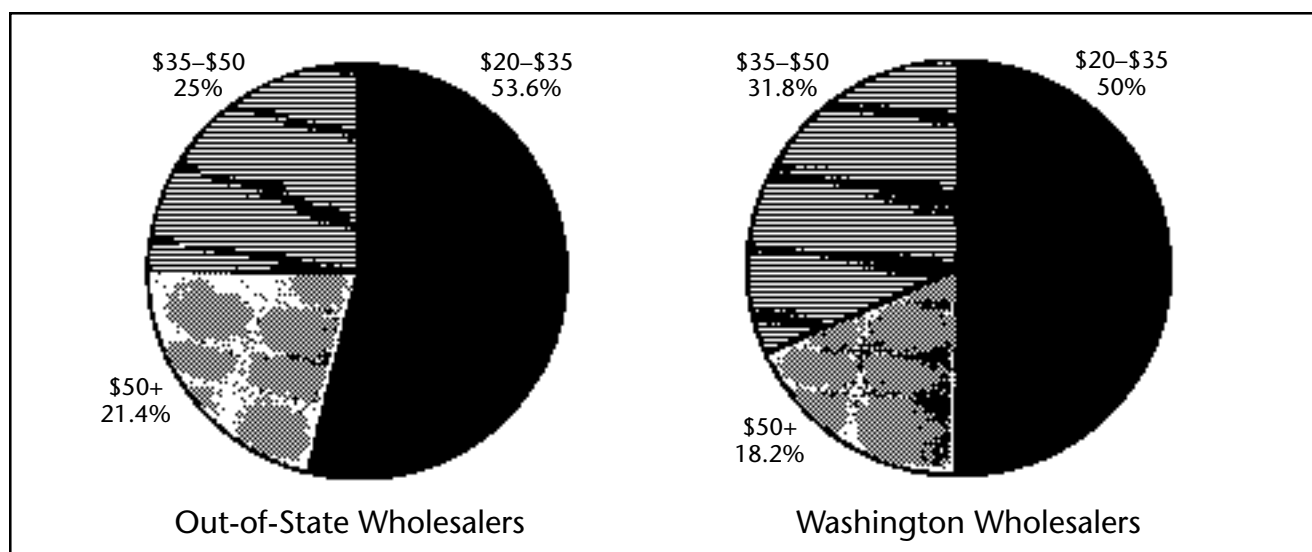


Figure 5. Average Price Class of Wine Sold by Wholesalers (% of wholesalers)

ferent size categories to represent house versus nonhouse wine sales. The assumption was that all wine sales of three liters or greater in size would constitute house wine sales to restaurants. Washington wholesalers had a larger volume of house wine sales to restaurants than out-of-state wholesalers, 50.4% as compared to 35.6%. Since most house wines are nonvarietal wines, this may explain Washington wholesalers' larger percentage of nonvarietal sales, as discussed in the wine product mix section.

Twenty-five of the responding out-of-state wholesalers have promotional programs that specifically emphasize increasing wine sales to restaurants, while 16 of the responding Washington wholesalers have such programs. The most commonly used promotion, by both groups, was wine pricing by the glass, followed by schools or seminars to educate restaurant wine-serving staff, table tents and posters, tastings, and featured wine of the week, month, etc.

WINE SALES AND AVERAGE PRICE

The data did not show any clear trend for either group of wholesalers in a relationship between total wine sales and average wine price. However, it is worth noting that the larger wholesalers (300,000 gallons or more) had average case prices of \$20 to \$35 in the case of Washington wholesalers, but out-of-state wholesalers had average case prices ranging from \$20 to \$50.

In regards to both Washington and out-of-state wholesalers, those in the highest price category have high Washington wine sales. Since Washington wines are considered premium in terms of quality and price, it would be expected that a high volume of Washington wine sales would increase a wholesaler's average price for all wines.

REGRESSION ANALYSIS

Regression analysis was used to identify which wholesaler's characteristics and/or attributes, as discussed previously, are statistically significant in explaining the variation in annual sales of all wine as well as for Washington wine sales. Total wine sales of a wholesaler in gallons (TS) was specified as a function of the number of states served (SS), the number of premises served (NP),

the number of warehouses maintained (NW), the year the wholesaler began selling wine (YE), the sales of other beverages in gallons (OS), the average price for a case of wine (AP), total wine sales, excluding Washington wine sales, in gallons (OW), the percentage of help received from wineries with promotions (WH), and five dummy variables. The dummy variables were: (1) use of display promotions (DP), (2) use of price promotions (PP), (3) use of personal selling promotion (PS), (4) the use of other kinds of promotions (OP), and (5) whether the wholesaler conducted business in the state of Washington (WA). For all dummy variables the numeral one identified the wholesaler with the characteristic while the numeral zero specified he or she was not.

The estimated regression function for all wine sales which provided the best fit while fulfilling a priori expectations as to sign was:

$$TS = -7,612,221 + 250.36 NP + 3834.26 YE + 0.13 OS$$

(-2.49) (5.66) (2.47) (26.42)

where the t-values are in parentheses; the F-value was 235.80, and the R² and the adjusted R² were 0.966 and 0.962, respectively.

The estimated regression function for sales of wine produced in Washington (WS) which provided the best fit while fulfilling a priori expectations was:

$$WS = -330,194.6 + 13.91 NP + 4951.44 NW + 163.40 YE$$

(-1.38) (3.89) (1.77) (1.25)

$$-0.0085 OW + 0.0020 OS + 299.09 AP$$

(-2.33) (3.14) (1.69)

$$+ 11160.67 DP + 8973.19 WA$$

(2.41) (2.79)

where t-values are in parentheses; the F-value was 7.05, and the R² and adjusted R² were 0.738 and 0.633, respectively.

The three statistically significant variables in the equation explaining the variation in annual total wine sales also appear in the equation for Washington wine sales. In both cases, the number of premises served, the year the wholesaler began selling wine, and the sales of other beverages were all positively related to wine sales. However, in the case of only Washington wine sales,

other explanatory variables were statistically significant. These included the number of warehouses maintained, the average price for a case of wine, the use of display promotions, and whether the wholesaler conducted business in the state of Washington. All were positively related to Washington wine sales. However, the greater the total wine sales, excluding Washington wine sales, the lower the level of Washington wine sales, holding all other factors constant. Overall, Washington wineries in establishing their marketing plans, including the selection of wholesalers, should be cognizant of these wholesaler attributes as they tend to suggest a greater sales volume of Washington wines.

MARKETING STRATEGIES FOR WASHINGTON WINERIES

The formulation of marketing strategy for a given winery must be based upon some goal(s) such as maximizing revenues or market shares given the winery's production (product size) and the marketing costs. To achieve such a goal(s), wineries must possess basic knowledge about the wholesaling of wines if the wineries are to be successful in negotiating with wholesalers and other "first buyers" of wine. The most appropriate decision will vary substantially with the product line being sold by individual wineries, the financial structure of the winery, cost of winery participation in promotion activities, and other factors. This study deals with very few of these issues. However, a first principle of any successful merchandising activity is that the seller must know the needs of his or her buyer. The task is to identify a buyer who can effectively use the commodity that the seller is marketing, and then to construct a selling strategy based on showing that buyer his or her advantage in making the purchase. The findings of the study can be helpful to wineries in pursuing these limited objectives.

In selecting a wholesaler, a Washington winery should know that the movement of large volumes of Washington wine is not synonymous with moving a large volume of a given winery's product line at profitable prices. A wine wholesaler's ability to move large volumes of Washington wine is a good general indicator and a useful standard in choosing a wholesaler. The statistical results reported here suggest that wholesalers suc-

cessful in marketing larger volumes of Washington wine were older and larger in terms of the number of premises served and warehouses maintained. Further, wine wholesalers with larger Washington wine sales were those that specialized in Washington wines, sold higher priced wines, used display promotion, and were distributors of non-wine beverages.

Wineries, in choosing and negotiating with wine wholesalers, should realize that wholesalers are sensitive to profit margins and product quality. Thus, wineries must be willing to price to a competitor's prices and allow shelf margin points. In addition, depletion allowances and postoffs must be part of the overall pricing strategy. Wineries should keep in mind that wine wholesalers are receptive to working with wineries that provide various materials for display and promotion programs as well as advertising programs. These factors should be considered in the decisions concerning the pricing, product, and promotion strategies developed by wineries.

SUMMARY AND CONCLUSIONS

A mail questionnaire was used to gather information on the product mix, pricing, distribution, and promotion decisions of wine wholesalers. Of the 48 responding wholesalers who sold wine by the bottle, 22 sold wine in the state of Washington and 28 sold wine outside the state.

Approximately 80% of the wholesalers were involved in distributing some other kind of beverage besides wine. The average total wine sales per year for wholesalers located outside Washington was 288,471 gallons as compared with 309,681 gallons for wholesalers located in Washington. For those wholesalers who distributed beer, beer sales were also higher than total wine sales. Washington wholesalers sold twice the amount of Washington wine as wholesalers located outside Washington.

For all wine brands, except those from the state of Washington, varietal wines were the most commonly sold wine types by out-of-state wholesalers, while for Washington wholesalers it was nonvarietal wines. For Washington wine, varietal wine was the most important to both groups of wholesalers.

Percentage markup on cost was used by most wholesalers to set the prices on at least some of the wine products they carried. The percentage markup on cost was lower for Washington wholesalers than out-of-state wholesalers. Over 50% of the wholesalers in both groups categorized their average wine price as \$20 to \$25 per case.

Promotions were used by most wholesalers with a combination of price and display promotions being the most common types. Price reductions were the most successful type of promotion used in the opinions of the wholesalers. The most common types of assistance to wholesalers in promotion by wineries included displays and dollar support.

Total sales, profit per unit, and retailer's choice were the most important factors for wholesalers in determining retail shelf position for their wines. Washington wholesalers sold a higher percentage of house wine by volume to restaurants as compared with out-of-state wholesalers.

Wineries, in developing marketing plans and selecting wholesalers, should be aware of wholesaler attributes usually associated with larger volumes of Washington wine sales. The statistical analysis conducted on the responding wholesalers in this research indicate that on the average, larger volumes of Washington wines are sold through wholesalers that are older, larger, sell higher priced wines, use display promotions, do business in Washington, and sell a large volume of other beverages. In contrast, the wholesalers who had a high

proportion of sales volumes of non-Washington wines tended to have smaller sales volumes of Washington wines. Washington wineries attempting to secure a market outlet through wholesalers that sell large volumes of non-Washington wines might not enjoy the same success in terms of volumes of sales as the non-Washington wines. Washington wineries should also be cognizant that wholesalers are sensitive to pricing (profit margins), product quality and the use of promotion materials in their merchandising activities. Wholesalers who use such materials usually have higher sales volumes of Washington wines.

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