Strategies for a Profitable Tasting Room

2015 Virginia Agritourism Conference

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Strategies for a profitable tasting room

1. Establishing a tasting room
2. Signage and tasting room design
3. Selling, pricing and payment strategies
4. Tasting Room Staff

Agenda

- Strategies for a profitable tasting room
- Agritourism in Virginia (Survey Results)

Products + Customers = Revenues

Strategies for a profitable tasting room

1. Establishing a tasting room
2. Signage and tasting room design
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4. Tasting Room Staff

Cider tasting rooms in the Mid-Atlantic & New England

<table>
<thead>
<tr>
<th>State</th>
<th>Producers offering tasting rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maryland</td>
<td>73%</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>50%</td>
</tr>
<tr>
<td>Vermont**</td>
<td>100%</td>
</tr>
<tr>
<td>New England</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>73%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State</th>
<th>Producers and offering tasting rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia</td>
<td>78%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>73%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>44%</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>38%</td>
</tr>
<tr>
<td>Vermont**</td>
<td>100%</td>
</tr>
<tr>
<td>New England</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>72%</td>
</tr>
</tbody>
</table>

* One is a bar but recorded as a tasting room, and three were not confirmed as open to the public
** One has off-site tasting rooms; one may be off-site
*** One requires a call ahead for the tasting room, and one may be open to the public
**** Two have off-site tasting rooms

Source: Authors’ own estimations based on Mid-Atlantic-New England Hard Cider Producer Database 2014.

1. Establishing a tasting room

- Permits to taste and sell alcohol
- Permits to serve or sell food
- Local zoning laws
- Road access and parking space
- Noise issues and neighbors
- Liability insurance
- Restrooms and access to people with disabilities
- Types of merchandise allowed for sales
- Permits to hold special events (e.g., weddings)
- Waste disposal
- Taxes

Given that establishing a tasting room involves large capital investments, winery owners should expect a return through increases in wine sales.
1. Establishing a tasting room

Should a cidery offer tours?

**YES**

- It is advantageous for cideries to get visitors to stay for a longer time.
- A tour may allow for:
  1. Larger expenditures
  2. A more positive experience
  3. A greater change to create positive brand attachment.

**WAIT**

- Adding a tours to a cidery will increase initial and operational costs (e.g., additional staff, landscaping, liability insurance, etc.).
- More affordable options include:
  1. Picnic areas
  2. Scheduling special tastings or events at the cidery.

2. Signage and tasting room design

**Signage:**

- When legislation place tasting room or cidery signs at least ten seconds before the entrance.
- If possible, cideries may consider placing advance signage in order to let visitors know that they are approaching the tasting room (specially if gravel roads are involved!)

3. Selling, pricing and payment strategies

**Designing and building a tasting room (cont.)**:

- 5. 18-inch wide tables are ideal for tastings. Furthermore, the width of a serving bar should not exceed 24 inches.
- 6. By placing cider stock and merchandise closer to the tasting area, staff will minimize their time away from customers.
- 7. To offer a closer and personal experience to their customer, the acoustics should allow for a quieter conversation and the lighting should be soft and intimate.

**Free tasting**

**Tasting fees**

- Business owners should be cognizant of the approaches used by neighboring businesses and their fees should not vary too much unless there is a good reason.
3. Selling, pricing and payment strategies

15 Strategies that may increase the profitability of a cidery tasting room.

Selling, pricing and payment strategies (Cont.):

4. Charge customers a tasting fee, but then reimburse it if they purchase any cider.

5. For larger groups (8 or more), a cidery may consider a reservation-only system - separate tasting area and staff member and higher fees for the added services.

6. Keep the tasting fees structure simple. Tasting rooms with very complex fee structure may intimidate many customers.

7. Charging a small fee to consumers who made large purchases can be counterproductive and may be regarded as distasteful.

8. Staff should encourage visitors to "Like or Follow" the cidery's social media pages as well as to share their tasting room memories on internet review sites like Yelp and Trip Advisor.

9. Learn why visitors decided to stop by the cidery and tasting room.

10. Tasting room staff should carefully monitor when the bottles that are open and should not pour oxidized cider/wines.

11. Accommodate visitors with children by offering coloring books or kid-friendly dogs and cats and even complimentary snacks.

12. Cater to the designated drivers (e.g. offer bottle water, soft drinks or juices, etc.).

Prevent an overcrowded tasting room!

3. Selling, pricing and payment strategies

Different Strategies:

1. A cidery may charge a flat tasting fee, but allow the visitor to keep the glass.

2. Two different set of fees may be offered depending on whether the visitors want to include food pairing in their tasting experience.

3. The fee charged should be in accordance with the price segment of the ciders sold.

4. Charge customers a tasting fee, but then reimburse it if they purchase any cider.

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3. Selling, pricing and payment strategies

13. Put out a "No Vacancy" sign when the parking lot is full.
14. When the weather permits, staff members may place some chairs or tables outside for the overflow.
15. If budget and staff numbers allow, it is advisable to have a second tasting room in the event of a larger crowd.

3. Selling, pricing and payment strategies

Lessons from the wine tasting rooms (2012/2013 Wine Business Surveys):
- Most Virginia wineries now charge a tasting fee.
- A total of 68% of the respondents stated that they reimbursed the fee when a purchase was made. In Virginia only 17% do this.
- The national average tasting room purchase was $70. In Virginia it was $51.

3. Selling, pricing and payment strategies

Lessons from the wine tasting rooms (2012/2013 Wine Business Surveys):
- 36% of tasting room visitors do not purchase any wine, and only 29% of customers signed up for the winery mail list.
- Wineries that are open only by appointment registered average expenditures of $294 in comparison to $70 average for those open to the public.
- The national average wine club sales was $309. In Virginia it was $276.

4. Tasting Room Staff

When establishing a tasting room, service provided by the winery is often found to be the most enjoyable aspect of the visit.

Hiring the right staff for a tasting room is a very important decision. Nevertheless, most U.S wineries hire part-time employees who are often paid minimum wage or a little above.
4. Tasting Room Staff

What ranks high among wine tourists?
- Friendliness of staff,
- Service provision,
- Courteousness,
- Knowledge,
- Professional attitudes and believability

4. Tasting Room Staff

Some useful tips:
1. Managers must be flexible with the working schedules of their staff.
2. While ideally staff members should have a friendly demeanor and knowledge about cider. It is important to recognize that new employees can be trained in the latter.
3. Do not ignore single customers.

While employees should be professionals and avoid excessive sales push, they should ask customers about their purchase intentions and create an environment that is conducive to higher cider sales.

To focus tasting room staff on increasing sales, cideries can implement various incentive programs:
- Cash commission plans
- Bonuses
- Free merchandise
- Paid time off
- Prizes
- Bottles of cider
- Profit sharing

Agritourism in Virginia: A Discussion of Survey Results

In Virginia there is a specified definition of an “agritourism activity,” and for the purpose of law, an agritourism activity is defined as:

“any activity carried out on a farm or ranch that allows members of the general public, for recreational, entertainment, or educational purposes, to view or enjoy rural activities, including farming, wineries, ranching, historical, cultural, harvest-your-own activities, or natural activities and attractions. An activity is an agritourism activity whether or not the participant paid to participate in the activity.”

http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod=3.2-6400
Why Agritourism?
- Agritourism is a value added strategy that:
  - Generates additional income from the land
  - Introduces farm product/brand to customers
  - Helps farmers coping with bad crops, rising input costs

Virginia Agritourism Industry

Figure 2: Agritourism Operations in Virginia

Source: VDACS Virginia Grown 2013; Virginia Wine 2013; Pickyourown.org; extension agent correspondence (ArcMap 10.1)

Virginia Agritourism Survey

Survey characteristics:
- The initial database consisted of 511 enterprises
- The final database included 471 enterprises
- There were a total of 243 responses (52 percent response rate)
- Wineries make up 44 percent of Virginia agritourism operations surveyed

Survey Results
- Most commonly offered agritourism events:
  1. Tours
  2. Tastings
  3. Picnics
  4. Pick-your-own
  5. Special events
  6. On farm stands
Table 1: Virginia Agritourism Enterprises Months of Operation (n=213)

<table>
<thead>
<tr>
<th>Month</th>
<th># of Farms</th>
<th>%</th>
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<tbody>
<tr>
<td>January</td>
<td>129</td>
<td>53.3%</td>
</tr>
<tr>
<td>February</td>
<td>131</td>
<td>54.1%</td>
</tr>
<tr>
<td>March</td>
<td>144</td>
<td>59.5%</td>
</tr>
<tr>
<td>April</td>
<td>179</td>
<td>74.0%</td>
</tr>
<tr>
<td>May</td>
<td>195</td>
<td>86.6%</td>
</tr>
<tr>
<td>June</td>
<td>199</td>
<td>82.2%</td>
</tr>
<tr>
<td>July</td>
<td>205</td>
<td>84.7%</td>
</tr>
<tr>
<td>August</td>
<td>201</td>
<td>83.1%</td>
</tr>
<tr>
<td>September</td>
<td>204</td>
<td>84.3%</td>
</tr>
<tr>
<td>October</td>
<td>204</td>
<td>84.3%</td>
</tr>
<tr>
<td>November</td>
<td>184</td>
<td>76.0%</td>
</tr>
<tr>
<td>December</td>
<td>165</td>
<td>68.2%</td>
</tr>
</tbody>
</table>

Busiest months for VA agritourism
### Statistical Analysis

**Variables that may increase profits:**
- Higher education levels,
- The motivation of additional income
- Amount of acres
- Percentage of gross income generated from agritourism
- The average money spent per visitor

**Variables that may decrease profits:**
- Being a winery
- The distance from the operation to the nearest interstate
- More difficult access to capital

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THANK YOU!

QUESTIONS?