

OKANAGAN SCHOOL OF BUSINESS

# Wine Industry Strategic Issues - Workshop Findings -

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Results from the Wine Industry Strategy Workshops:  
February 14 & 15, 2013

Prepared By:

Zach Webster  
Student Research Assistant

Professor Lee Cartier, P.Ag  
Principal Investigator

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Okanagan School of Business

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## Introduction

The following is a summary of the points presented by the participants of Professor Cartier's research presentation and workshop events, Feb 14 & 15, 2013. This information is organized by Strategic Issue, and combines all groups that contributed to each issue. Each Strategic Issue contains a list of Desired Outcomes. Each Desired Outcome organizes commentary into Strategic Initiatives, Measurable Targets, and General Notes & Analysis specific to that outcome.

Orally presented/discussed points as well as flip-chart records were used in the compilation. Each Strategic Issue is formatted to serve as a record of the suggestions of the workshop participants. To this end, each strategic issue contains minimal interpretation on the part of the compiler with the exception of the General Notes and Analysis sub-section. This section combines the participant suggestions with research findings to supplement and recommend future actions related to each Issue.

## Strategic Issues

The workshop participants were asked to discuss and record desired outcomes around five key strategic issues:

1. How to increase the knowledge (education and research) capacity in the Okanagan region?
2. How to stimulate the sharing of knowledge and innovation by wineries and grape growers?
3. How to create strong industry goal alignment and reduce the negative effects of industry fragmentation?
4. How to develop new markets for the expected increase in grape production?
5. How to increase the sales of VQA wines?

These issues were derived directly from the research findings of Professor Cartier's Value Chain Analysis of the British Columbia Wine Industry<sup>1</sup>, and were identified as those of the most critical importance to the future success of the wine industry in the Okanagan.

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<sup>1</sup> This research is a part of Professor Cartier's NSERC funded study on Rural Entrepreneurship and the Agricultural Products Cluster.

## General Themes

Throughout the workshop discussions, several themes developed around the Factor Conditions of the Agricultural Products Cluster map; the cluster map is reproduced in Figure 1. The themes are specific to

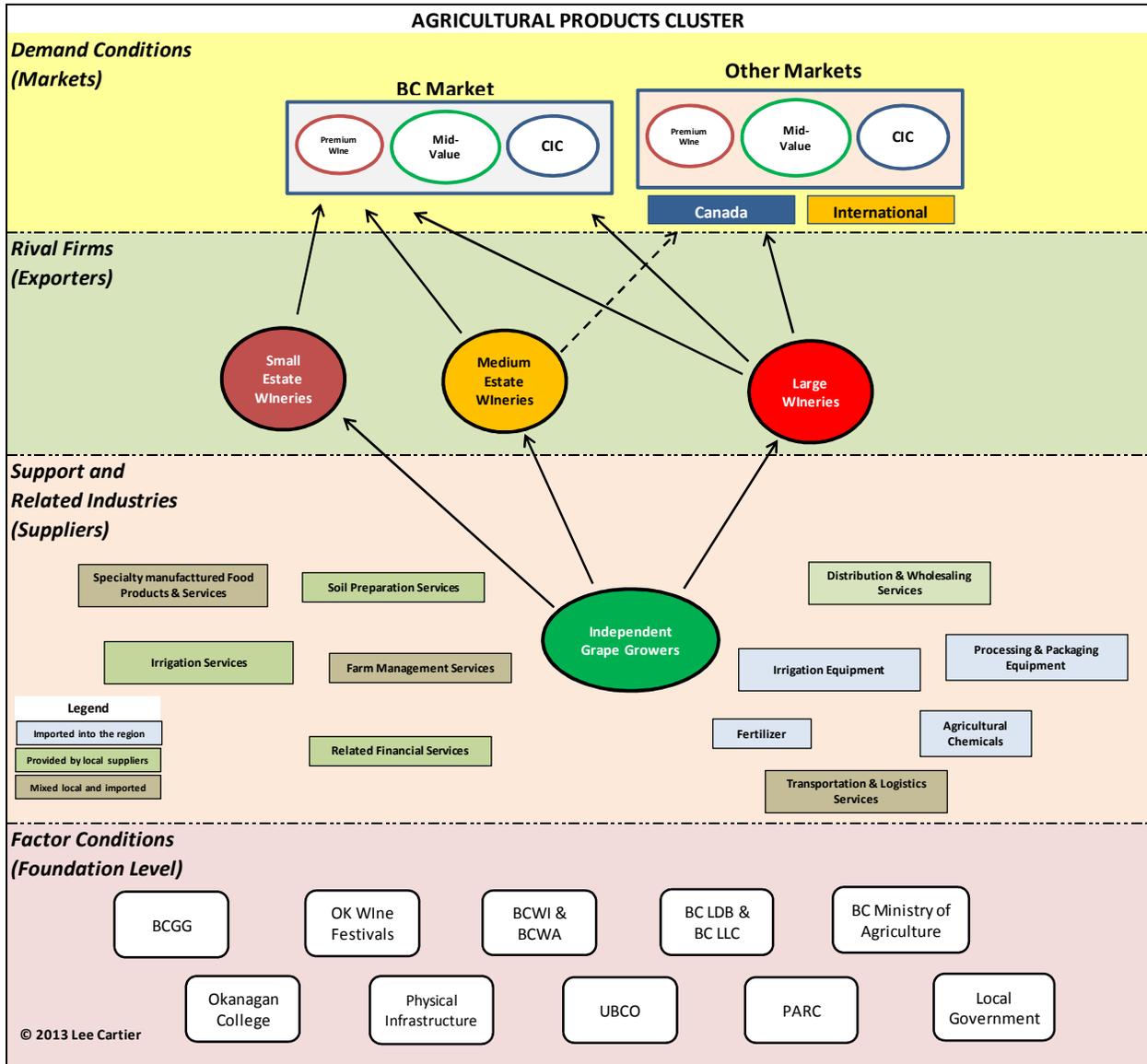


Figure 1: Agricultural Cluster Map

each desired outcome, but in particular several common themes should be noted:

1. A general call for education and support was a highlight of most Strategic Issues, and a need for viticulture education in particular was emphasized in Strategic Issues 1, 2, and 4. This indicates an overarching need for applied skills, and a belief by the industry that this is a necessary requirement for industry competitiveness and future growth.

2. A “higher profile” for the region and its wine is also a repeated theme, reflected by a call for an independent culinary school in Strategic Issue 1 and 4, and the focuses on tourism, grape quality, and expanding into the BC mid-value wine segment as identified in Strategic Issues 4 and 5.
3. A need for greater communication and partnership among small estate wineries, and among wineries in general (Rival Firms on the cluster map) was a common theme between Strategic Issues 3, 4 and 5. Often the request was for facilitation, support, or leadership by better functioning Foundation Level organizations.

## **Strategic Issue 1: How to increase the knowledge (education and research) capacity in the Okanagan region**

### **Desired Outcome #1: Formalized Educational Programs to Support the Industry**

#### **Strategy Initiatives:**

- Develop a comprehensive viticulturist certification program.
  - o Including mentorship or apprenticeship.
  - o Available throughout Okanagan region.
  - o Provides a clear track to become a viticulturist.
- Develop an independent, high profile culinary institute to compliment the industry and provide other services.

#### **Measurable Targets:**

None mentioned by groups.

#### **General Notes and Analysis:**

Either Okanagan College or a combination of Okanagan College and UBC Okanagan should be recommended as likely candidates to implement these strategy initiatives.

Regarding a viticulturist program, Okanagan College is the only institution that has multiple campuses throughout the Okanagan. It also has an established and successful history in establishing co-op programs, which would meet the expressed desire in the workshops for clear and streamlined communication from universities to the industry on how to access students for work/co-op programs. College staff currently connected to the industry could help establish a co-op or apprenticeship programs. Lastly, the College has significant experience in developing accelerated, job specific programs, such as the Pathway to Professional Accounting.

UBC Okanagan has degree-granting opportunities which are not available at Okanagan College. The two institutions already have an established academic partnership, as displayed in their nursing and arts programs, where students begin at Okanagan College and transfer to UBC Okanagan for their final two years.

Regarding an independent, high profile culinary institute, Okanagan College contains human capital and program experience in the culinary and tourism program development areas. The workshops emphasized an independent institute, and Okanagan College is in a strong position to facilitate and support the development of such an institute.

### **Desired Outcome #2: Increased Applied Extension Services**

- Increased number of quality viticulturists, and other educated sources of labour.
- Could be a government initiative, something through the ministry, or a private company.

### **Strategy Initiatives:**

- Develop a “Dial a Viticulturist” service, either private or public.
- Host Brock University type Seminars/Forums for the industry, focused on applicable practices rather than academic research.

### **Measurable Targets:**

None mentioned by groups. (Some identified that this would be difficult to do; while the number of viticulturists can be counted, quality of the service is difficult to measure).

### **General Notes and Analysis:**

Multiple groups from the workshop expressed the need for more practical and applied knowledge from knowledge centers such as universities, rather than additional academic research in the region.

Extension services are traditionally best performed by Foundation Level organizations; they transfer the knowledge gained from academic research (Factor Conditions on the cluster map) to the businesses (Support and Related Industries & Rival Firms on the cluster map) in a practical and applied context.

The BC Grape Growers Association, the BC Wine Institute, and the BC Ministry of Agriculture are in the best position to provide these extension services. The BCGG and BCWI should develop workshops relevant to the industry, specifically the grape-growers, around viticulture practices. These workshops could provide information on applicable practices to independent grape-growers and wineries. They could provide an opportunity for discussion between growers and wine makers on which practices have been effective in the past, thus facilitating knowledge transfer between individual businesses.

The workshop participants identified that a government initiative may be useful. The BC Ministry of Agriculture is in one of the best options to connect expert labour resources with the industry (“Dial a Viticulturist” service). This has traditionally been a role of the Ministry which could be expanded to meet this need.

### **Desired Outcome #3: Centralized Resource Hub for Growers and Wineries**

- For general questions, such as “where do I go to figure out what sprays to use?”
- As a labour pool resource for both temporary labour and qualified experts.
- To get more information regarding how to hire College/University students for seasonal and co-op work.
- To get more timely information relevant to the industry and the region.

### **Strategy Initiatives:**

- Develop a hub for this information, potentially an expansion of the current BC Ministry of Agriculture website.
- The Ministry of Agriculture should increase the information on their website by pulling together information from all sources, and then keep it updated.

**Measurable Targets:**

None mentioned by groups.

**General Notes and Analysis:**

The information website mentioned is likely Infobasket, through the Ministry of Agriculture and the AgriFoodBC website (<http://www.agrifoodbc.ca/communities> & <http://www.al.gov.bc.ca/grape/index.htm>). This centralized hub is similar to the call for increased extension services, and is best facilitated by Foundational Level institutions. In this case, the Ministry of Agriculture provides a pre-existing framework that can be built on to develop these strategic initiatives.

## **Strategic Issue 2: How to stimulate the sharing of knowledge and innovation by wineries and grape growers?**

### **Desired Outcome #1: Increased Knowledge Sharing Amongst Grape Growers**

- Knowledge, such as efficiency techniques and grape growing techniques, is not being shared, despite an existing differentiation of grape growing methods.

#### **Strategy Initiatives:**

- Work with PARC to expand communication and establish needs.
  - o It was acknowledged that PARC may be a candidate for this communication, but independent grape growers aren't currently getting what they needed from them at this time.
  - o Developing a kind of "feedback loop" with PARC and grape growers may be the answer.
- Establish reoccurring meetings with Grape Growers using a seasonal schedule.
  - o Existing groups may be used for this, such as the Bottleneck Drive group or the Grape Growers Association.
- Use the internet and some kind of open online forum to stimulate sharing.

#### **Measurable Targets:**

None mentioned by groups.

#### **General Notes and Analysis:**

As with other Strategic Issues, Foundational Level institutions are essential in the development of these strategic initiatives. PARC is not currently meeting the industry needs. In addition to PARC, the BC Grape Growers Association is a likely candidate, as mentioned. On a broader context, some combination of work between the BCGG, the BC Wine Institute and the Ministry of Agriculture may be able to provide assistance. These Foundation Level institutions are also best suited to providing resources in Strategic Initiative 1, which highlights a common theme: their involvement in knowledge sharing, in addition to knowledge creation, needs to be developed.

### **Desired Outcome #2: Increased Knowledge Sharing between Grape Growers and Wineries**

- There is a current lack of communication between the independent grape growers and the wineries regarding what wineries know/think they are going to be experiencing in the future, or their general expectations of the industry. Yet this information is essential for independent grape growers to become more competitive.
- Wineries do communicate what is currently needed, but further communication regarding how growers can "get to that level" is needed.

#### **Strategy Initiatives:**

- Establish common, industry wide understanding of industry goals for grape quality, quantity, varietal, and price.

- An established foundation of teamwork and leadership.

#### **Measurable Targets:**

None mentioned by groups.

#### **General Notes and Analysis:**

Foundational Level institutions are critical to providing the foundation of teamwork and leadership identified as necessary by workshop participants. Similar to the need for communication between wineries and independent grape growers, better communication between Foundation Organization is needed as well. Some combination of programs between the BCGG & the BC Wine Institute is best suited to encourage sharing and industry wide understandings of the strategic direction of the industry.

### **Desired Outcome #3: Increased Knowledge Sharing Amongst Wineries**

- Distribution, tourism, and marketing information are all areas that need to be better shared amongst wineries.
- Increased communication can lead to increased revenues.

#### **Strategy Initiatives:**

- Establish a shared-information model where wineries collect relevant marketing information within their region(s) (such as demographic information of buyers), share it with each other, and use this information to work together and strategically market each-others' wines.
  - o This model in particular was suggested around the smaller and mid-sized estate wineries.
  - o An example of strategic marketing was offered by one group: wineries can work together to persuade customers on wine tours to try wines from other wineries that have stockpiled items. (i.e. – Winery B has too much Merlot, shares this with Winery A, and Winery A can suggest customers try Winery B's Merlot).
- Stimulate information sharing by paying wineries to partake in the model and share their customer information with a database, until the model is proven and shows that it makes money.
  - o A grant could be sought for this purpose.
- Find leaders to start out and set an example using this model.
  - o This will not be the BC Wine Institute, as their mandate is not limited to the Okanagan
  - o Likely winery owners from the region.
- Have each winery provide a single product and sell them under one brand.
- Establish small alliances based on geographic proximity (such as the Fab 5).

#### **Measurable Targets:**

None mentioned by groups.

#### **General Notes and Analysis:**

As noted earlier, Foundational Level institutions need to play a greater role in the sharing of information between wineries. In this case, however, there were concerns from workshop participants that the mandate of the BC Wine Institute may be too broad to play a leadership role in the region-specific

strategic initiatives above. In this case, industry professionals – winery owners – will need to take the initiative. However, Foundational Level institutions can still play a role in facilitating these initiatives. Grants to incentivise information sharing or an information sharing program was suggested. These grants could be provided by the local government who would benefit most directly from supporting the industry: the Ministry of Agriculture or the BC Wine Institute.

## Strategic Issue 3: How to create strong industry goal alignment and reduce the negative effects of industry fragmentation

### Desired Outcome #1: Unify the Fragmented Small Wineries of the Industry

- 200 wineries have 5% of the market.
  - o How do we better serve the market together?

#### Strategy Initiatives:

- Identify common challenges and opportunities of these wineries.
- Obtain funding to tackle identified common challenges and opportunities.
- Sharing of resources.
  - o In particular, promotional materials. Grouping these wineries together may empower them to compete as a brand, much like the large wineries do.
- Differentiation in marketing from the large wineries, trying to emphasize that “small-winery feel.”
- Story of the wine to the “Point of Pour”.
  - o Ensuring the story and education of the wine is carried through to the “Point of Pour” in restaurants.
- Establish a provincially funded outreach viticulturist and wine making worker.
  - o Grape Grower Association should be the group to lobby for this.

#### Measurable Targets:

None mentioned by groups.

#### General Notes and Analysis:

Many of the funding options in this strategic issue outline the role of local government, and may also be served by the BC Ministry of Agriculture, or subsequent partnerships between industry professionals and academic institutions. The BC Grape Grower Association was identified as the group that needs to lobby for funding. The BC Wine Institute may also have a role to play as well.

Unification of the wine industry is a desired outcome, as it is very important to address industry fragmentation. It is also discussed in Strategic Issue 4, which examines strategies to deal with increased grape production. Unification will enhance the story and quality of the brands currently in the market, and it can help wineries capture a larger share of the mid-value wine market (Demand Conditions on the cluster map). However, both strategies would be impaired by continuing to produce low quality grapes, which is also counter-productive with other strategic initiatives listed here (e.g. - outreach viticulturist).

Workshop participants also emphasized that a marketing board for grape-growers would be a poor direction to take; a marketing board would encourage the production of lower quality grapes. They felt that ultimately, lower quality grapes may not be used in wine production; let market forces influence supply and demand.

## **Strategic Issue 4: How to develop new markets for the expected increase in grape production?**

### **Desired Outcome #1: Higher Profile of the Okanagan Region, Nationally and Internationally**

#### **Strategy Initiatives:**

- Increased support from representing organizations.
- Collaboration amongst the 5% (the small estate wineries) for international markets.
- Better training for sales staff in government stores to tell the wine's story (similar to the "Point of Pour" suggestions in Strategic Issue 3).

#### **Measurable Targets:**

A tangible increase in funding from both industry and government.

#### **General Notes and Analysis:**

The measurable targets identified by workshop participants indicate two distinct needs:

1. Collaboration amongst the small estate wineries (Rival Firms on the cluster map) to develop a national and international industry profile ("Other Markets" in the Demand Conditions on the cluster map).
2. Support at the Foundational Level (Factor Conditions on the cluster) to develop a national and international profile of the Okanagan region. Foundation institutions could help to raise the profile of the Okanagan region by working closely with industry firms to implement the strategy initiatives developed during these workshops; this ultimately, is the role of Foundational Level institutions. This is further supported by the workshop participants' calls for a stronger link to tourism, an entirely different but closely related industry cluster.

### **Desired Outcome #2: Higher Quality Standards for Grape Growing**

#### **Strategy Initiatives:**

- Improved extension services & formal education.
- Development of an accreditation system to recognize "good" growers and incentivise higher quality standards.
  - o Examples "A-Level/B-Level Grape Grower" accreditation to grape growers whose grapes pass certain quality processes.
  - o Establishes finer quality grapes which grape growers can expect wineries to pay more for
  - o Provides a way for grape growers to differentiate themselves
- Find a way to add VQA stamp to wine distributed through a keg in restaurants.
  - o BC Wine Institute may be able to help with this.

### **Measurable Targets:**

None mentioned by groups.

### **General Notes and Analysis:**

The development of a grape-grower accreditation system may be challenging, and will require one of the Foundation Level organizations to take a leadership role in developing and overseeing the quality system. Potential candidates could be the BC Wine Institute, or the BC Grape Growers Association. It may be beyond the mandate of the BC Wine Institute to oversee this, but as the major representative of the industry, it may play a vital role in assisting in its development.

## **Desired Outcome #3: Develop an Okanagan Geographically Indicated Mid-Value Wine**

### **Strategy Initiatives:**

- Discussion was related to this topic, but with no specific answers. See “General Notes and Analysis” below.
- Also, discussion from Strategic Issue #3 did offer some suggestions for trying to bring together the small wineries, which may be applicable to this desired outcome

### **Measurable Targets:**

None mentioned by groups.

### **General Notes and Analysis**

There was some discussion related to the development of mid-value wines, beginning with the question: Who should make the \$12.00 mid-value wine?

- Depends on the cost structures of the wineries (how they have paid for their land). Decent margins can be made in this mid-value wine category if they’re not also paying off a mortgage.
- Premium wine makers have been spoiled with higher margins, so they’re not going after it.
- Small size wineries don’t have capacity to get in to that market; alone, they don’t have the resources to create that brand or the economies of scale to be competitive.
- Scale is also too intimidating for small wineries to attempt.
- Requires a higher quality grape than many grape growers are producing.

Some workshop groups also suggested that there should not be ‘one body’ that dictates what is a geographically indicated wine (“what is a typical Okanagan wine”,) but there is an opportunity for this ‘body’ to develop a uniform bottle, and move towards a geographical indication of ‘made locally’.

There is a need for institutions at the Foundational Level (Factor Conditions on the cluster map) to support the development of a geographic indication for the Okanagan. Who, and how they might do this, is unclear. However, it could be a combined initiative of the BC Liquor Distribution Branch, BC Wine Institute and the Ministry of Agriculture.

## Strategic Issue 5: How to increase the sales of VQA wines?

### Desired Outcome #1: Introduce BC Wines to new Canadian Wine Consumers

#### Strategy Initiatives:

- Create a bond by reaching out to other Provincial Liquor Boards to educate BC Wineries on opportunity/process.
- Start a Consumer Awareness Campaign, increasing the number of Canadians that drink Canadian wine.
  - o Informing Canadians of the ability to buy BC Wine direct from wineries (and often through the internet).
  - o Could be mutually beneficial to other provinces, working with non-BC wineries raise consumer awareness of them as well.
  - o Potentially led by the BC Wine Institute.
- Have government support removal of trade barriers by pushing Provincial Liquor Boards to provide reciprocal agreements on tax tariffs.
- Partner with other wine regions (BC, Ontario) to start a collaborative wine movement to buy “Canadian” wine.
- Take BC wines across the country with organized events.
  
- Further integrate the tourism experience by “packaging” wine education.
  - o Tie in to on-going wine club membership (ie – Naramata Bench Wine Club).
- Cross-pollinate with off-season industries (ie – ski hills) to extend wine tourism.

#### Measurable Targets:

None mentioned by groups.

#### General Notes and Analysis

A number of Foundation Level institutions are identified in this desired outcome. In addition to those already identified (BC LDB and government working with other provincial liquor boards, the BC Wine Institute forming partnerships with other regions), the integration of tourism also requires the cooperation among the Foundation institutions.

Tourism in the Okanagan region is its own “cluster”, and is quite separate from the Agricultural Products Cluster. However, these clusters do not act in a vacuum, and often overlap. Foundation level institutions play a vital role in both clusters and serve as a starting point to facilitate the integration and cross-pollination suggested by workshop groups. Strong candidates for this include local government, through various programs in tourism, the wine industry associations, and post-secondary institutions with expertise in both clusters, such as Okanagan College.

## **Desired Outcome #2: Increase Distribution Options and Increase Market**

### **Strategy Initiatives**

- Allow free market packaging for VQA wines and give wineries greater flexibility with packaging.
- Look to Ontario for Wine Tourism/Culinary Tourism examples at expanding the market.
- Work with other sectors – restaurants/hotels/tourism establishments – to develop partnerships and increase tourism to Valley.
- Increase education resources and support for those who are working with customers so they can cultivate consumer knowledge.
- Increase number of private retail outlets.
- Find a way to move product to the BC mid-value wine segment, and encourage wineries to focus on this point (see also Strategic Issue 4).
- Reduce taxation.

### **Measurable Targets:**

None mentioned by groups.

### **General Notes and Analysis**

This desired outcome overlaps with the desired outcomes identified in other strategic issues. The emphasis on flexibility with packaging, taxation and privatization clearly requires action from government and the BC Liquor Distribution Board.

There were calls to develop stronger linkages to the culinary and tourism industries to sustain industry growth, as there are strong ‘pull-through’ market effects related to tourism. In addition to partnership across the Agricultural Products and Tourism clusters, reaching out to other foundation organizations in Ontario is best achieved by the BC Foundational Level.

## Summary

### Strategic Issue 1: How to increase the knowledge (education and research) capacity in the Okanagan region

Desired Outcome #1: Formalized Educational Programs to Support the Industry

Desired Outcome #2: Increased Applied Extension Services

Desired Outcome #3: Centralized Resource Hub for Growers and Wineries

### Strategic Issue 2: How to stimulate the sharing of knowledge and innovation by wineries and grape growers?

Desired Outcome #1: Increased Knowledge Sharing Amongst Grape Growers

Desired Outcome #2: Increased Knowledge Sharing between Grape Growers and Wineries

Desired Outcome #3: Increased Knowledge Sharing Amongst Wineries

### Strategic Issue 3: How to create strong industry goal alignment and reduce the negative effects of industry fragmentation

Desired Outcome #1: Unify the Fragmented Small Wineries of the Industry

### Strategic Issue 4: How to develop new markets for the expected increase in grape production?

Desired Outcome #1: Higher Profile of the Okanagan Region, Nationally and Internationally

Desired Outcome #2: Higher Quality Standards for Grape Growing

Desired Outcome #3: Develop an Okanagan Geographically Indicated Mid-Value Wine

### Strategic Issue 5: How to increase the sales of VQA wines?

Desired Outcome #1: Introduce BC Wines to new Canadian Wine Consumers

Desired Outcome #2: Increase Distribution Options and Increase Market