

## GUESTFRIENDLY HUNGARIAN WINECELLARS

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The most serious problem of the Hungarian wine- growing is that market is narrowing down. The position of Hungarian wine export was influenced in a negative way by the international market as most Hungarian wine sorts could be highly successful in this category. New competitors are displacing Hungarian wine progressively, and this process seems to be irreversible. The earlier designed intentions of exporting one million hectoliter Hungarian wine cannot be taken seriously anymore. In 2003 our export was 734000 hectoliter with an income of 76 million dollars. In 2005 this amount was less than 600000 hectoliter, and in 2006 the export totalled 750000 hectoliter.

The position of the wine-growers weakened also in the domestic market. The food trade underwent a transformation, multinational networks own the major part of the turnover. Suppliers are very defenceless in those sectors where there is a constant overproduction and the groups of producers are polybasic. Both statements are true for winery, that is why farmers sell their products with hardly any profit to supermarkets. It can occur that cheap Italian and Spanish wine sorts will appear in bulks on the shelves of the Hungarian shops. The amount of imported wine was 100000 hectoliter in 2006. It is also worth mentioning that the export included mainly cheap canned wine, and the import brought bottled wine.

Hungarian wine has no prestige, and it is hard to sell both in the home as well as in international market. According to the records of PM the rentability of the branch regarding the rate of returns on assets is less than 1 percent, and it is getting worse. The efficiency of the marketing needs to be improved, the members of the trade fully agree with it, but they have different opinions about how to do it in practice.

### **Touristic demands**

Tourism has become one of the world's most expanded economical branches. It has been developing dynamically for decades, and as this development persists in growing in the most populated Asian countries, there is a further expansion of 4-5 percent to expect. The availability of discount flights is another factor that is increasing the willingness and number of tourists. This increase exceeds in number and pace the growth of the world market. The

degree of development is impressive, the arrivals have been multiplying enormously, so this number is 28 times larger as it used to be fifty years ago. Total arrivals expected to be around 1 billion per year by the end of this decade, and in 2020 the annual arrivals will total approximately 1.6 billions.

One of the most prosperous features of tourism is its effect on the rate of employment. The tendency is that the number of employees is decreasing steadily in producing branches

People who were made redundant are likely to get a new job in service industry, first of all in the field of tourism. 200 million people were working in this branch around the turn of the century, and this number has been growing since that time.

The number of well-off pensioners is also increasing. They like travelling in off-season, and they prefer cultural programmes. The fact that it is the elder generation who consumes wine, also favours the progress of wine tourism.

Hungary is regarded as a significant receiving country in international relations. Unfortunately, we can't keep pace with the expansion of world tourism, our share in arrivals is decreasing. After the political changes in 1989 this rate was 5 percent, it was reduced to 2 percent.

According to the data of Hungarian Tourism Share Company, 40.9 million tourists visited our country, this date is higher by 6.2 percent than in the previous year. It is still a serious problem that tourists spend an average of three days in Hungary which is an extremely short time. For this short stay it is almost impossible to arrange a programme including a wine tasting in a traditional cellar.

Also the number of Hungarian tourists travelling abroad diminished by 5.4 percent. It doesn't mean, that the interest in travelling would flag, but the inhabitants often do not go abroad on a holiday since having an inland destination. This is also justified by the records claiming that there was a 3 percent increase in Hungarian accommodations.

This tendency will be more significant due to the restrictive economic ordinations of the government which can lead to a further increase of the number of the inland guests. It will be very advantageous for the Hungarian catering, service industry and wine tourism, too.

### **Features of wine tourism**

**Goals** Since the phenomenon of market economy appeared in Hungary, distribution means the greatest problem for the wine-producers. That is how the idea of wine tourism occurred to us. Catering and having some glasses of wine in the cellar has been a very old tradition. Guests used to ask their host frequently, why it was not allowed to buy the wine they had tasted in the cellar. It was a paradoxical situation as wine growers could not sell their products at a reasonable price on the market, and the guests would have been keen on buying them on spot. These circumstances made the wine producers to do something about it, and so they started to invite their guests in hope of being able to sell them some wine. These invitations gradually turned into organized tours.

The aim was not limited to distribution, the other purpose was the development of high level tourism. As viticulture became an important element of touristic demand, a further goal was set by making our country more attractive for the tourists.

Beside the three direct goals ( trading wine, development of touristic attractions and country image) it is also possible to draw further plans. Since in frames of wine tourism there is an interactive relationship between the supplier and the demand, there is an opportunity to discuss the topical questions. The farmers don't have to pay for a market research, they can learn the pieces of information directly from their guests. If a foreigner buys some wine, it can be described as a sort of hidden export because the wine will be taken out of the country, but of course it won't improve the statistics.

If a settlement launches a wine tourism campaign, sooner or later the inhabitants should start thinking about other investments and facilities. If there are more cellars available, there will be a demand on restaurants, catering and entertainment, so wine tourism can create workplaces in the connected services. This development also widens the function of the local entrepreneurs, and it has a multiplier effect.

**Building strategies** The most complicated task when establishing the bases of wine tourism may be the completely different approach: to accept and realize the fact that this activity is fundamentally different, it is a service not a production. In other terms it is a diversification, working in a new field, which claims preparation. The rules and the requirements should be learnt and followed, a strategy should be set up and be used consequently. As it was earlier mentioned, it needs a brand new approach; success depends just as well on the public relation as on the quality of the wine. From strategical point of view, it is positive that the competition is not as regardless as in wine trade. Cooperative partners are regarded as strategic allies, so travel agencies, catering services, local governments and even the other farmers of the same location interested in wine tourism are rather partners than rivals.

Of course you cannot base your business merely on guests who arrive accidentally because their visit would not secure sufficient income. To realize the expected purposes, market should be gained and sales partners and channels of distribution should be found.

Wine tourism is a prosperous business in settlements whose inhabitants used to be German speaking before the 2nd world war. German families were translocated after the war, and their descendants came to see their parents' villages. So the first guests used to be friends and relatives. Then thanks to the connections of the local governments more and more tourists arrived from their so called "twin cities".

Official tour operators joined the business later. Farmers had another problem to face connected to them: how to make tour operators motivated in offering the programmes. In most cases it used to be a supplementary programme for the groups, but later some bureaus revealed the potential in it, and they specialized on wine tourism and the thematic introduction of Hungarian viticulture.

Wine tourism contains two main parts: gaining market and arranging the

programmes. For the former you need strong marketing skills; the most important tasks are public relation and providing your sales partners with information. Conscientious wine growers have their own catalogues and database of the previous guests so they can send direct offers and leaflets to their clients. For achieving success loyalty and establishment of efficient trade unions are indispensable.

**Realization** People working in wine tourism are active in service industry, in fact. The product they wish to sell is not wine but a programme. This activity needs to be setting up as a theatrical performance. The enterprise can be successful, if the aim is to meet the consumers' demands. What sort of expectations do the clients have? First of all they would like to have a nice time, see interesting things and maybe to ask some questions. It is also inevitable to have suitable surroundings: nice, clean, illuminated cellar for the introduction, and wine tasting should be arranged in a comfortable room with normal temperature. Another basic requirement is the establishment of restrooms.

We have reached to the most significant factor: wine. It is definitely a good idea to choose sorts which are available on spot. There is also an essential need of good quality glasses and some snack. It also should be taken in consideration that there is no accounting for tastes, so both dry and sweet wine should be presented. Refreshments should also be available for children and drivers.

A good programme lasts not too long, is instructive, underlines the most important details and should contain some humour. Visitors would appreciate a presentation not swotted by heart rather in which they can feel the interest and hospitality of the wine grower. A key to success can be if guests experience something unexpected.

### **Role of partnership marketing**

**Wine routes** From the middle of the 90s itineraries were designed on regional level. First a route between the settlements Villány and Siklós was developed; it is 30 kilometers long, and includes 10 villages. Today there are more than 40 such wine routes and in 2003 the Association of Hungarian Wine Routes was founded. The establishment of the routes was supported by local governments, touristic and catering enterprises. We can call it an organization, and this form enables the participation in tenders and to apply for financial support which makes further developments possible.

Cellars and connected services are strictly evaluated, it is a guarantee for the guests for the high standard. Tenders provide money primarily for the establishment of informational system. It includes the road signs, the brochures and the appearance on the internet. The website contains all the information on the provider, and gives details on the venues.

**Function of the state** Hungarian Tourism Corporation traditionally deals with different regions each year, works based on a concept of "thematic seasons". These programmes are first of all devoted to the Hungarians, the aim is to introduce them the local offers- of course based on the topic of the season. 2006 was declared as the year of " Gastronomy and wine",

and the marketing strategy was designed for this topic. It has been not the first occasion that wine was put in the centre of interest. The topic in 1999 was based on "Gastronomic delights".

2007 is called "the year of environmentally concious tours", the focus is on hiking, horse riding facilities and services and the national parks, ans as wine regions also belong to important natural attractions, viticulture and wine-growing territories will be in the limelight as well.

### **Spot distribution**

I had referred to sales as the fundamental task of wine tourism, accordingly I should finish my thesis with questions concerning this topic. Beside the prosperous development of tourism selling wine was pushed into the background, and also the strict regulations on revenue tax discouraged the farmers. Though the experiences in abroad are highly instructive: in Spain and Portugal purchase takes place in the cellars- getting round the trade. Largest profit can be obviously achieved, if producers don't have to share their income with anybody so the most ideal solution is selling the wine on spot. In an optimal case tourism and wine sales support each other, but in Hungary only a small amount of wine is sold in course of wine tourism.

There are two distributional channels in Hungary: trading networks and beverage wholesale- distributive organizations. Multinational and Hungarian networks try to purchase their supply directly from the producers. They negotiate only with such producers who are able to provide them with wine of a considerable volume. It also means at the same time that wine -growers producing large amounts cannot subside multinational companies since they control the food trade. Those ones, who succeed in distribute their wine in markets of more networks, won't have any sales problems, but they will achieve a minimal profit. They are forced to sell the wine at a reduced price, part of their products should always be on discount, and they are required to give bonus, too.

The other part of the market (small shops, catering and shops specializing in wine) is supplied by the wholesale distributors. It is not so complicated to gain market in this territory, but there is such a wide selection, and accordingly there will be a reduced turnover and small profit. The best solution seems to be the direct sales. It is not so complicated to gain market in this field, however, there is a wide selection available in these shops, accordingly you should expect a reduced turnover and small profits. The most sensible option seems to be the spot distribution which would be appropriate for demand for all sorts ( more expensive quality wine and cheap table wine).

**Wine vault** At the end of the wine tasting guests often feel like buying some bottles of wine, but being in the middle of a tour carrying bottles with you may cause inconvenience. With minimal investment the cellar owners can overcome this difficulty by establishing a wine vault. This vault is basically a separated shelf that may be closed by a lock. It often occurs that visitors wish to buy larger amounts, but they don't intend to take all of the wine

with themselves. In this case the host can offer his clients to take only a certain amount, and leave the rest of the chosen bottles in his cellar under ideal circumstances. The wine remains in this name registered, locked vault until the guest runs out of wine at home. He/she is now able to order from his/her own vault, and the necessary amount is sent to them by the wine-grower.

This form of sales is beneficial to both parties. The farmer can sell wine in a more profitable way in lack of mediums. Right after the wine tasting procedure, guests tend to show more interest in purchasing, and often they are more generous, not hesitating to choose the more expensive sorts. Beside these facts we should also mention the positive effects of direct marketing: direct communication with the clients, personal contact and meeting personal demands. The customers receive high quality products at reasonable price, they don't have to go shopping for wine frequently; not to mention that they can always enjoy their favourite sorts, even if they are not available in supermarkets.

**Wine on draught** This other method is not obviously connected to wine tourism. It may enable the sales of wine in cans, and it functions almost in all European wine producer countries, with the only exception of Hungary. It requires a onetime investment: an authenticated tank and a meter to measure the consumption.

The principals are just the same as if you filled your car at a petrol station. The customers bring their own cans or bottles and tap as much wine as they wish in a self service system, then they go to the cashdesk to pay for it. Obviously, several tanks can be set up side by side allowing the customer to choose a wine of his choice. During the day one cashier is enough for the upkeep and he even has time to sell the more expensive bottled wine. The daily consumption is measured and registered at the end of the day and the tanks are refilled at the same time. The advantage of the method is that there is no need to bother with the purchasing, storing and cleaning of the cans moreover future reclamations are ruled out as the customers transport the wine in their own containers. Even with a decent profit margin the price can be kept on the lowest possible level. On one hand the price margin of the retailer falls out, on the other hand since the product is entirely „stripped down“ the shop price is also slight: the costs of packing, empties and transport fall out. Clearly, this low price is favourable to the customer. The target audience is given since today the buyers of canned wine have to purchase in retails, and since this market niche is price sensitive they could easily be distracted. It can't be overemphasized: the law on revenues allows this sort of vendition.

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