



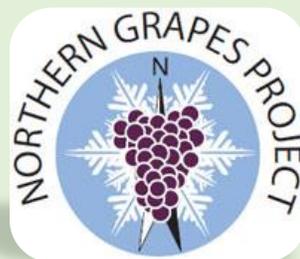
Wineries of WISCONSIN

Economic Impact of Wine Tourism in Wisconsin

• 2015

Prepared by the MSU
Wine Tourism
Research Group

November 2016



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Report prepared for the Wisconsin Winery Association by the Michigan State University Wine Tourism Research Group

Report Authors

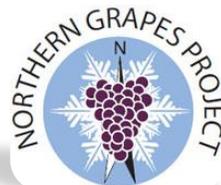
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This report presents the economic impact analysis conducted by the Michigan State University Wine Tourism Research Group for the Wisconsin Winery Association. A portion of the data collection for this study was conducted as part of the Northern Grapes Project funded by the USDA National Institute of Food and Agriculture (NIFA).



EXECUTIVE SUMMARY

The study involved four main areas of analysis, described briefly here and in detail in subsequent sections.

1. *An estimation of annual winery tasting room visitation in Wisconsin.* This estimation was achieved using data from a Wisconsin winery owner survey conducted by the MSU Wine Tourism Research Group from January through March of 2016. We estimate that in 2015, there were 1,780,918 visits to Wisconsin winery tasting rooms.
2. *A calculation of tourism related expenditures by visitors to Wisconsin tasting rooms.* The data used for this analysis came from our Wisconsin tasting room visitor survey, which was conducted as part of the Northern Grapes Project from June through October of 2015. One section of the survey asked respondents (intercepted at tasting rooms) to report how much money they had spent in different tourism sectors (e.g., lodging) throughout the entire trip during which they visited a winery or wineries. We estimate that visitors to Wisconsin tasting rooms spent \$152,611,865 as part of the trips during which they visited a winery or wineries in 2015. (Note: This is not the economic impact since much of this spending cannot be attributed to wine tourism).
3. *Attribution of spending to wine tourism.* Not all of the tourism spending mentioned in number 2 above can be attributed to wine tourism. To estimate the impact of a winery (or wineries) on visitors' decisions to travel to a specific area, tasting room visitors who completed the 2015 winery tasting room visitor survey were asked to indicate the importance of wineries in their decision to travel to the area. Their answer helped to determine how much of the \$152.6 million in spending could be attributed to wine tourism. We estimate that \$49,199,827 in direct spending during 2015 can be attributed to wine tourism.
4. *Estimation of secondary effects of wine tourists' spending.* There are two types of secondary effects (sometimes referred to as the multiplier effect) of tourism spending: indirect and induced. Indirect effects include the spending, incomes and jobs generated in sectors that supply goods and services to the wine tourism sector. Induced effects are the increased sales from household spending of the income earned by employees in the wine tourism and supporting sectors. Adding the secondary effects to the direct spending calculation, we estimate the total effect of wine tourism in Wisconsin to be approximately \$88 million and 1,350 jobs.

It is important to clarify that this economic impact is only for the wine *tourism* and does not include the significant economic activity related to the growing of wine grapes and the production of wines.

Annual Visitation

No tourism economic impact study can be done without a count or estimation of visitor numbers. Before the study began, we encouraged wineries to count or estimate their annual number of visitors. We also made this request during our presentation at the annual state conference, and we asked the Wisconsin Winery Association to encourage wineries to conduct visitor counts in their communications to members. Moreover, we distributed handheld counters as a thank you gift to the 17 wineries that partnered with us to recruit winery tasting room visitors for our study. Although some wineries reported using these counters, these gifts were meant primarily as a reminder to wineries to keep track of their visitor counts.

Beginning in January 2016, we began surveying all Wisconsin wineries about a number of topics including their annual visitor counts for 2015. Eventually, we recorded responses from 66 of the 98 wineries. Of these 66 wineries, 59 were able to provide 2015 visitor counts or estimations. These responses were then used to help estimate the annual visitation for the wineries that did not report visitor numbers using the following process.

Estimation of Visitation for Non-Reporting Wineries

1. We recorded the liters produced for all Wisconsin wineries using data from WI Dept. of Revenue.
2. Based on annual wine production, we broke wineries into the following size categories (note these categories do not correspond to vine and wine size categories)
 - Very Small (*under 1,000 liters produced*)
 - Small (*1,000 – 10,000 liters produced*)
 - Medium (*10,000 – 30,000 liters produced*)
 - Large (*30,000 – 100,000 liters produced*)
 - Extra Large (*Over 100,000 liters produced*)
3. Next we examined the reported visitor numbers to see which seemed high or low compared to other wineries of similar sizes. For each visitor count that seemed to be inconsistent with wineries of similar sizes, we conducted a deeper examination of the winery to see if there was a potential explanation for the atypical visitation numbers. To do this we considered factors such as proximity to population or tourism destinations, participation in wine trail, age of winery, etc. We also considered the national averages for annual winery tasting room visitation (from a recent study by Silicon Valley Bank and Wine Business Monthly). Eventually we determined that one winery probably underestimated its visitation numbers, and another probably overestimated. Both of these wineries were treated like wineries that hadn't reported visitation numbers.
4. Wineries that didn't report visitation numbers were given an estimate based on the average visitation for similarly sized wineries, with adjustments made for geography, proximity to population/tourism destinations, wine trail participation, etc.

Based on this process, we estimate the annual visitation to Wisconsin wineries to be 1,780,918. This means that 1,780,918 total visits were made to WI wineries in 2015. For example, one person visiting five wineries would account for five visits, and five people visiting one winery each would also equal five visits.

Because their spending is so different, this economic impact study separates people visiting tasting rooms as part of a day trip from those whose visit was part of an overnight trip. The 2015 Wisconsin tasting room visitor survey (reported on at the annual conference at the Wisconsin Dells in January 2015) helped to determine the number of visits that are part of day trips and overnight trips. Based on the analysis of that survey, we can estimate that the total visitation estimate of 1,780,918 comprises 894,024 visitors who visited the wineries as part of day trips, and 886,894 visitors who took overnight trips.

Direct Spending

To assess the direct spending amounts attributed to wine tourists in Wisconsin, we again used data from our 2015 tasting room visitor survey, which included a section that asked survey participants to report the amounts of their expenditures in different tourism spending categories for the entire trip during which they visited a winery, regardless of the length of that trip.

Unsurprisingly, there was a stark difference between the spending of people whose winery visit was part of an overnight trip and those who took a day trip from their home or second home. Because of this difference, we calculated separate spending averages for respondents whose tasting room visits were part of day trips and overnight trips.

Spending results for day visitors, overnight visitors, and the combination of both of these are reported in Table 1. This represents the base spending from which this economic impact analysis is calculated.

Table 1. Trip Spending Tasting Room Visitors

Tourism Spending Category	Day Visitor Per Person Spending	Overnight Visitor Per Person Spending	Combined Per Person Spending
Lodging	0	89.36	\$89.36
Transportation	10.41	42.69	\$53.10
Restaurants and Bars	10.63	43.47	\$54.09
Wine purchased at retail	7.49	13.82	\$21.31
Wine purchased at wineries	22.04	34.53	\$56.57
All other F & B	6.89	21.61	\$28.50
Other shopping	6.87	21.83	\$28.70
Entertainment	1.12	10.24	\$11.36
Recreation	3.33	14.08	\$17.42
Other	2.84	6.47	\$9.30
Total Spending per Tasting Room Visitor	\$71.61	\$298.11	\$369.72

Attribution of Spending to Wine Tourism

Not all trip spending for winery tasting room visitors can be attributed to wine tourism. A couple that takes a weeklong trip somewhere in Wisconsin, and happens to make an impromptu visit to a single winery at some point during that trip, should not have all of the spending from their entire trip attributed to wine tourism. Although some economic impact studies capture all spending in these kinds of situations, this type of estimation is considered neither a best practice, nor an ethical one.

On the other hand, the addition of a winery (or wineries) can certainly make a tourism destination more attractive than other potential destinations a tourist could choose. To help determine the amount of spending that can be attributed to wine tourism, tasting room visitors were asked to rate the importance of a winery or wineries to their decision to travel to the area. For those who indicated that the wineries were “the only reason” for their travel, 100% of their spending was used to determine average spending levels. For those who indicated wineries were “an important reason” for their travels, 50% of their spending was used. For those who indicated the wineries were “somewhat important” to their decision to travel to the area, 25% of reported spending was used to calculate average spending levels. This method for attributing spending is a common practice in economic impact analyses. The results of these adjusted spending levels are what we used to determine “total direct spending” attributed to wine tourism and are reported in Table 2.

Table 2. Total Direct Spending Attributed to Wine Tourism

	Day Trip	Overnight Trip	Combined
Avg. Spending per Visitor	71.61	298.11	369.72
Avg. Number of Wineries Visited per Trip	1.7	2.3	
Per Person Spending Per Winery Visit	42.12	129.61	171.74
Total Number of Winery Visits	894,024	886,894	1,780,918
Total Direct Spending	37,660,374	114,951,491	152,611,865
Total Direct Spending Attributable to Wine Tourism	20,289,527	28,910,300	49,199,827

The \$49,199,827 total is the amount of annual direct spending that can be attributed to wine tourism in Wisconsin, based on 2015 data.

Secondary Economic Effects

The primary purpose of this study was to generate an estimate of the amount of money Wisconsin tasting rooms' tourists generate annually for local economies. As reported above, tasting room visitors spent about \$153 million on their trips in 2015, of which nearly \$50 million can be directly credited to the presence of Wisconsin tasting rooms. The procedures employed to develop these estimates are in line with best research practices and used moderately conservative assumptions when such assumptions were necessary. Thus, we have a high degree of confidence in our direct spending estimate.

In addition to the impact of direct spending on local economies, this spending stimulates multiple additional rounds of spending before eventually leaking out of the economy. While this "multiplier" effect is amply evident, measuring it is very challenging and costly if precise detail is needed. However, it is possible to generate meaningful estimates drawing upon prior research studies. Based upon evidence from past tourist studies, including a recent Wisconsin vineyards and wineries study conducted by Tuck and Gartner at the University of Minnesota, the multiplier that captures the direct, indirect and induced impacts of new dollars in an economy ranges between 1.5 and 2.0. Applying these multiplier estimates to the \$50 million of direct expenditures yields a total economic impact estimate which ranges between \$75 and \$100 million.

It is also common for economic impact studies to project estimates of the number of jobs tied to the influx of new dollars tourists introduce into local economies. Deriving a precise job creation estimate is also challenging and costly. But, again it is possible to draw upon past studies to develop a meaningful estimate. Past study results indicate that a total of \$60,000 to \$75,000 of the total economic impact estimate is required to create one full-time job equivalent. Applying these job-creating requirements to the \$75 to \$100 million total economic impact estimates yields a range of jobs created by Wisconsin winery tourists of between 1,000 and 1,700 jobs.

While it was possible to develop a sound point estimate (\$50 million) of new money (i.e., direct expenditures) introduced into regional economies by Wisconsin's wine tourists, estimates of total economic impact (\$75 - \$100 million) and jobs created (1000-1700) by these direct spending dollars is necessarily less precise. Should point estimates of total economic impact and jobs created be needed, it is appropriate to select one near the middle of the ranges reported herein. Thus, a mid-range estimate of total economic impact would be about \$88 million and a mid-range estimate of jobs created would be about 1,350.

Conclusion

Wine tourism is a rapidly growing and increasingly important aspect of the tourism sector in Wisconsin. Wine tourism in Wisconsin is a significant generator of economic activity and jobs, particularly in rural areas, and provides a sought-after leisure experience to visitors. Evidence from this study shows that Wisconsin's wineries are increasingly responsible for "pulling" visitors to the regions where they are located and certainly add to the state's already attractive menu of tourism resources and attractions.

In 2015, the state's 98 wineries experienced 1,780,918 visits by guests, approximately half of whom were on an overnight trip at the time of their visit. The total tourism spending of these

visitors totaled over \$152 million, with almost \$50 million directly attributable to wine tourism. Because much of this spending occurs outside of the winery, the wine tourism sector creates additional value for neighboring businesses that serve tourists, as well as businesses that supply goods and services to the wineries themselves. Including the secondary economic effects of this spending, we estimate the total economic impact of wine tourism in Wisconsin to be between \$75 - \$100 million, and responsible for between 1,000 – 1,700 full-time equivalent jobs.