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Factors Affecting the Presence of New York Wines in Upscale New York City Restaurants

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Consumer interest in local foods has increased sharply, including both fresh and processed products. As such, appropriate marketing strategies need to be developed at the firm and/or association level to effectively capture this growing demand. For example, the New York Wine and Grape Foundation has expended significant efforts recently in funding research and outreach programs aimed at helping growers improve quality, as well as in promoting New York's wines and wine-producing regions.

In an effort to target the largest nearby market, recent activities have been tailored to the hospitality industry, including promotional programs with New York City restaurants that pairs NY wines with menus created using NY farm products (e.g., *New York Wines and Dines*). These markets show significant opportunities for NY wines and increased presence would improve NY's image as a quality wine producing state. Still, despite sizable public and private efforts, stakeholders in NY's fine wine sector are questioning why their products are not more broadly accepted in their closest urban market.

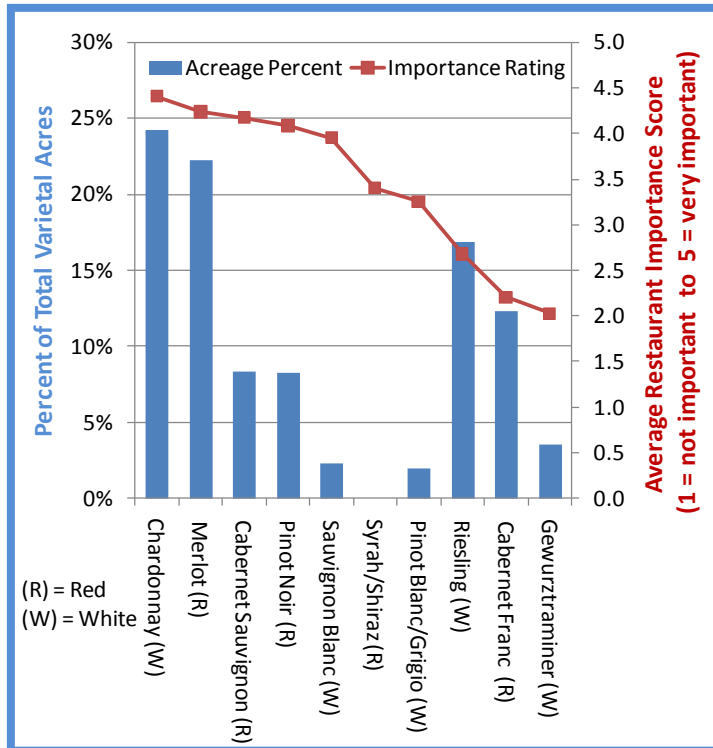


To address these issues, we use data from a survey of chefs, sommeliers, wine directors, and general managers of fine dining restaurants in NYC to better understand the factors associated with the presence of NY wines and their preferences for various wine styles, regions of origin, grapes, prices, and other product attributes.



The restaurants' wine lists featured a cumulative total of over 6,000 wines from around the world, or about 120 wines per restaurant. Nearly 60% of the wines were imported, and of those, 58% were French, 28% Italian, and 14% from the rest of the world. As expected, domestic selections were dominated by California wines (88%), and distantly followed by Oregon and Washington (7%), New York (4%), and all

other states (1%). Red NY wines were priced, on average, below those from other U.S. states, particularly CA; however, average white wine prices were more similar. Comparable differences in prices were shown for imported wines, with an even larger price premium for red wines relative to NY.

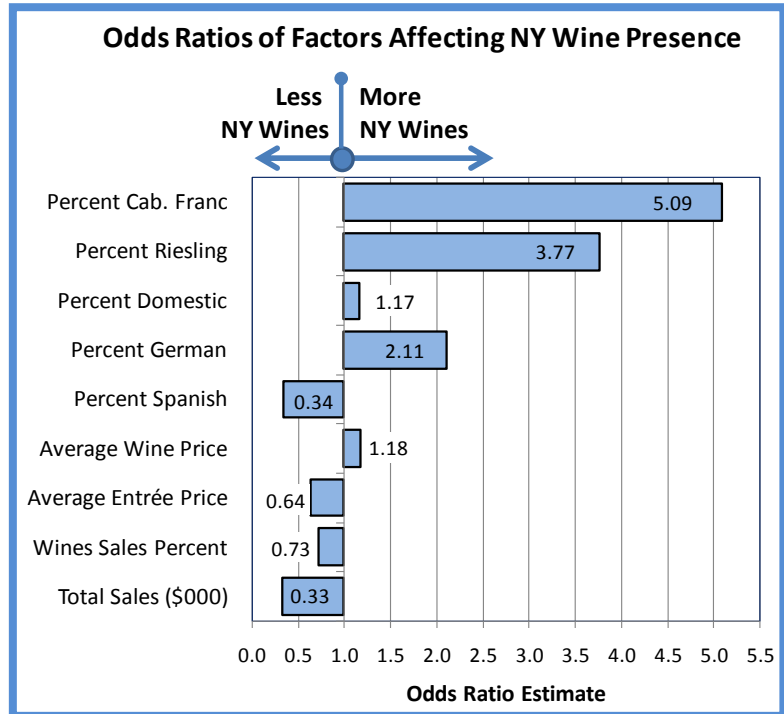


Before assessing the relative market penetration of NY wines, it is useful to understand the overall value that restaurants place on the preferential inclusion of wines made from some grape varieties over others. Surveyed restaurants were asked to rate the importance of various grape varieties to their overall wine sales, where 1 was “not important” and 5 was “very important.” As shown below, Chardonnay received the highest average rating (4.40) across all restaurants, followed by Merlot (4.23), Cabernet Sauvignon (4.17), and Pinot Noir (4.08). At the bottom of the ratings were Riesling (2.68), Cabernet Franc (2.21), and Gewurztraminer (2.03). These ratings present both opportunities and obstacles from the NY perspective. While significant plantings of both

Chardonnay and Merlot exist in NY, red wine varieties have not been as well received compared to other domestic regions and imports. In addition, significant industry attention has been paid to promoting the quality Riesling wines produced in NY, but this variety rates among the lowest of importance with respect to volume of NYC upscale restaurants.

We investigate the effect of restaurant and wine list characteristics on the number of NY wine list placements. Restaurants in the sample (N=40) were categorized by the number of wines on their wine lists: *non-users* with zero NY wines on their wine list (27%), *light users* with between one and four NY wines (48%), and *heavy users* with five or more NY wines (25%). Characteristics considered most important were cuisine style, average dinner entrée price, total sales volume, wine sales’ relative contribution to total sales, percent domestic wines, percent red wines, percent Spanish and German wines (given their small market presence similar to NY), average wine price, and percents of Riesling and Cabernet Franc wines.

The primary drivers of NY wine presence in NYC restaurants are shown to the right. The odds ratios are interpreted as the odds of being in a higher user category when that factor is increased by one unit. An odds ratio greater than one implies that the odds of being in a higher category increase with a higher value of the variable, while an odds ratio between zero and one implies that the odds of being in a higher category decrease when that variable increases. For example, a one-unit increase in the percent of Cabernet Franc listings increases the odds of being in a higher user category by over 5 times (5.09).



Summary of Results:

- The type of cuisine and food-pairing preference did not influence the propensity to adopt NY wines, nor did a restaurant’s desire to offer a large wine selection or a broad range of wine styles.
- Larger restaurants with higher entrée prices (more ‘upscale’) and a larger dependence on wine sales (like wine bars and bistros) were less likely to sell NY wines.
- The propensity to include NY wines was positively related to restaurants that offered more Riesling, Cabernet Franc, and domestic wine listings; and the combined listings of Cabernet Franc and Riesling had the largest effect on increasing NY wine presence.
- Listings of German wines also improved the odds of NY wine listings, which make sense since Germany’s wine regions have many similarities to the climatic and soil conditions found in NY’s Finger Lakes region. As such, similar NY wines may be well situated to expand this area of a restaurant’s wine list.
- Higher average wine prices increase the odds of higher NY wine listings, which (as shown above) are generally lower-priced. In context, if there is a higher price generally for wines, perhaps lower-priced NY wines are used to balance the list.

These results should help improve the understanding of wine selection criteria for upscale, urban restaurants and, with it, provide useful management and marketing recommendations to NY wine industry stakeholders. In particular, firms can use these results to better target potential restaurant customers, and for the industry in addressing barriers that may be preventing further acceptance of NY wines in large metropolitan markets.

For more information on this study, please see: Preszler, T. and T.M. Schmit. "Factors Affecting Wine Purchase Decisions and Presence of New York Wines in Upscale New York Restaurants." *Journal of Food Distribution Research*, 40/3(2009):16-30.

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