

Vienna 2019 Abstract Submission

Title

Wine as a Driver of Economic Development: The Case of Georgia

I want to submit an abstract for:

Conference Presentation

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Keywords

wine; development; tourism; markets; Georgia

Research Question

What are the linkages between the wine industry, tourism and economic development, and how branding and country marketing strategy impacts those linkages in the case of Georgia?

Methods

Analysis of Georgia's wine industry, tourism and development data

Results

Strong linkages between branding and country marketing strategy and wine exports, tourism and economic development.

Abstract

The paper will explore direct and indirect impacts of the wine industry on economic development, based on the case of Georgia. Georgia's wine industry is experiencing significant growth in quantity and quality and presents a useful case of positive impacts of the branding and country marketing strategy on its wine exports, tourism and overall economic development. While the Georgian wine story is special and unique, the experience of Georgia is relevant to efforts to understand the role of wine in economic development globally. The paper will explore four major channels of impact of viticulture and viniculture on economic development in Georgia: on employment; exports; tourism; and investments.

Viticulture and viniculture have been central elements of Georgian civilization for millennia, contributing to the cultural diversity, spirituality, and prosperity of the small South Caucasus nation. Wine is a part of the Georgian identity and a fundamental element of the social fabric. The November 13, 2017 publication of the Proceeds of the National Academy of Sciences of the USA, confirmed that Georgia is the home of the earliest grape wine and viniculture discovered thus far. This and other success stories in recent years helped Georgia to brand itself as a Cradle of Wine and an interesting wine destination.

According to the National Wine Agency of Georgia, in 2018 86 million bottles of wine were exported to 53 countries worldwide; 12% higher than similar data for 2017, which was a record-setting year since the country regained its independence in 1991. In 2018 Georgia generated \$203 million from the sale of wine abroad. Revenue increased by 20% from 2017. Russia dominates the export markets of Georgia (61% of exports), helped by historic awareness

about Georgia and Georgian wines. Russia is followed by Ukraine, China, Kazakhstan, and Poland as top five export destinations of Georgian wine.

In addition to wine, Georgia exported 20 million bottles of Georgian brandy (+9%) and 422,000 bottles of Chacha abroad in 2018. The total value of the wine and wine-related alcohol export exceeded \$306 million in 2018. The dependency of Georgia's wine exports on the Russian market is a subject of concern, due to the geopolitical realities. The Russian military controls 20% of Georgian territories as a result of the brief war in 2008. In 2006, Russia banned the import of Georgian wines under the false pretext of quality concerns, in order to impact the country's Western-oriented foreign policy priorities. As expected, Georgia's wine industry survived the Russian ban and started to focus on alternative markets. After lifting the ban in 2013, Georgian wines returned to the Russian market with even greater sales numbers. Despite this significant dependency, the Georgian wine industry is much more resilient today than it was in 2006.

The wine industry of Georgia indirectly contributes to the country's growth of tourism revenue. In 2018 there was a record number of visitors to Georgia - 8.4 million, out of which more than 60% spent at least one night in Georgia, which qualifies them as tourists. The tourism-related revenues were at \$2.7 billion in 2017, and \$3.2 billion in 2018, making tourism the top source of hard currency receipts for the country. While wine-focused tourism may not be dominant in the total spectrum of visitors, almost everyone who comes to Georgia drinks wine and thus contributes to the growth of in-country consumption of wine and wine products. At the same time, the number of tourists coming to Georgia to explore its unique and diverse wine culture is also growing. The Georgian hospitality sector has already responded to the growing demand of visitors and locals alike, and the number of retail and hotel outlets that focus on wine is growing rapidly. Retailers like "8,000 Harvests", hotels like "Vinotel", wine bars like "Vino Underground", as well as wineries' retail outlets in larger cities have become major tourist destinations for visitors, as well as for Georgians.

The growing interest towards Georgian wines also attracts foreign investors in this sector. Some visionary investors successfully invested in the early stages of the revitalization of the Georgian wine industry. Large wineries such as Teliani Valley, Schuchmann Wines, and Chateau Mukhrani have sizable Western investments, but there are also a growing number of smaller boutique wineries with foreign direct investments, as well as small and large hotels in wine-producing areas. The first Radisson Collection hotel opened recently in Tsinandali, in the heart of Kakheti, the main wine-producing area of the country.

References

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