

Impact of Industry Structure on the Texas Wine industry and Future Implications

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Problem Statement

The Texas wine industry is growing at a rapid pace and research is needed to assist in its growth. The aspects of the industry to consider are the supply-side, the demand side, and the general Texas wine market. External aspects of the market include interaction between wineries which causes rivalry. Understanding the market structure determines the future implications for the industry.

The Texas wine industry is defined by three major stakeholders; wineries who produce grapes, wineries who do not produce grapes and grape producers who do not produce wine. The Texas Department of Agriculture (TDA) currently requires that “Texas made wine” states it is produced in Texas and must contain 75% juice produced in Texas. However, because of production limitations, inefficiencies in the supply chain between stakeholders, and the evolving structure of the industry, this goal is impossible to meet without improving the value chain from grape producers to winemakers.

Objectives

The objective of this research was to gather market information and create a comprehensive strategic outline to describe the Texas wine market which determines the structural analysis of the industry. Specific objectives are to determine accurate current statistics on demographics, business practices, and marketing practices of wineries. From these statistics, the structure of the industry can be determined and policy recommendations can be made to promote the growth of Texas wine. This procedure could be adapted to many wine producing regions.

Procedures and Results

Starting March 2007 and ending in July 2007, the research team visited 52 wineries to obtain information about their needs and objectives. Nearly all assessments were completed on-site, while others were completed at the Texas Wine and Grape Growers Conference or at the locations of winery owners or main offices.

Assessment results were broken into four main sections: perceptions of Texas wineries, Texas wine production and consumption, Texas wine consumer data, and the market analysis for

industry competition. The Perceptions of Wineries section provides information and statistics on wine competitions, quality assurance programs, wine production, marketing objectives and competition of Texas wineries, price structures, current budgets of Texas wineries, and challenges, changes, and positioning for the Texas wine industry.

Changes in Texas wine consumption and production, categorized by the size of Texas wineries, and Texas wine production growth and market share, are used to define the industry structure. Also, a comprehensive analysis of industry competition is developed which includes rivalry, threats of substitutes, threat of buyer and supplier powers, and barriers and threats to entry.

The results from the industry structure analysis were used to develop strategies for the Texas wine industry. The result show the Texas wine industry is comprised of mostly 5,000 or less case wineries with little retail exposure as an entire industry. Potential marketing strategies, such as developing a Texas wine logo, wine event support, restaurant wine marketing and various others are provided to help assist the industry as a whole. The majority of Texas wineries believe a Texas branded product that connects wineries in Texas will help increase product recognition and capture increases in Texas consumption.