Improving Export Performance: The Case of the U.S. Wine Industry

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The US wine industry is in the midst of a radical transformation from a largely domestic industry to a global industry. This paper examines the US wine industry's current performance in global markets. Survey questionnaires were sent to every winery in California and the Pacific Northwest published in the Wines and Vines Directory, to tap into their export experiences, intentions, opinions and assistance needs. These wineries account for well over 95% of the wine produced and exported by all US wineries. The excellent 24% response rate adds depth and richness to the findings of this first comprehensive export study of the US wine industry

The US wine industry is in the midst of a radical transformation that will dramatically affect the landscape of the industry. Until a few years ago the US wine business was largely a domestic industry, with some imports from France, Italy and Spain competing with US wineries. Recently however, imports have risen to exceed 20% of the US market share, which is seven percentage points above where it was in 1995 (Love 2000). This has been fueled by the tremendous inroads made by Australian and Chilean wines, in particular, into the US market.

The forces of globalization have arrived as evidenced by industry consolidation, a maturing and increasingly competitive domestic market, and the move to a more professional (versus family) style of management for many US wineries. Multinational corporations such as Diageo, Southcorp, Brown-Forman, and Constellation Brands are battling it out alongside hundreds of smaller wineries (Himmelstein 2002). How effectively the US wine industry transforms itself into a strong global player is yet to be determined. This paper examines the US wine industry's current performance in the global marketplace and presents ways to improve it in the future.

The specific objectives of the paper are:

1. Assess the current performance of US wine exports in the global marketplace.
2. Develop a profile of exporting wineries (size, export experience, markets and products).
3. Identify key success factors for superior export success.
4. Explore the correlates of export performance to explain why some winery export programs are more successful than others.

Current Performance of US Wine Exports

US wine exports have been growing consistently from a base of $153 million in 1991 to $541 million in 2001 (Wine Institute 2002a). While this export growth is impressive, US wineries also face increasing threats to their domestic market share due to globalization in the wine industry.

The US domestic market has grown from a retail value of $12.2 billion in 1995 to $19.8 billion in 2001, however, the US market share of importers has also grown during the same period (Wine Institute 2002b). For example, during 1995-2000 , Australia increased the value of their exports to the US by 300% and Chile by 123% (Foreign Agricultural Service 2001). In 2001, the unfavorable balance of trade for wine in the US was $1.8 billion (IVIE International 2001).

In terms of international markets, wine is produced commercially in over 60 countries. While each wine producing country's domestic market consumes much of the wine they produce, 23% (by volume) is exported to international markets. The leading global wine producers include the 'old world' wineries in France, Italy and Spain. These three countries are also the leading exporters. 'New world' producers, such as the US, Australia, Chile, Argentina and South Africa have been making both production and export inroads globally over the past few decades. Illustrative market shares of the world export market by different countries in 2001 follow (IVIE International 2001):

COUNTRY	SHARE OF WORLD EXPORT MARKET (by volume)
Italy	27.5%
France	23.3
Spain	13.4

United States	4.6
Australia	4.4
Chile	4.2
Portugal	3.2
Others	19.4
TOTAL	**100.0%**

The US has only 4.6% (by volume) of the world export wine market, while producing 8% (by volume) of the wine produced in the world (Dutruc-Rossett 2001). Furthermore, the US wine industry exports only 13% of the wine it produces, while other countries have more intensely developed their export markets. For example, France, Italy and Spain all export more than 20% of the wine they produce, Australia exports 33% and Chile 40% of their production (Dutruc-Rossett 2001). One might argue that these countries export more intensively because of the small size of their domestic market. While this may be true, US wineries run the risk of losing market share at home to those exporters who have been making inroads into the US market. A continued focus on the domestic market may place the US wine industry at a long-term disadvantage in developing the requisite skills needed for competing in the increasingly competitive global market place.

There is also a geopolitical dimension to this industry. Tariffs and trade barriers play a pivotal role in obstructing US wineries' access to various country markets. As these barriers are reduced under the auspices of the World Trade Organization, greater export opportunities will open up. A recessionary economy in 2002, a slump in tourism and an oversupply of grapes have

all contributed to an unattractive domestic US market (Himmesltein 2002). Under such conditions, US wineries must be positioned competitively to exploit export opportunities.

Literature Review

While there is a wealth of country-level macro data collected regarding levels of importing and exporting activity in the wine industry, there have not been any previous published studies focusing on the export experience and performance of US wineries. Thus, this research effort will be uniquely valuable to the industry. This study will also contribute to the extant export literature, as the value of single industry studies is being increasingly recognized (Silverman, Castaldi, Sengupta 1999; Dess, Ireland and Hitt 1990**).** Further, the former editor of he *Journal of International Marketing* noted that "given the diversity of approaches to globalization, it is important for researchers to carry out investigations that target specific industries" (Cavusgil 1997 p.3).

Along with developing a profile of US exporting wineries, this study also intends to identify the factors related to winery export program effectiveness. The measurement of export effectiveness has been addressed with increasing frequency in the literature due to a lack of consensus regarding how it should be measured (Aaby and Slater 1989; Cavusgil and Zou 1994). Moreover, inconsistent findings regarding the antecedents of export performance have been attributed to the different export performance measures used across studies. Walters and Samiee (1990) found that the variables correlated with small firm export success vary according to the dimension of export success being examined. One widely accepted measure of export performance is exports as a percent of sales. Other measures have focused on profitability,

growth, market share, strategic position, etc. Different measures reflect variations in management intents. As an example, an exporting firm focusing on growth or strategic position may be willing to sacrifice profits in the short term. Thus, it is important to use multiple measures of export performance to fully capture the richness and complexity of this construct.

Export commitment has been well established as one important determinant of export success (Cavusgil and Kirpalani 1993). Stump, Athaide and Axinn (1998) point out that commitment has both an attitudinal dimension (beliefs and perceptions that are supportive of or barriers to exporting) and behavioral components (the commitment of resources in the form of staff, travel, etc.) While these two dimensions are related they may not both be present in the same direction calling for different interventions to improve export effectiveness. One specific attitudinal aspect of export commitment that has received attention as a determinant of export commitment is the priority placed on exporting by management (Axinn, Noordewier and Sinkula 1996). In terms of behavioral aspects of export commitment, Beamish, Karavis, Goerzen and Lane (1999) found that firms that make a commitment to support exports through the formation of a separate export unit within their organization, significantly outperform firms that treat exports as part of their domestic business.

Intermediary effectiveness has also been linked to export performance (Sengupta, Castaldi and Silverman 2000; Moini 1995; Reid 1987; Rosson and Ford 1982). The evidence is clear that the success of an export program in an overseas market rests, in large part, on the ability of the exporter to develop and maintain effective relationships with agents, wholesalers and retailers who operate in that market. Also, studies have attempted to identify the factors that underlie effective intermediary relationships (Johnson and Raven 1996). A wide variety of terms have

been used in the literature to describe the antecedents of channel relationships including communication quality (Mohr, Fisher and Nevin 1990), trust, cooperation, absence of opportunistic behavior, stability, fairness, commitment and communication intensity (Johnson, Sakano, Cote and Onzo 1993; Johnson and Raven 1996). Integrity and goodwill are important dimensions of trust (Mayer, Davis and Schoorman 1995). In this study we investigate the relationship between intermediary effectiveness and export performance as well as the relationships between intermediary effectiveness and communication quality, integrity and goodwill.

Lastly, the literature is mixed in terms of the role that firm size plays in relation to export effectiveness. Since a majority of the exporting wineries in this study would be classified as small or mid-sized, one might expect that they might be limited in terms of their ability to commit resources to exporting and that they would lack sufficient leverage with intermediaries compared with larger wineries. However, these conceptual arguments have not been supported with any consistency in previous studies (Czinkota and Johnson 1983; Cavusgil 1984). The more recent study by Stump, et al (1998) found that firm size did not play a significant role in explaining the relationship between export commitment and export performance. The relationship between winery size and export performance is investigated in this study.

Methodology

Under the auspices of a grant from the US Department of Education, the authors initiated a research project intended to assist the US wine industry in their export activities. The industry

provided its full support to the project through its WineVision initiative, an industry wide effort to improve the export effectiveness of US wineries.

The US wine industry is comprised of approximately 1500 wineries. The industry, however, is highly concentrated with the top 10 wineries accounting for 70% (by volume) of U.S production. Wine is produced in every state except Alaska. California dominates the US wine industry in many ways. California has over 800 wineries and accounts for more than 90% of the wine produced and exported by US wineries. Northwest wineries (Washington, Oregon and Idaho) comprise approximately 200 wineries and are developing an export presence as well as excellent reputation for quality wines.

Ten wineries account for more than 89% of exports (Gomberg, Fredrikson Report 2000). However, an annual wine industry directory (Wines & Vines 1999) shows that about 50% of the wineries export some of their production. Most of these wineries only periodically export a small number of cases, and thus, they do not have a full-fledged export program. The leading US exporter by volume is E&J Gallo, accounting for about half of US exports and more than four times the volume of their nearest export competitor, Canandaigua (Gomberg, Fredrikson Report 2000). E&J Gallo exports approximately 13% of their total production. While most exporting US wineries export less than 20% of their production, Wente Vineyards is a notable exception. Wente has made exporting a cornerstone of their winery's long term strategy, exporting 60% of their production to 147 country markets (Sinton 1999).

The study was designed to obtain the following information from each winery: (a) the length of time they have been exporting and their current level of export activity, (b) data on their export

products and markets, (c) the performance of their export program, (d) the nature of their export related investments and activities, and (e) their attitudes and perceptions relating to export commitments and to their intermediaries.

Sampling Frame

An annual directory of US wineries (Wines & Vines 1999 Directory and Buyers Guide) was used to generate our sampling frame. A list of all the wineries in California, Oregon, Washington and Idaho was compiled. These 1012 wineries accounted for well over 95% of the wines produced and exported by US wineries, making this a comprehensive sampling frame.

Based on field interviews with winery export personnel and industry association executives, along with a review of the relevant literature, two survey questionnaires were designed, developed and pre-tested, one version for exporters and another one for non-exporters. In March of 1999 both surveys were sent to all 1012 wineries with a cover letter explaining that they should complete the exporter's version if they had exported in the last three years. The cover letter also explained that both WineVision and the authors' university supported this study. Thirty-four surveys were returned as undeliverable, resulting in a reduced sampling frame of 978 wineries. Wineries that did not return their survey by the specified date were sent a fax under the signature of the CEO of Fetzer Vineyards, who is a WineVision ‘champion’, asking them to complete the survey. The number of usable returned surveys was 238, representing 103 non-exporters and 133 exporters. Overall this represents a 24% response rate. The results presented in this paper are based only on the exporters’ responses.

Operationalization of Variables

In order to address this issue of how to measure export performance, a study by Zou, Taylor and Osland (1998) developed a three factor measurement model of export performance: the **EXPERF** scale. The three factors were Financial Export Performance (profitability, sales volume and growth), Strategic Export Performance (global competitiveness, strategic position and global market share) and Satisfaction with Export Venture (export venture success, satisfaction with export performance and meeting export venture expectations). The three-factor **EXPERF** scale had both convergent and discriminant validity in their study. This study uses the same 9 measures of export performance as Zou, Taylor and Oslund (1998). Factor analysis of these 9 items results in the same three factors comprising the **EXPERF** scale (Exhibit 3). We had an additional, objective measure of export program performance , percentage of revenues from exports (Exhibit 1),

The survey instrument included 22 Likert scale items relating to export commitment. The Likert scale items were factor analyzed, resulting in three factors (Exhibit 4), labeled as **Resource Commitment**, **Management Priority for Domestic Market**, and **Export Barriers**. Consistent with the findings of Stump, Athaide and Axinn (1998), these factors developed along either behavioral or attitudinal lines.

Resource Commitment, reflects the behavioral component of export commitment, while the other two factors, **Management Priority** and **Export Barriers**, reflect attitudinal components. **Resource Commitment** included items relating to the "adequacy of budgets for international travel" and "participation in trade shows", the development of "accounting systems to track

export profitability" and whether the winery "actively pursued overseas business". These items reflect behavioral commitments**. Management Priority** on the other hand relates to the importance of the domestic market relative to exports. A higher score on this factor indicates a higher priority to the domestic market relative to exports. Similar to **Management Priority**, **Export Barriers** is based on perceptions rather than behaviors and a higher score indicates that exporting is perceived as difficult or unfavorable for the winery. Thus, a winery may perceive that it is "extremely difficult to find the right agents or distributors in export markets" or that "transportation costs make profit margins unattractive in export markets", but keep in mind that these are only their perceptions. Axinn found that manager's perceptions do in fact influence export performance (Axinn 1988).

Exporting wineries were asked to evaluate the intermediary in their primary export country market on three items. These items, when factor analyzed, resulted in a single factor labeled **Intermediary Effectiveness** (see Exhibit 5). Wineries were also asked to evaluate different aspects of their relationship with this intermediary using 14 Likert scale items. These items, when factor analyzed, resulted in three factors (see Exhibit 6) that seem to be logical antecedents to intermediary effectiveness. **Communication Quality** (Mohr, Fisher and Nevin 1990) reflects the effectiveness of communication between the exporting winery and the intermediary. **Integrity** and **Goodwill** both reflect the exporter's trust in the intermediary (Mayer, Davis and Schoorman 1995). Integrity reflects the exporter's perception that the intermediary discharges its obligations reliably and honestly. Goodwill reflects the exporter's belief that the intermediary will look after the interests of the exporter beyond contractual obligations. Finally, winery size is measured by the number of cases a winery produces on an annual basis (Exhibit 1).

Results

This section of the paper will present the results of the study organized according to the following six areas: (a) Profile of exporting wineries (b) Export markets and products (c) Export program performance (d) Export commitment (e) Intermediary effectiveness and (f) Correlates of export performance.

Profile of Exporting Wineries

Sixty percent of the 133 exporting wineries have been in business for at least 16 years (Exhibit 1). Only 8.3% have been in business for 5 years or less, suggesting that exporting is more likely to be undertaken by more experienced wineries. On the other hand, size does not seem to be a barrier to exporting. Wineries selling less than 25,000 cases annually are considered small in this industry, yet they represent 55% of the exporting wineries. A wide range of export experience is represented in the sample. Almost 30% have been exporting for 5 years or less and 42% for over 10 years.

As previously discussed, US exporters derive only a small percentage of their revenues from exports, and this is consistent with our results. Over 80% of the wineries depend on exports for less than 10% of their sales. This is in sharp contrast to Australia, Chile and other producing countries that derive a majority of their revenues from exports. The exporting wineries have diversified their country markets with 84% selling in more than one country and 60% to four or more countries. Finally, most of the exporting wineries (close to 90%) grow some of the grapes that go into making their wines. However, only 49% of the wineries grow at least half of their grapes in their own vineyards.

Export Markets and Products

Canada and the United Kingdom (UK) are the dominant markets for US exporters in our sample. (Exhibit 2) The US Department of Commerce reported that in 1998, the UK, Japan and Canada were the top three export markets (in dollar value) for US exporters, accounting for 61.4% of US exports. Consistent with this, Canada, the UK and Japan accounted for 66.6% of wine export market revenues in our sample.

There also seems to be an entry pattern for US exporters, wherein the UK and Canada are the first or second markets entered. Fifty-nine percent of the exporters chose one of those countries as their first market to enter and 50% chose one of these as the second market to enter. These markets may be chosen as sequential entry paths because they are English speaking, affluent countries, which don't produce much wine. In addition, Canada's proximity may be seen as a benefit for US wine exporters.

After travelling through distribution channels, exporter's wines were being sold in restaurants and hotels to a greater extent than through retail stores. Lastly, the wines being exported by US wineries tend to be premium ($7-14 per bottle), ultra premium ($14-25) and luxury (over $25) wines.

Export Program Performance

In terms of financial performance and strategic performance, the mean factor scores of 2.70 and 2.66 respectively (Exhibit 3), indicate that many wineries are not very satisfied with those aspects of their export programs. For example, on a 5 point scale, only 29% of the wineries

strongly agreed or agreed that their export program "has been very profitable". Forty-six percent were neutral and 25% disagreed or strongly disagreed. While the proportion of wineries that disagree that their export program “has been very profitable” is not extremely large, the relatively small proportion that agree and the large proportion of neutrals indicates there is plenty of room for improvement in export program performance as it relates to profitability.

The situation was more positive in relation to subjective measures of satisfaction with export program performance, as the mean factor scores on these satisfaction measures was 3.14 (exhibit 3). This indicates that, even though certain financial or strategic intents are not being met, their export programs are meeting other managerial objectives. Finally, Exhibit 1 shows that the percentage of revenue from exports is relatively low for a large proportion of wineries.

Export Commitment

As shown in Exhibit 4, export commitment has three dimensions, **Resource Commitment**, **Management Priority for Domestic Market**, and **Export Barriers**. The mean factor score for **Resource Commitment** was only 2.79, indicating a tendency on average to under commit resources to exporting. For example, only 40.3% of the wineries felt that their export budget was “sufficient to cover international travel” and only 35.3% said their budget was “sufficient to cover international trade shows”. Trade shows and visits to country markets are widely acknowledged by industry experts to be critical to building export programs. **Management Priority for Domestic Market** had a mean factor score of 2.67 which is quite low. This indicates that managers in exporting wineries, on average, do place a priority on their export business. For example, only 38.2% said that “exporting is not a high priority for us”. **Export**

Barriers had a mean factor score of 3.04, representing an almost even split in the number of wineries that perceived that exporting is unattractive.

In addition to the Likert scale items, a number of questions were asked to ascertain specific information regarding each winery's export related organizational structure. In terms of export related organizational structure, only 12% of the wineries had a formal export department, 35% had at least one employee formally assigned to exports and 53% had no employee formally assigned to exports. In 81% of the wineries, the person in charge of exports is the same individual in charge of domestic marketing and sales.

Intermediary Effectiveness

Effective intermediary relationships have been found to be critical to high levels of export performance. In their primary export market, most exporting wineries used either an agent (54.5%) or an importer/wholesaler (40.2%). Only 5.3% went directly to retailers. We asked exporting wineries to rate their experience with their intermediary in their primary export country market on three scales (see Exhibit 5) and these scales resulted in a single factor labeled **Intermediary Effectiveness** which has a mean factor score of 3.69. Thus, it appears that exporting wineries have very good relationships with the intermediaries in their primary country markets.

Correlates of Export Performance

Four measures of export performance have been introduced in this study: the three export performance factors relating to financial, strategic and satisfaction with the export program (Exhibit 3) and the fourth being "exports as a percent of sales". Exhibit 6 shows the correlations

of all four performance measures with the three export commitment factors. Exhibit 7 shows correlations of the performance measures with **Intermediary Effectiveness** and the three intermediary relationship factors. Both correlation matrices also include winery size as a variable to see if it might play a role in explaining export performance.

In terms of export commitment, **Resource Commitment** has a positive and significant correlation with all four measures of export performance. The correlations are all relatively high, ranging from 0.39 to 0.62, indicating that sufficient levels of resource commitment to exporting may be critical to high levels of export performance. **Management Priority to Domestic Market** also has high and significant negative correlations with export performance, ranging from -0.44 to -0.66. The negative coefficient indicates that higher levels of export performance are correlated with lower levels of priority to domestic market or higher levels of priority to exporting. **Export Barriers** also have relatively high and significant negative correlations with export performance, ranging from –0.25 to –0.54. Thus, the perception that exporting is difficult or unattractive may be related to lower levels of export performance.

In terms of intermediary relationships, **Intermediary Effectiveness** has a statistically significant, strong positive correlation with all four performance measures, with coefficients ranging from 0.34 to 0.61. Thus, as expected, intermediary effectiveness may be an important driver of export performance. The three factors - **Communication Quality**, **Goodwill** and **Integrity** - are all significantly correlated with both the export performance measures and **Intermediary Effectiveness**. The correlations with **Intermediary Effectiveness** are particularly high, ranging from 0.60 to 0.77, supporting, the possibility they are antecedents to **Intermediary Effectiveness**.

Finally, winery size has a significant, but small correlation coefficient (0.18 in both cases) in relation to strategic and financial measures of export performance measures. In terms of satisfaction with export program performance and export as a percent of sales, there is no significant correlation with winery size. Perhaps the mixed results in previous studies reflect the use of only one of the various measures of export performance.

Discussion

The results of this study have both managerial and research implications. In terms of the former, the results of this study have practical implications for winery managers and service providers intending to improve export performance in the wine industry In terms of the latter, this study makes several contributions to the export related literature.

Managerial Implications

A number of US wineries seem to be competing effectively in the global marketplace. However, there is a sizable segment of exporting wineries which are not faring as well as their counterparts in international markets. The large percentage of wineries responding in the neutral category of our measures of overall export performance should be perceived as a reservoir of potential export programs on the cusp of success. These wineries can benefit the most from assistance in improving the efficiency and effectiveness of their export programs.

Resource commitment to exporting appears to be on the low side for a majority of exporters. Since **Resource Commitment** is a strong correlate of export performance, this could partially explain why export performance measures were not rated higher by many wineries.

Intermediary Effectiveness appears on average to be very good, and is less likely to be a contributor to lower overall levels of dissatisfaction with exporting.

The correlation matrices in Tables 7 and 8 indicate that both export commitment and intermediary effectiveness are strong correlates of export performance. The relationship between these factors and export performance is particularly strong in light of the significance of the coefficients across all four measures of export performance. Wineries that have higher levels of resource commitment, place a higher level of management priority on exporting, and do not perceive export challenges as insurmountable barriers are more likely to have higher performing export programs.

Intermediary Effectiveness is positively related to the performance of export programs. The relationship between the intermediary and the winery seems to be affected by factors such as communication quality, integrity and goodwill.

The key success factors for winery export s uncovered in this study can be summarized as follows:

Internal Management Attitudes

Export Barriers

Management Priority

Resource Commitment

External Relations with Intermediaries

Communications Quality

Integrity

Goodwill

To compete more successfully in the global marketplace, the US wine industry needs to undertake initiatives to increase international market share for its products and to raise export performance at the winery level. This requires a change in the mindset of many wineries. Winery managers must first prepare internally for exporting. They have to focus more on the positive upside of the business potential of foreign markets along with the challenges of export barriers. They must place a higher priority on export markets and match this with appropriate resource allocations. The next step after creating internal readiness is to seek out and form productive business relationships with intermediaries in export markets. To enhance the effectiveness of such alliances, relationships need to be nurtured with high quality communications and the building of trust.

The entire US wine industry needs to take very seriously the threat of global competitors eroding US dominance in the domestic market. The most effective response is for US wineries to enter and compete in the domestic markets of their global competitors. Otherwise the US wine industry risks losing its competitive advantage in domestic and international markets, following in the footsteps of other US industries like automobiles, consumer electronics and steel.

Public sector assistance providers can enhance export effectiveness in the wine industry. They can play a role in helping to increase resource commitment to exporting, especially in relation to small and mid-size wineries. Since insufficient resource commitment is related to lower levels of export performance, service providers may be able to help subsidize international visits and

attendance at trade shows. Setting up reverse trade missions may also be effective. Service providers can also organize training programs where the more effective exporters can share their expertise with newer exporters, or help wineries locate appropriate intermediaries for different country markets.

Research Contribution

This study contributes to the literature on export performance. The factors in the **EXPERF** scale (Zou, Taylor and Osland 1998), were validated for the wine industry, and the scale was shown to be useful in delineating the importance of different performance measures on export performance. The factor analysis of export commitment survey items in this study sorted into behavioral and attitudinal factors, lending support to the conceptual framework of Stump, Athaide and Axinn (1998). Also the positive relationship between export performance and the two factors **- Resource Commitment** and **Intermediary Effectiveness** – reinforces those relationships as previously established in the literature. Finally, this study adds perspective to the ongoing debate regarding the importance of size as a determinant of export performance (Stump, et al 1998). This study indicates that size may be important in influencing financial performance and strategic performance, but it may not be a factor affecting subjective managerial measures of satisfaction with export program performance.

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Exhibit 1

Profile of Exporting Wineries

Years in Business	No. of Firms	% of Firms
Five or less	11	8.3%
6–10	19	14.3
11–15	23	17.3
16–20	30	22.5
20+	50	37.6
TOTAL	**133**	**100.0%**
Winery Size (Cases)	**No. of Firms**	**% of Firms**
5,000 or less	31	23.5%
6,000 - 10,000	15	11.4
11,000 - 25,000	27	20.4
26,000 - 100,000	24	18.2
101,000 - 1 million	26	19.7
1 million+	9	6.8
TOTAL	**132**	**100.0%**
Years Exporting	**No. of Firms**	**% of Firms**
5 or less	37	29.3%
6 – 10	36	28.6
11 – 15	34	27.0
16+	19	15.1
TOTAL	**126**	**100.0%**
% of Revenue from Exports 1999	**No. of Firms**	**% of Firms**
2% or less	35	27.8%
3 - 5%	37	29.4
6 - 10%	30	23.8
10%+	24	19.0
TOTAL	**126**	**100.0%**
No. of Countries Exported To	**No. of Firms**	**% of Firms**
1	20	15.7%
2 or 3	31	24.2
4 - 10	41	32.0
10+	36	28.1
TOTAL	**128**	**100.0%**
% of Wines Sold from Own Vineyards	**No. of Firms**	**% of Firms**
Zero	14	10.7%
1 - 25	21	16.0
26 - 50	32	24.4
51 - 75	16	12.2
76 - 99	25	19.1
100	23	17.6
TOTAL	**131**	**100.0%**

Exhibit 2
Export Markets and Product

Initial Export Markets Entered

Country	% of Wineries Entering This Market 1st	% of Wineries Entering This Market 2nd
Canada	38.2%	20.4%
United Kingdom	20.6	30.1
Japan	17.6	13.3
Switzerland	10.7	8.0
Germany	5.3	7.1
Other	7.6	21.1
TOTAL	**100.0%**	**100.0%**

Revenue Percentage from Export Markets

Markets	% of Export Revenue Derived
United Kingdom	18.6%
Canada	29.2
Continental Europe	24.9
Japan	18.8
Asia (exclude Japan)	6.2
Latin America	1.1
Other	1.2
TOTAL	**100.0%**

End Markets for Exported Wines

End Market	% of Export Revenue Derived from Each End Market
Restaurants/Hotels	46.7%
Retail Stores/Chain	40.7
Cruise Ships/Duty Free Shops and Airlines	6.3
Other	6.3
TOTAL	**100.0%**

Price Points of Wines Exported

Price Range in $ (per bottle)	% Exported in that Price Range (Based on Revenues)
Less than $3	3.4%
$3-7	7.0
$7-14	22.1
$14-25	36.7
$25-40	30.8
TOTAL	**100.0%**

Exhibit 3
Export Program Performance Factors

		Mean Factor Score
1.	**Financial** Export program: has been very profitable. has generated a high volume of sales. has achieved rapid growth.	2.70
2.	**Strategic** Export program: has strengthened our strategic position. has improved our global competitiveness. has significantly increased our global market share.	2.67
3.	**Satisfaction** Export program: has been very successful. has fully met our expectations. performance has been very satisfactory.	3.14

Exhibit 4
Factors Related To Export Attitudes And Perceptions

	Mean Factor Score
1. **Resource Commitment**	2.79
* Keeping accounting records that allow winery to assess export profitability.	
* Export budget sufficient to cover expenses related to international travel.	
* Export budget sufficient to cover expenses related to participating foreign trade shows.	
* Export budget sufficient to cover expenses related to promotion in export markets.	
* Actively go after overseas business. (Overseas business not incidental)	
* More serious about export efforts than competitions.	
2. **Management Priority to Domestic Market**	2.67
* Top management just not interested in exporting.	
* Export business not a high priority.	
* Still a lot to do in domestic area before turning efforts to international markets.	
* Must take care of domestic needs before devoting time necessary for exports.	
* Exporting not appropriate for winery of our size.	
3. **Export Barriers**	3.04
* Expectations that financial returns in export markets will be equivalent to domestic. (R)	
* Extremely difficult to find the right partners (agents, distributions, etc.) in export markets.	
* Transportation costs make profit margins unattractive in export markets.	
* Difficulty in obtaining country specific information about market conditions and opportunities.	
* Financial constraints inhibit export endeavors.	
* Tariffs make profit margins unattractive in export markets.	

R = Item reverse coded.
Mean factor score is completed from a 5 point likert scale going from 1 = strongly disagree to 5 = strongly agree. Sample size = 133 exporting forms.

Exhibit 5
Intermediary Effectiveness Factor

	Mean Factor Score
1. **Experience with Intermediary in Primary Export Markets:**	3.69
has been very satisfactory. has been very successful. fully met our expectations.	

Exhibit 6
Intermediary Relationship Factors

	Mean Factor Score
1. **Communication Quality**	3.79
* Communication from us to intermediary is effective. * Communication from intermediary to us is effective. * Overall communication with intermediary is effective.	
2. **Integrity**	4.12
* Intermediary keeps promises. * Intermediary is not always honest. (R) * Believe information provided by intermediary. * Intermediary is trustworthy. * Commitment to relationship with intermediary.	
3. **Goodwill**	3.73
* Intermediary is genuinely concerned that 'our' business succeeds. * When making important decisions, intermediary considers 'our' welfare as well as its own. * Necessary to be cautious with this intermediary. (R)	

Exhibit 6
Export Performance Correlations With Export Commitment Factors (N=133)

	1	2	3	4	5	6	7	8
1.Financial Performance	1.00							
2.Performance Satisfaction	0.66**	1.00						
3.Strategic Performance	0.75**	0.60**	1.00					
4.Exports as % of Sales	0.51**	0.39**	0.48**	1.00				
5.Resource Commitment	0.55**	0.39**	0.62**	0.50**	1.00			
6.Management Priority	-0.64**	-0.44**	-0.66**	-0.50**	-0.63**	1.00		
7. Export Barriers	-0.45**	-0.54**	-0.35**	-0.25**	-0.28**	0.47**	1.00	
8.Size of Winery	0.18**	0.06	0.18**	0.02	0.25**	-0.15*	-0.09	1.00

** = P < 0.05

Exhibit 7
Export Performance Correlations With Intermediary Factors (N=133)

	1	2	3	4	5	6	7	8	9
1.Financial Performance	1.00								
2.Performance Satisfaction	0.66**	1.00							
3.Strategic Performance	0.75**	0.60**	1.00						
4.Exports as % of Sales	0.51**	0.39**	0.48**	1.00					
5.Intermediary Effectiveness	0.41**	0.61**	0.34**	0.35**	1.00				
6.Communication Quality	0.29**	0.47**	0.23**	0.33**	0.77**	1.00			
7.Goodwill	0.20**	0.35**	0.21**	0.28**	0.60**	0.54**	1.00		
8.Integrity	0.29**	0.42**	0.27**	0.33**	0.73**	0.65**	0.71**	1.00	
9.Size of Winery	.18**	0.06	0.18**	0.02	-0.03	.05	-0.09	-0.06	1.00

** = P < 0.05