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# The emergence of wine tourism in Ningxia, China

*L'émergence de l'œnotourisme dans le Ningxia, Chine*

15 December 2021.

**Beifang Zhai, Joanna Fountain Michael Mackay**

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PREO

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Introduction

Methodology

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## **Introduction**

- 1 Wine tourism refers to a range of experiences centred around wine. This includes visiting wine regions, vineyards and wineries, or attending wine events in order to taste and learn about wine (making) and wine culture, and often to purchase the product<sup>1</sup>. Considerable research over two decades has explored the nature of the wine tourism experience of both demand and supply side stakeholders in many renowned wine regions worldwide, but there has been very little research exploring the emergence of wine tourism in the burgeoning wine industry in China. To address the gap, this paper outlines the development of wine tourism in the Ningxia wine region, primarily from their perspective of key wine stakeholders. It focuses on the characteristics of wine tourism and wine tourists in the Ningxia wine region, and the benefits and challenges wineries face in building a loyal wine consumer market through this activity.

- 2 Many wine-producing countries in the Old World and New World have developed wine tourism successfully, and there are a number of potential benefits from wine tourism for wine regions and individual wineries. At the regional level, wine tourism can help strengthen a regional brand (as a wine *and* tourism region), it can build tourist volumes, and can diversify and enhance local economies and amenities<sup>2</sup>. For wineries, benefits can include increasing sales and identifying new markets, improving margins on sales through a more direct distribution channel, developing (new) customer relationships, and building brand loyalty and awareness<sup>3</sup>. However, wine tourism is not a suitable option for all wineries, particularly small wineries, as there may be human, regulatory and financial costs, as well as challenges of seasonality and difficulties in access to markets<sup>4</sup>.
- 3 China has become the world's largest domestic tourism market; in 2017 there were 5.001 billion domestic trips worth around 680 billion USD, with this figure being a 15.9 percent increase over the previous year<sup>5</sup>. This expansion is due to sustained economic growth, a loosening of travel regulations, and an increase in personal income<sup>6</sup>. Chinese people generally travel to relax in different surroundings, and to experience, and learn, new things<sup>7</sup>; wine tourism can provide these opportunities. The rapid growth in the Chinese wine industry and the shift in consumer preferences towards wine consumption contributes to an increased desire to engage in wine tourism abroad and in China. Ningxia is an inland rural area with unique geography for wine growing and strong regulatory and political support from central and regional government to strengthen the wine industry.
- 4 The unique environmental geography in Ningxia has resulted in the rapid development of the wine region and wine industry since 1982. The Eastern Foot of Helan Mountain is located in what has become known as the "golden zone" for growing premier wine grapes, due to pollution-free and rich soil, reliable irrigation from the Yellow River, 3,000 hours of sunlight and less than 200 millilitres of rainfall annually<sup>8</sup>. Ningxia is the first region in China to operate under rigorous regulations for local viticulture and wine quality production and the first to become an official observer of the OIV (The International Organisation of Vine and Wine) in 2012<sup>9</sup>. The Ningxia government is also the first to manage the regional wine industry, which has been achieved through the establishment of a bureau at the provincial level

- the Administration of Development of Grape Industry of Ningxia (ADGIN). The region has around 43,333 hectares of vineyards and produced 120 million bottles of wine in 2018, making it the largest region for grape cultivation in China and the second largest in the world after France's Bordeaux. There are currently 86 established wineries and 113 new wineries being built<sup>10</sup>.
- 5 Tourism is an important element of in the story of Ningxia's development, with the regional government's goal of bringing in at least 1 million domestic and international tourists by 2020<sup>11</sup>. There are many qualities to attract tourists to Ningxia. The province is well known for its Hui ethnic minority architecture and culture, unique cuisine, and boutique wineries. Ningxia is the only wine region having wineries built in different architectural styles including Chinese, Muslim, and French<sup>12</sup>. Various wine tourism activities help to promote and communicate with wine consumers and visitors in terms of wine exhibitions, winemaker dinners, and open days. According to the official vision of the sustainability of wine industry in Ningxia reported by ADGIN, a wine tourism infrastructure will be designed by Ningxia government<sup>13</sup>. This study explores the key stakeholders' perceptions of the role of wine tourism to the wineries and the expectations of the wine tourism development any further in Ningxia wine region.

## Methodology

- 6 In order to address the objectives of this study, qualitative (interpretive) research methods were used to understand the phenomena and construct meanings. The primary research for this project was based on field observations and semi-structured in-depth interviews with winery managers and owners, and two government officials in the region. As per previous studies of wine regions, a wide range of stakeholders and key informants were spoken to ensure a full picture of the wine tourism development. Initial scoping work (a stakeholder analysis) points to 36 classified wineries in the region of various organisational structures, ownership models, sizes and stage of development. Therefore, a sample of 24 wineries was selected from these wineries, the main goal being to ensure that the study includes a good representation of the different business models and sizes. All wineries included in the survey sample have at least basic facilities to

host visitors in terms of tasting room, cellar and walking trail and accommodation according to the compulsory evaluation requirement of Ningxia winery classification. The same applied with respect to government agencies involved in wine developments in the area. All interviews were conducted face to face with consenting research participants and observational data were collected in the form of field notes and where appropriate, photography. The results were based on the analysis from interviews and personal observations in Ningxia wine region.

- 7 Most respondents agreed that benefits could be gained from wine tourism activities including enhancing regional identity and wine brands and increasing cellar door sales. However, most of them were personally unwilling for their winery to be significantly involved in wine tourism due to the challenges they felt existed, which outweighed the potential positive benefits. These challenges included the high human and financial cost of involvement, the fact that wine tourism was time and energy consuming but yield or returns from tourists is low. As one winery owner reported: "the cost of serving a guest is much higher than selling a bottle of wine". Another winemaker mentioned the impact of the time commitment to wine tourism: "An excess of receptions actually influences my regular work and my private time."
- 8 Other limiting factors included the lack of transportation system and public tourist information and service centres. This means that at the level of the individual winery, although tourism facilities are required in order to be added to the Ningxia Winery Classification system, in reality, very few of the 36 wineries open on a regular basis to the public with accommodation and catering capacity. Wine tourism in the region remains under-developed, and there is scepticism about the value of the activities, when other opportunities are considered. For example, some respondents felt that at this time the focus should remain on producing top quality wine; tourism was a distraction. One winery owner acknowledged that their focus was on winning wine awards, which they had done already, so that "although many visitors are coming to us, we insistently focus on wine producing not tourism and have no plan to develop wine tourism now." Another winery owner stressed that wine quality had to come first, before wine tourism. He said:

"Wine tourism plays an effective role in promotion but need to be based on the quality wine that is the core aim of wineries. We will not develop wine tourism until the establishment of wine brands"

- 9 Another issue faced is that currently most winery visitors are perceived as less interested in wine and wine knowledge and more interested in the natural scenery, the amenities of the wineries and opportunities to relax that winery settings provided. Many winery stakeholders report that at the present time, winery visitors are seeking 'agri-tainment' from their experiences, rather than focusing on wine related activities. For this reason, many boutique wineries currently refuse to accept general visitors, limiting access to industry insiders and experts. Other wineries charge a high reception fee to 'screen' visitors, resulting in higher sales and increased brand loyalty. As an example, one winery with a favourable location for wine tourism, similarly felt "wine tourism isn't suitable for my winery", explaining:

"In the past, we served some tourists, but ... I think visitors have no wine knowledge and interests with no respect to our winery and wine. I prefer to promote mystery marketing campaign like other famous wineries in the world, as our target are high level industrial insiders and high-end consumers".

- 10 Another winery had made something of a compromise. Having established a winery with a Chinese garden and architectural style of Han Dynasty, and actively promoting wine tourism in the past, now they were taking a more measured and targeted approach:

"We opened free for the public before, but most visitors without basic wine knowledge experiencing wine tourism as agritainment actually had serious negative impact on the environment and vineyards. Currently, we do not promote the tourist spots and begin reservation to limit the number (less than 300) per day. The winery is still free but other facilities and vineyards only open for membership. We would like to provide best service for targeted consumers".

- 11 On the other hand, several local brands and one large national wine company with a presence in Ningxia had developed a strategy and

commitment for wine tourism and had more involvement in tourist activities, including establishing a wine museum or wine culture exhibition, holding festivals and events, building more tourism amenities as well as hosting tourists for tasting. For these respondents, while the reputation of this region is growing in China and internationally, they see great potential for entities to work together to build a unique regional brand focused on high quality wine, and to build brand loyalty with domestic and international visitors. Wine tourism development provides an opportunity to achieve these ends in the eyes of some stakeholders and provides a distribution channel for wineries via direct sales. For example, one chateau has collaborated with the local tourist bureau and is included in a tour route, and as a consequence sells a majority of its wine through the cellar door. This is one of the few wineries investing more money into wine tourism, besides good sales, more benefits have been earned in terms of customer loyalty and wine branding. Another well-known winery makes a profit from the entrance fee charged. Another winery, part of an ecotourism resort, combines wine with other agri-foods to create a unique tour experience, while another winery attracts visitors with a range of activities and events, only some related to win, including outward-bound activities, fishing, fruit and vegetable picking, a home-made wine festival and company training and annual party.

- 12 As stated above, a wine route has been built which includes themed road signs, and online maps mark the location of most wineries. However, the building of other tourism infrastructure by Ningxia's government, such as tourist service and information centres, remains at the planning stage. There are plans also to collaborate with Ningxia Tourism Bureau to design a more comprehensive series of wine routes and provide training to tour guides and winery staff in both wine knowledge and service delivery, but at the moment the government sees winery tourism as the responsibility of each winery. As a government official suggested:

"currently [wine tourism] is developed by an individual winery. The sense of tourism is at a primary stage for most wineries. In the governmental research last year, human resources with both professional tourism and wine background were in short supply. Regional wine tourism needs long time, at least 20 years, to develop, longer than a regional brand".

- 13 To date, therefore, Ningxia has not established a regional identity of a well-known wine region, or a wine tourism destination, except amongst industry insiders, experts and wine lovers. There is a general expectation, however, that with further government investment in wine tourism infrastructure and training, wine-interested visitors will begin to arrive; when that happens, a number of boutique wineries expect to develop their wine tourism facilities, based on high reputation, increased visitor numbers, and well-matched regional tourist centres. Moreover, with the support from the regional government, Ningxia has a potential to establish a regional identity of the “Wine City in China” in terms of landmarks, buildings, transportation transits with wine culture elements and professional service in hospitality industry.

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## English

This paper outlines the development of wine tourism in the Ningxia wine region, primarily from the perspective of key wine stakeholders. Based on field observation and semi-structured in-depth interviews with 24 winery managers and owners, and 2 government officials in the region, it reveals that wine tourism development provides an opportunity to build a unique regional brand focused on high quality wine, to build brand loyalty with domestic and international visitors, and to provide a distribution channel for the wineries to enhance sales directly. To date, however, wine tourism in the region remains under-developed, and there is scepticism about the value of the activities, when other challenges are considered.

## Français

Cet article décrit le développement de l'œnotourisme dans la région viticole du Ningxia, essentiellement du point de vue des principaux acteurs du sec-

teur. Sur la base d'observations sur le terrain et d'entretiens approfondis semi-structurés avec 24 directeurs et propriétaires de vignobles et 2 fonctionnaires de la région, il révèle que le développement du tourisme vitivinicole offre la possibilité de créer une marque régionale unique axée sur un vin de haute qualité, de fidéliser les visiteurs nationaux et internationaux et de fournir un canal de distribution aux vignobles afin d'augmenter directement les ventes. À ce jour, cependant, l'œnotourisme dans la région reste sous-développé et il existe un certain scepticisme quant à la valeur de ces activités, lorsque d'autres défis sont pris en compte.

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**Mots-clés**

tourisme viticole, région viticole du Ningxia, marque régionale

**Keywords**

wine tourism, Ningxia wine region, regional brand

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