Barriers to Vertical Integration between the Wine and Tourism Industries: The Case of Central Otago, New Zealand

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Abstract
This working paper explores, what can at times be described as, the sometimes-dysfunctional relationship between the wine and tourism industries in New Zealand. Relationships between wine and tourism have existed since Greek and Roman times, but it is only recently that governments and analysts have begun to recognise the value of supporting and encouraging formal network and cluster behaviour between the two. Following Michael Porter's (1990) seminal work on clusters, many authors have discussed the value of networking and clustering for both the wine and tourism industries, including several studies focusing on Australasia, South Africa, parts of North America and various regions in Europe. However, while many empirical studies have explored the benefits of such relationships and, indeed, highlighted the success stories, few have presented barriers that need to be overcome in developing such relationships. This paper highlights the perceived and structural/physical barriers to formal vertical integration between the wine and tourism industries faced by the Central Otago wine region. The paper concludes by suggesting that, while the specific findings are limited to the case study region, perhaps the lessons learned could be of wider significance.

Introduction

The very concept of wine tourism suggests that opportunities for network and cluster development abound, as wine tourism is the symbiotic relationship between two very different industries: one based on agriculture and manufacturing and the other service (Mitchell, 2004). In fact, relationships between wine and tourism have existed since Greek and Roman times (Getz, 2000), but it is only recently that governments and analysts have begun to recognise the value of supporting and encouraging formal cooperation between these two industries (Hall *et al*., 2000). This support has grown out of a recognition of the benefits for regional development from less formal cooperative projects, such as wine trails in Australia and New Zealand, *La Strada del Vino* in Italy, *Die Weinstrasse* in Germany and the *Route des Vin* in France (Hall, Johnson & Mitchell, 2000; Mitchell, 2004; Mitchell & Hall, 2006)**.**

In recognising wine tourism cooperation, academics and governments identify the related concepts of '*networks*' and '*clusters*' as crucial to our understanding of such behaviour. As Hall, Cambourne, Macionis and Johnson (1998) suggest the notion of networking (networks) is not a new phenomenon and this has received considerable attention from academics and governments for at least two decades, most notably amongst researchers and proponents of innovation and regional development. According to Hall et al. (2000, p. 206):

> Networking refers to a wide range of cooperative behaviour between otherwise competing Organisations and between Organisations linked through economic and social relationships and transactions. … Networks involve firms of all sizes in various combinations: they can be locally or internationally based, they can occur at all stages of the value chain, and they range from highly informal relationships through to contractual obligations.

Clusters are an important subset of networking behaviour and been the cornerstone of the New Zealand government's regional development programme since 1999. Clusters are an expression of cooperative behaviour which sees businesses and organisations agglomerate around a core industry surrounded by supporting and related industries in close geographical proximity; together creating a complete value chain (Porter 1998). Michael (2003) also differentiates between clusters and '*micro-cluster*', suggesting that, as unit of analysis, the micro-cluster highlights problems at an individual location and the issues faced by the individuals that live there, rather than more generic macro-level issues of national or regional economies.

It is possible to identify relationships that exist within a single industry (e.g. within the wine industry) or between industries (e.g. between with wine industry and tourism industry) in the value chain. Telfer and Wall (1996) use the term '*horizontal linkages*' to describe inter-organisational relationships within one industry and '*vertical linkages*' to define relationships between various sectors. While it is relatively easy to identify many examples of horizontal integration in wine tourism around the world (e.g. wine routes), examples of vertical integration are less apparent (Hall et al., 2000)

This paper presents one element of a qualitative study of key informants from the Central Otago (New Zealand) wine and tourism industries that explored the nature of relationships within and between these industries. The focus of this paper is the barriers faced to vertical integration and the development of more effective value chains.

Wine Tourism and Wine Networks & Clusters

There have been a number of studies that have explored the role of cooperative behaviour between the wine and tourism industries, including several studies focusing on Australasia, South Africa, parts of North America and various regions in Europe (refer Table 1). According to Hall et al. (2000, p. 208), "…in the context of wine tourism such networks are critical as there is a need to create linkages between businesses which have previously identified themselves as being in separate industries with separate business foci." As such, true wine tourism network development will see integration both horizontally and vertically (Mitchell 2004). To this end Porter's (1998) work on the Californian wine cluster highlighted a series of horizontal and vertical relationships between organisations within the cluster and inter-cluster cooperation with other related clusters in California. Telfer's (2001a) study of the Niagara wine tourism cluster also identifies interactions between wine and tourism organisations, inter-cluster cooperation (including cooperation with the agricultural clusters and food clusters), cooperation with industry-wide organisations (such as wine councils and marketing committees and the visitor bureau) and governmental and research bodies (see also Telfer and Wall, 1996 for a similar study in Canada).

In New Zealand, despite some recent national examples of cooperative behaviour (most notably the formation of the *New Zealand Food and Wine Tourism Network* (NZFWTN)), few regional or local initiatives could be considered as being vertically and horizontally integrated, for most are dominated by either the tourism or the wine industry members. Three of New Zealand's ten official wine regions have the most advanced levels of cooperation: Wairarapa, Marlborough and Hawke's Bay. In each of these regions winery visitation is a core element of the tourism product (Mitchell & Hall, 2000; Hall & Mitchell, 2002) and, as such, the wine industry is a key part of the tourism product offering. Wineries are therefore active in tourism product delivery and in regional tourism organisations. Wairarapa, Marlborough and Hawke's Bay are also actively participating in formal inter-regional (e.g. *Classic New Zealand Wine Trail*) and national (e.g. NZFWTN) networks. Other wine regions, such as Gisborne, Auckland, Canterbury, Nelson and Waikato/Bay of Plenty, on the other hand, exhibit only a limited level of formal interaction between the tourism and wine industries.

Table 1: Studies of Cooperative Behaviour Between Wine and Tourism Industries

Area	Author(s)	Wine region studied
Australasia	Hall (1996; 2002; 2003; 2004)	Various
	Hall et al. (1998)	Various
	McRae-Williams (2002; 2004)	Bendigo, Victoria
	Simpson & Bretherton (2004)	Northland, New Zealand
South Africa	Bruwer (2003)	Stellenbosch
	Meyer (2004)	Various
North America	Dodd (1995)	Texas
	Telfer (2001a; 2001b)	Niagara, Ontario
	Wilkins & Hall (2001)	Alberta
	Barham (2003)	Missouri
	Taylor, Woodall, Wandschneider & Foltz (2004)	Canyon County, Idaho
Europe	Hall & Mitchell (2000)	Various Mediterranean
	Arfini, Bertoli & Donati (2002)	Parma, Italy
	Correia, Passos Ascenção & Charters (2004)	Bairrada, Portugal
	Karafolas (2005)	Macedonia, Greece

Hall (2003) contrasts the approaches of the Hawke’s Bay and Marlborough regions, suggesting that Hawke’s Bay’s food and wine tourism network development is significantly more advanced than its famous counterpart. In 2000, the *Hawke’s Bay Food and Wine Group* was established following a private sector initiative to establish a strong regional brand identity that would benefit the individual members of the group. After its foundation, the group developed promotional brochures, expanded signage, and created a regional tourism brand, *Hawke’s Bay Wine Country* (Hall, 2003) and an export-led network, *Food Hawke’s Bay*. *Hawke’s Bay Wine Country Tourism Association Inc.* now also receives public sector funding and works closely with the local regional tourism organisation (HBWCTA, 2004).

Despite Hall’s (2003) suggestion that there is little evidence of cooperation between the wine and tourism industries in Marlborough, and some reports of disagreements between the two industries on matters relating to tourism (e.g. McIntyre, 2005), recent activities suggest that this is set to change. Indeed, some of the more recent innovations in the Marlborough region highlight the emerging degree of cooperation between the two industries, including:

- The *‘Love Marlborough’ brand*: designed to encompass tourism, wine, seafood and other food products from the Marlborough region (Cluster Navigators Ltd, 2001);
- Membership of the *Marlborough International Marketing Group*, a tourism marketing initiative, now includes two wineries (Destination Marlborough, 2005a);
- Allan Scott, a prominent Marlborough winery owner, is a member of the six member *board of Destination Marlborough*, the local regional tourism organisation (Destination Marlborough, 2005b);
- Marlborough is a founding member of the *Classic New Zealand Wine Trail*, which is a commercial venture that cooperatively markets wine tourism activities in five regions; and
- Marlborough members of the *New Zealand Food and Wine Tourism Network* are active participants in their cooperative activities.

Hall (2003) suggests that regions that are less developed in terms of wine and tourism industry cooperation are inhibited by a number of barriers to the creation of effective links. The most notable of these barriers, Hall suggests, include:

- Poor perceptions amongst wineries of the benefits of tourism for the wine industry
- A dominant product focus on the part of many wine producers
- A lack of experience in and understanding of tourism within the wine industry
- A lack of entrepreneurial skills and abilities with respect to marketing and tourism product development
- Spatial separation – distance between vineyards and physical and perceived barriers to access
- Administrative separation – in particular multiple public administrative agencies within a region
- The lack of 'champions' to promote formal cooperative behaviours.

While there is some empirical evidence to support some of Hall's (2003) assertions relating to barriers to cooperation (e.g. research into the wine industry's perception of tourism by Johnson, 1998 and Christensen, Hall & Mitchell, 2004), there have be few, if any, studies of such barriers. The study that is the focus of this paper attempts to provide evidence of these and other barriers to vertical integration between the wine and tourism industries. Before discussing the findings of this study it is useful to provide some context for the study, especially in terms of public policy relating to networks and clusters.

Case Study Context

New Zealand Government, Networks and Clusters

The New Zealand government follows the *New Regionalism* model for development which "…tends to favour bottom-up and region-specific policy actions, based on regional governance" (Nischalke & Schöllmann, 2005, p. 560), and this has been used to develop a planning concept known as *Regional Innovation Systems*. According to Nischalke & Schöllmann (2005) Regional Innovation Systems result in collaborative efforts which, when combined with geographic proximity, result in innovative idea and knowledge generation. While a key component of this approach arises from the spatial concentration of firms, it also includes aspects of regional research and development infrastructure, and seeks to incorporate the brokers between supply and demand (e.g. technology brokers and venture capitalists). However, Nischalke & Schöllmann (2005) also point out that there are significant barriers to the implementation of this approach in New Zealand, including low population density, isolation and the distance to the main markets (e.g. Japan, USA and UK), and the significant limitations imposed by its physical geography – a long narrow country with high mountain ranges. In fact, until recently, the barriers have not been limited only to physical ones; with Oram (2003), for example, suggesting that past government policies and business attitudes have severely stifled the development of clusters in New Zealand. Even Michael Porter's assistance could not help, with Oram (2003, n.p.) noting that:

> More than a decade ago, Michael Porter, the Harvard Business School guru of economic development, identified the power unleashed by clusters. The message was so inspiring for small New Zealand companies that the government of the day paid Porter to tell us how to do it. But the so-called Porter Project, in the early 1990s, flopped. Lacking buy-in from a laissez-faire government and "kill-not-cooperate" industries, clustering was shuffled off into the too-hard basket.

However, successive Labour governments, first in 1999, again in 2002 and most recently in 2005, have developed and implemented a pro-cluster/network 'whole of government' approach to regional development (Nischalke & Schöllmann, 2005). Following the 1999 election the Ministry of Economic Development was established by the Labour-led government. It set about preparing a 'blueprint for economic growth' in its *Growing an Innovative New Zealand* (or Growth Innovation Framework). The Ministry of Economic Development is responsible for policy relating to economic, regional and industry development and works closely with New Zealand Trade and Enterprise (NZTE) to design and implement programmes that deliver these policies. NZTE was formed in 2003, as a merger between 'Trade New Zealand', which had been established in 1991 by the National Party Government of the time, and 'Industry New Zealand', which had been established in 2000 (NZTE, 2004). The new entity is charged with implementing the Ministry of Economic Development's core initiatives: including the *Cluster Development Programme* (CDP) and the *Regional Partnerships Programme* (RPP) amongst others (Nischalke & Schöllmann, 2005). The RPP is the principle fund for regional development and provides up to $NZ2 million per project for major regional initiatives. Meanwhile, the CDP is focussed entirely on supporting the development of industry-based clusters, and has provided seed funding for dozens of projects for formal cluster start-ups. Funding of NZ$3.35 million has been distributed under the CDP between February 2002 and June 2005, including four wine-related and four tourism-related projects - receiving a total of around ten per cent of all CDP funding.

The CDP has had benefits for the Central Otago wine region, as a wine cluster has been developed thanks to CDP seed funding. Central Otago Pinot Noir Limited (COPNL) (a wholly-owned company of the Central Otago Winegrowers Associated) was established to take advantage of this fund and they received $61,625 between 2003 and 2005. Interestingly, membership of COPNL is limited only to registered winegrowers from Central Otago and, as such, cannot reap the benefits of Porter's (1990) true notion of clustering, which would see all types of businesses in the wine value chain be active members of the cluster. This also severely limits the value of COPNL as an organisation that could provide the infrastructure for the development of a vertically integrated formal wine tourism cluster. This rather insular by the wine industry is supported by the government policy that funded COPNL and is also reflected in wineries' attitudes towards tourism in New Zealand.

Winery Attitudes Towards Tourism in New Zealand

Hall et al. (2000, p. 217) suggest that in New Zealand, "while positive attitudes towards wine tourism are often strong in the tourism industry there appears to be a much lower level of support in the wine industry." Johnson (1998, p. 97) also found that "… wine producers perceive an imbalance in the partnership between the wine and tourism industries, with the wine industry having more to offer the tourism industry than vice versa." As a result, network development between the industries is uneven, and barriers often exist that reduce the capacity to establish inter-firm cooperation (Hall, 2003). One such barrier appears to be that many wineries do not recognise that they too are part of the tourism industry, for they perceive the region's visitors as *customers* at the winery. As one Martinborough winery put it: "As I don't consider being a tourist operator [sic], I am in the business of selling my wine, all the rest is carried out by us to welcome people to us" (Hall et al. 2000, p. 216). Despite this, there are still many wineries that do see the benefit of cooperation between the wine and tourism industries. According to Hall et al. (2000, p. 217), this was even prevalent amongst those that had a generally negative view of tourism, including one Central Otago winery that "… noted that New Zealand wineries were 'Just babies at wine tourism . . . [We] need local and central government financial assistance to get further down track'."

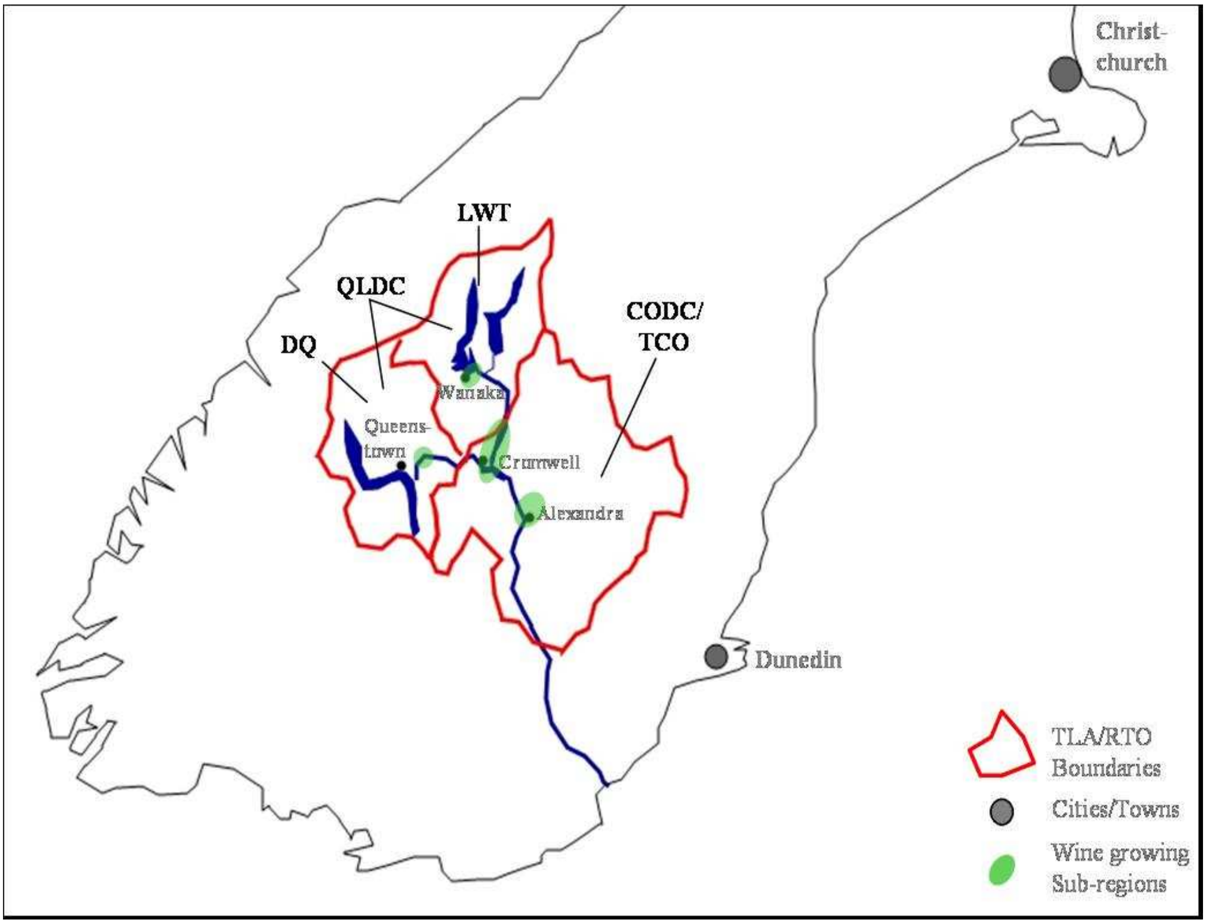
The Case Study

It is within this context that a study of the Central Otago wine region was carried out to further illuminate the nature of relationships within and between the wine and tourism industries in Central Otago (see Schreiber, 2004). The study used key informant interviews with eight stakeholders in the wine and tourism industries, as well as one other from an independent business development agency, to assist in identifying the potential for – and the barriers against – formal (horizontal and vertical) wine tourism network development. A summary of the findings of this Central Otago case study begins with a brief insight into the region, its wine and tourism industries and the extent of wine tourism in the region.

The Central Otago Wine and Tourism Industries

The Central Otago region is located in the South Island of New Zealand. The region is administered by two territorial local authorities: the Central Otago District Council and the Queenstown Lakes District Council. There are three regional tourism organisations that service the needs of local operators: Destination Queenstown, Tourism Central Otago and Lake Wanaka Tourism (see also Figure 1). The region is dominated by its alpine geography and a number of natural and man-made lakes. It has a semi-arid continental climate that results in significant seasonal temperature contrasts (summer temperatures usually peaking at between 37°C and 45°C and winter temperatures plummeting as low as -10°C to -12°C). Along with impoverished soils, this marginal climate is ideal for growing stone fruit (e.g. premium grade cherries exported to Japan) and grapes (most importantly Pinot Noir).

Figure 1: Central Otago Regional Map



Territorial Local Authorities: QLDC = Queenstown Lakes District Council; CODC = Central Otago District Council. **Regional Tourism Organisations:** DQ = Destination Queenstown; LWT = Lake Wanaka Tourism; TCO = Tourism Central Otago.

While a lone Frenchman (Jean Feraud) had planted grapes in the region in the 1860s, this early phase of wine production did not last beyond the end of the 19th century. However, viticulture was reintroduced into Central Otago in the late 1970s and 1980s. Growth was slow in the first 15 years or so, but the last decade has seen the industry expand at around nine per cent annually (see Table 2) (Cull, 2001; Oram, 2004). Central Otago now has five per cent of the national vineyard area, with more than 75 per cent of the grapes planted being the Pinot Noir variety. The Central Otago wine region can be divided into four main sub-regions: Wanaka, Gibbston Valley (near Queenstown), Alexandra and the Cromwell Basin, which includes Bannockburn, Lowburn, Wanaka Road and Bendigo (Cooper, 2002).

Table 2: Central Otago Wine Region Growth Indicators: 1996 versus 2005.

RTO	Vineyard area (Hectares)	Winegrowers (Members of NZW)	Vintage (Tonnes crushed)
Year end 1996	92 (9)	11 (8)	376 (9)
Year end 2005	942 (4)	82 (3)	1,441 (6)
Average Annual Increase	9.0%	8.7%	7.4%

Note: Bracketed figure is rank out of New Zealand's nine wine regions.
Source data: New Zealand Winegrowers (2005)

Tourism has also been an important component of the Central Otago economy since at least the 1920s (Kearsley 1998). Table 3 demonstrates that Central Otago's three Regional Tourism Organisations have distinctly different visitation patterns. Queenstown is perhaps most well-known destination and is a highly developed mature resort, dominated by international tourism. Wanaka is known as the gateway to the Mt Aspiring National Park and is a secondary, but rapidly developing, resort town dominated by high-end second home development, ski tourism and summer outdoor pursuits and water sports. Finally the Central Otago region is a tertiary-level region, where tourism is less well-developed and international visitors are unlikely to stay. Both domestic and international visitors are attracted to the area's diverse and unique landscape of mountains, lakes and gorges, to its mixture of historical and cultural sites, and to its adventure and outdoor activities, as well as to its wine tourism services (Central Otago Economic Development, 2004; Queenstown Lakes District Council, 2004).

Table 3: Central Otago Tourism Performance Indicators (Year End 2004)

Regional Tourism Organisation	Visits (000's)	Nights (000's)	Spend ($millions)
Queenstown	1,743 (51%)	3,448 (64%)	473 (73%)
Lake Wanaka	677 (42%)	1,422 (40%)	148 (53%)
Central Otago	652 (8%)	976.2 (12%)	101 (14%)
All RTOs	3,072 (40%)	5,846 (50%)	722 (61%)

Note: Bracketed figure is the percentage attributable to international tourists.
Source Data: Tourism Research Council of New Zealand (2005)

Wine Tourism in Central Otago

A study of New Zealand winery visitors in 1999 (Mitchell, 2004), found that the visitor profile for Central Otago wineries is generally similar to that of the national sample – with a higher proportion of females, a significant majority from the Baby Boomers and Generation-X generations, and a predominance of well-paid, well-educated professionals. More than 90 per cent of visitors came from outside the region, including almost 20 per cent from overseas and almost two thirds stayed in the region for three to seven days. While staying in the region, winery visitors visited an average of three wineries, but less than 15 per cent were motivated to visit the region primarily for its wine and wineries (compared with more 39 per cent in Marlborough and 57 per cent in Wairarapa). This suggests that wine tourism in this region is an important *secondary generator* of visits. The main reason for visiting was general holidaying or touring and as such it is likely most visitors were attracted by a combination of the region's outstanding natural beauty and its many adventure and outdoor pursuits. The most enjoyable aspects of visits to wineries were reported as the wine, the level of service and the setting in which the grapes are grown, reflecting the region's growing reputation for quality wine, high levels of service and the natural scenery of the region.

Cooperative Behaviour by the Central Otago Wineries

It is useful at this juncture to highlight some of the key examples of wine and tourism related cooperative behaviour that exists within the region. Cooperative behaviour that was identified by the informants was largely *horizontal* in nature (i.e. either within the wine industry or within the tourism industry) and many of these could be considered to be a *formal*[1] network (e.g. the COPNL cluster or a supra-regional tourism marketing cooperative called *Southern Lakes Tourism*). Meanwhile the few *vertical* relationships that were evident remained largely *informal* (e.g. customer referrals between wineries and accommodations) (see Table 4). This study found that, while there was strong support for inter-organisational relationships amongst the key informants, the form that these relationships takes, and their intensity, varies substantially between the two industries and the particular location of the business within the region.

Table 4: Examples of Vertical Integration in Central Otago

Example	Evidence
Regional body cooperation	"… We [wineries] have relationships with the regional tourism groups in just presenting promotional material to them and just advising them of what's happening in the industry."
Sub-regional cooperation	"… the Gibbston/Queenstown wineries are much more aligned to Queenstown tourism activities and promotions"
Winery involvement in tourism	Membership of regional tourism organisation, mainly to gain access to visitor information centre. Best described as client-service provider relationship.
Informal relationships	"… We certainly have a relationship – far less formal – with wine tour operators, who either visit the winery to taste wine or to bring in clients to eat." (Wine Industry Informant)
Referral of clients	Some wineries refer their visitors to some accommodation providers, cafés and other attractions and vice versa. Largely based on personal relationships.

[1] "an 'informal network' consists of relations to friends, family and business contacts resulting from previous employment and work experience; a 'formal network' consists of relations to regional and national government agencies, consultants and advisors, such as lawyers, accountants and banks and other formal sources of help." Birley (1985, p. 109)

Hall et al. (1998) have described inter-organisational linkages as:

- *Dyadic linkages* – two organisations find they can gain mutual benefit in a common goal;
- *Organisation sets* – a cluster of dyadic relationships around a focal organisation;
- *Action sets* – interacting organisations working together to achieve a specific purpose; or,
- *Networks* – a (formal) group of organisations with common organisational ties with an identifiable bounded inter-organisational system.

Each of Hall et al.'s (1998) classifications is more complex than the previous, with only *networks* being a full expression of cooperative behaviour. These classifications can be used in combination with Telfer and Wall's (1996) distinction between horizontal and vertical relationships (see discussion above) to classify the relationships that exist in Central Otago (See Table 5).

Table 5: Existing Network Categorisations and Intensity in Central Otago

<table>
<tr><th colspan="3">Inter-organisational relationships</th><th>Existing relationships in Central Otago</th></tr>
<tr><td rowspan="2">Informal</td><td>Vertical</td><td>Dyadic relationships</td><td>• Winery & tour operator
• Winery & other tourism operator
• Winery & Otago Polytechnic</td></tr>
<tr><td>Horizontal</td><td>Organisation sets</td><td>• Cooperation between cellar door managers/ owners within sub-regions: e.g. Bannockburn, Alexandra & Gibbston Valley</td></tr>
<tr><td rowspan="3">Formal</td><td>Horizontal</td><td>Action sets</td><td>• COWA</td></tr>
<tr><td>Vertical</td><td>Action sets</td><td>• Visitor centre, RTO or promotion group with individual winery
• Visitor centre, RTO or promotion group with COWA or COPNL</td></tr>
<tr><td>Horizontal</td><td>Networks</td><td>• Southern Lakes marketing collective
• COPNL</td></tr>
</table>

Adapted from Schreiber (2004)

As such, the relationships identified in this study suggest that the vertical integration between the wine and tourism industries of Central Otago is somewhat limited (i.e. they are largely limited to informal dyadic relationships between individual organisations and simple action sets based around Regional Tourism Organisations and visitor information centres). Some positive attitudes towards inter-sectoral co-operation are evident, most notably including: high recognition of the value of the two industries working together (especially around Queenstown), and; strong networking relationships within each of the wine and tourism sectors (especially wine). However, there appear to be several barriers to vertical integration between the Central Otago wine and tourism industries.

Barriers to Inter-Organisational Relationships

The first identifiable barrier to vertical integration and cluster formation is the perception that wineries are not part of the tourism industry. This view is relatively widespread in Central Otago, reflecting Hall et al.'s (2000) findings across New Zealand. For example, one respondent stated that, "… we see ourselves primarily as winemakers", while another explains that "a lot of people in the wine industry don't understand that they are in the wine tourism industry. They don't see that they *are* in the tourism industry." It is interesting to contrast this view with generally positive views of the potential for tourism to assist the wine industry in

Central Otago. For example, one respondent from the wine industry remarked: "… There is probably no other wine region in New Zealand that would have such a great concentration of international visitors on its doorstep. So the potential for wine tourism is massive and I think there are a lot of untapped opportunities there." Meanwhile another lamented that in New Zealand more broadly there was not a more cooperative effort: "… I think as a country we should do more together. We are not good at promoting ourselves together."

However the perceived divergence of the wine and tourism industries is not uniform across the region and depends at least in part on the stage of development of tourism facilities in the wine growing sub-region. According to a tourism respondent, one way this is manifest is the different, number, scale and style of cellar door developments across the region that largely reflect a higher concentration of international visitors the closer you get to Queenstown. The respondent highlighted that this was no different to tourism infrastructure more broadly (e.g. accommodation, cafés, restaurants, etc). As such, those with a high level of cellar door sales to visitors have a more obvious appreciation of their role in tourism.

There also seemed to be a strong correlation between the proximity of the wineries to Queenstown, their own level of tourism development and their propensity to be to proactively engage with the tourism industry. This can be contrasted with other parts of the region that are at a distance to the tourist flows generated by Queenstown (most notably the Alexandra Basin) were less likely to pursue tourism as a core part of their business and therefore were far less proactive in developing partnerships with tourism operators. Perhaps the sub-regions with the greatest propensity to be involved in tourism are the Gibbston Valley and Bannockburn sub-regions, which might be considered to be more 'sophisticated', with both regions having several purpose-built facilities to better cater for tourism needs. One respondent suggested that this also reflected the foresight and risk-taking of just a few of the region's modern wine industry pioneers, in particular he suggested that "… Alan Brady is the innovator, who started Gibbston [Valley] off and his winery [Gibbston Valley Wines] has moved into expansion now … [with a]… cheese factory, cave tours, restaurants and a big range of merchandise." Other Gibbston Valley wineries have followed suit, with six significant cellar door developments, some with cafés and restaurants incorporated and all targeting both the retail and wholesale tourism market. Of the other sub-regions Bannockburn has been the most prolific in terms of tourism development, with five similar developments. However, only one of the Alexandra wineries offers year-round cellar door facilities, with the remaining four open only during the summer season or by appointment.

These sub-regional differences in tourist flows and cellar door facilities are also likely to have a significant impact on the level of cooperation that is driven by tourism, with the vast majority of wine tourism operators, other tourism attractions and tourism services being concentrated in Queenstown. As such the Gibbston Valley wineries, all less than 30 minutes from Queenstown and on the major highway in and out of Queenstown, are seen as natural partners for tourism operators who have wine as part of their offering.

It can also be suggested that the differences between the sub-regions reflect, at least in part, the history of the Central Otago wine industry. For example, wineries around Alexandra, established in the 1980s, were "pioneers" and lacked the resources to invest in sophisticated tourist facilities. However those around Bannockburn had a more entrepreneurial, strategic focus from the beginning, as they were established in the 1990's, a time when more money was available to invest in the construction of propose-built cellar door facilities and many of the risks associated with wine growing in the region had already been identified and mitigated by the pioneers of the 1980s. The Gibbston Valley was also first developed in the 1980's, but the location meant that even the pioneers developed cellar door facilities from the outset. As one operator put it: "… Chard Farm and Gibbston Valley [Wines] were the leaders [of wine tourism]… Their positioning [geographic location] is fantastic. They couldn't get a better position at the main road." While another suggested: "… Queenstown wineries [are] taking advantage of the tourists on their doorsteps." Despite this view, it remains moot as to whether or not Alexandra wineries would have a greater level of tourism development if they had been developed in the 1990s and not the 1980s. Certainly, an Alexandra wine producer that established in the 1990s has had a cellar door with café from its inception, and another of the original 'pioneering' companies has recently built a café and tasting facility at a more strategic location away from their original site. Interestingly, however, both businesses rely heavily on local patronage at their cafés, and it could be suggested that these developments meet a gap in the local dining market rather than any tourism demand.

Another significant barrier that was commonly referred to by the respondents was a perceived lack of cohesion within the tourism sector. In particular, the fact that the wine region is controlled by three Regional Tourism Organisations appears to be a cause for concern, particularly amongst the wine industry respondents. Several appear to believe that the structure of the tourism industry, with its various promotions groups, is ineffective; as one said: "… The wine industry position is that all of the tourism groups should be amalgamated into a single body", or in the words of another: "… I believe the structure of the promotion groups involved in tourism generates a lack of cohesion in that sector." Indeed, the attempt to form a broader regional – Southern Lakes – marketing collective in the 1990s did appear to be the best way forward for improved networking potential, but the withdrawal of Tourism Central Otago from these initiatives seems to have caused somewhat of a rift with the other regional partners.

This apparent lack of cohesion amongst the Regional Tourism Organisations is in stark contrast to the wineries in the region which co-operate across the wine region despite local authority political boundaries. However, the tourism respondents considered that joint promotion of the region is not possible, precisely because of these political boundaries and the different ways Regional Tourism Organisations are funded. For instance, Destination Queenstown is funded by membership fees from participating tourism businesses as well as a levy on tourism businesses, whereas Tourism Central Otago is funded by ratepayers as a whole. According to a tourism industry respondent in Queenstown, those funding Destination Queenstown "… don't like spending [their] money in Australia promoting [Tourism] Central Otago product." It was also suggested by another tourism stakeholder that the differences in the stages of tourism development meant that Destination Queenstown and Tourism Central Otago necessarily had different objectives. Destination Queenstown's focus is to promote and market the Queenstown region, while the Central Otago is still not yet fully developed and, hence, part of the role of Tourism Central Otago lies in the development of products, the education of operators and the introduction of different distribution channels.

It was also suggested that there were some issues of parochialism within Central Otago wine region that act as significant barriers to wider co-operation. In particular, the different stages of development between Alexandra and Cromwell have created a long standing sense of animosity between the towns. As one respondent stated: "… There has always been issues [sic] with Alexandra and Cromwell. Alexandra was seen as the service town yet Cromwell is positioned in the middle of the region and feels it should be the main town." Alexandra is also the administrative location of the Central Otago District Council, as well as Tourism Central

Otago, and among some Cromwell residents it seems there is a perception that this is retarding growth in Cromwell, which may have a greater potential for development in tourism, wine and other economic activities. For example Cromwell has a well developed social infrastructure and housing capacity, which was built to support hydro-electric dam development in the 1980s, which in turn has created an attractive lake surrounding the town; it has land available for more grape planting and a significant investment in winery development; it is located on the main route into Queenstown for international visitors and lies at a major cross-roads for domestic tourists; and it is proving to be an attractive location for the movie industry and vehicle testing by major car manufacturers. In this instance, then, there are perhaps good grounds for local rivalry. Such rivalries have also recently been played out between Queenstown and Wanaka (both in the Queenstown-Lakes District), with heated public debate about the level of representation that Wanaka has on the local district council highlighting underlying ill feeling between the two towns (Hazelhurst and Haggart 2006)

It should also be noted that there are significant topographical constraints, which on their own are not likely to stop effective networking, but serve to reinforce the other psychological and administrative barriers. Each winegrowing sub-region is separated from the other by a mountain range. The road between the Gibbston Valley (near Queenstown) and Bannockburn (near Cromwell) is normally around a 35-45 minute drive, but in winter it can be difficult to negotiate. There are two roads between Gibbston Valley and the Wanaka sub-region, one of which is New Zealand’s highest sealed road and can be closed in winter and the other includes the stretch between Bannockburn and Gibbston Valley. The travelling times between the wineries that are furthest apart could be as little as an hour in summer, but as much as two in winter. Needless to say, while the actual distances are not long, the presence of mountain ranges between the sub-regions, the treacherous nature of winter driving and the time taken to drive between the sub-regions mean that, without a strong desire and otherwise conducive conditions for networking behaviour, a formal wine tourism network is difficult to maintain across the broader region.

Overcoming the Barriers(?)

Despite the presence of these barriers, there was some optimism that there could be greater vertical integration in the future. Two respondents associated with the tourism industry were very positive about the future: both pointed to the launch of the New Zealand Food and Wine Tourism Network (NZFWTN) in October 2004, suggesting that this offered the potential for industry stakeholders to work more closely together and could be the catalyst for a more formal regional wine tourism network. However, wine industry stakeholders expressed concern about the operational effectiveness of the NZFWTN in the Central Otago context, one suggesting: “… We would have reservations about it. It wasn’t really trying to fit into the overall activities of wineries in the region. I think there is still quite a lot of work to do to develop that strategy into something which is operationally effective.” These concerns seem to stem from the lack of consultation with wineries in the region, as well as the rather cynical view that Hawke’s Bay and Marlborough wineries have developed the NZFWTN for their own benefit. Another wine industry respondent took this further, suggesting that “… it seems to me that we are better just starting a small group doing things like the farmers market. I don’t think it necessarily has to be driven from the top.” Another respondent involved in both industries believed that if the region wanted to develop a formal wine tourism network, it would be essential for the wine and tourism industries to first work together to develop a strategy for wine tourism in the region.

In general, respondents were positive about the concept of a wine tourism strategy as they knew of other regions in New Zealand and Australia that have successfully developed and implemented similar strategies. As one respondent in the wine industry states: "… Most things have been done before somewhere else. It doesn't take much for people to travel in the Barossa Valley [Australia] or in Hawke's Bay or in the Rheingau [Germany] to look and see what sort of wine tourism ideas work and what doesn't work." It is not surprising, then, that all respondents believed that more communication between the two industries is essential.

One significant unanswered question is who should take the lead in the development of this communication process? As the respondent associated with the economic development agency asks:

> "Is it another form of parochial behaviour? Possibly? Is it a lack of vision and dialogue between protagonists, or the fact that Regional Tourism Organisations are too scattered? I am not too sure, but this shows that a roundtable with representatives of both industries and representatives of local councils should be initiated. The question is who is prepared to take a lead on this?"

Opinions about who should take the initiative varied amongst respondents. One tourism stakeholder suggested that the wine industry could work under the umbrella of COPNL or the Central Otago Winegrowers Association, but the counter view from a wine industry respondent was that perhaps it was the individual wineries that should be taking the lead: "… I think it's up to the group of wineries [with a cellar door] to say we need to promote ourselves better in Queenstown and Wanaka … It all comes down to a user pays … for the wineries who have cellar door." It is also worth noting that the membership rules and mandates for the COPNL and the Central Otago Winegrowers Association expressly exclude non-wine-producing organisations and activities. This is further complicated by NZTE funding of COPNL, which seems to preclude activities not directly related to adding value exports of Pinot Noir. Some would argue that wine tourism could do exactly that, but it is unlikely that NZTE's notoriously anti-tourism Board would support such a move. Meanwhile, the economic development agency's representative said: "I think the initiative should be from the local councils or someone else, because it's a regional benefit." So, while there is agreement about the need for more dialogue, there is no agreement on who should lead the process. This would suggest that unless, as has been the case in regions like Hawke's Bay, there is an individual willing to *champion* a vertically integrated wine tourism network, there is unlikely to be any significant progress.

Conclusions

This study has explored the barriers to effective networking between the wine and tourism industries; as such it provides empirical evidence to support some of Hall's (2003) assertions relating to such barriers. Most notably, this study has found perceptions of tourism, spatial issues (but relating to distance from the tourism market rather than distance between wineries) and administrative difficulties (especially those relating to Regional Tourism Organisations) to be prominent. However the findings are not limited to a simple confirmation of Hall's (2003) work. There are several other findings that may have wider significance for vertical integration of these contrasting, yet symbiotic, industries. In this study at least, the key barriers to vertical integration between the wine and tourism industries can be divided into two main categories: perceived, and; structural/physical. Perceived barriers include the following:

- Wine industry perceptions that they are not part of the tourism industry and therefore do not see the true benefit of working with other tourism organisations.
- A perceived lack of cohesion between different Regional Tourism Organisations that limit their value for wineries.
- Underlying negative/competitive attitudes between towns in the wine region.
- No agreement on who should lead/direct development of a wine tourism strategy that might be the catalyst for more formal integration.

Meanwhile, while the following might be considered to be structural/physical barriers, it should be noted that these also have a significant psychological component to them:

- Wineries located away from the main tourism flows and centres of activity are at a natural disadvantage and therefore find it hard to justify including tourism in their core set of business relationships.
- The historical context for the development of the wineries impacting upon whether or not tourism is used as a core business strategy (i.e. those developed more recently were more likely to have a close link with tourism).
- The mountainous topography of the region.

This study has also found evidence to suggest that the benefits of vertical integration are recognised by both the wine and tourism industries. It is far from clear, however, how to convert this recognition into actions that will result in the development of more formal and productive inter-sectoral cooperation. What is clear though, is that the psychological nature of many of the barriers (i.e. most are perceived rather than real) would suggest that the barriers are not insurmountable. In this case study at least, with divergent opinions on who should take responsibility for initiating formal integration, there seems to be little prospect for cooperation in the near future and, in line with Hall's (2003) assertions, progress is likely to require the inception of an individual to 'champion' the cause. The structural/physical issues are less easily overcome and any strategy for formal integration would need to recognise the limitations of locations at a distance from the main tourist flows and the level of development at any location.

While these findings are specific to the Central Otago case study region and to the point in time at which the research took place, it is worth noting that at a more macro-scale Porter (1998) has also noted the existence of psychological (most notably a lack of perception of the need for change and inertia) and location barriers to entry into a cluster. As such this suggests that there may be valuable lessons for other wine regions and other cases of vertical integration. Perhaps the most widely applicable lesson is that, despite widespread recognition of the benefits of working together and, even with the removal of administrative barriers, it will not always be easy to initiate formal cooperation between the wine and tourism industries. In order for these barriers to be overcome an in-depth understanding of both the human and structural elements at play in a region will be vital in determining what, if any, policy mechanisms can be developed and implemented to support wine tourism clustering and networking initiatives.

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