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EXPORTING U.S. WINE TO THE DOMINICAN REPUBLIC

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ABSTRACT: The project's objective was to assess the emerging wine market of the Dominican Republic with the goal of identifying potential for exporting U.S. wine. Data Collection: The data were collected through the following activities:

- in-depth interviews with wine importers, restaurant, hotel, and resort managers
- wine consumer survey
- examination and assessment of retail price points and shelf allocation
- examination of wine lists
- examination of promotional and informational materials related to wine

Main Findings: Wine consumption began to experience rapid growth in the 1990s, surpassing an annual sale of over 100,000 cases to approximately 500,000 cases in the year 2000 (Hernandez, 2004). By the year 2001, beer and wine had experienced a 55% average growth (Mendez, 2002), and by 2007, wine consumption alone was estimated to be 7 million liters annually, valued at more than U.S. \$18 million dollars, with an expectation to grow (ProChile, 2010). Wine's popularity in the Dominican Republic is growing rapidly. Researchers found that increase in discretionary incomes and growing number of international tourists contribute greatly to this growth. As the largest Caribbean economy, the Dominican Republic averages about 6% in economic growth each year. In 2009, the gross domestic product (GDP) was estimated at \$45.6 billion, with the per capita GDP of \$ 8,648 , a much higher amount in terms of Purchasing Power Parity (PPP) than in previous years (U.S. Department of State, 2010). According to the U.S. Department of State (2010), tourism, transportation, communication, and finances comprise about 54% of the nation's GDP; it is expected that employment in travel and tourism industries will continue to increase. U.S. wines have increased their presence in the Dominican Republic due to increased exposure to consumers, changing consumption patterns, and lower transportation costs. Carlo Rossi is currently the best-known U.S. brand among the Dominican population. Overall, other than a few higher-end California wines, consumers are not generally willing to pay much for U.S. wines, as there is strong competition with Rioja wines. Although wine from various wine regions of the world is available in the Dominican Republic, the market is currently dominated by wine from Spain and Chile. According to the GAIN report of 2011, the U.S. has 14% of the total wine market share, after Spain (36%), Chile (27%), and Italy (15%). Argentina holds 5% and other markets 3% of the remaining market share. Almost all available wine in the DR is controlled by importers. The vast majority of importers interviewed agreed that the current wine market in the Dominican Republic is saturated. The U.S. high-end wines present the best market potential and a few importers indicated they are open to negotiate on these high-end wines. Retail is by far the biggest potential for imported wines, as the vast majority of Dominican consumers purchase wine for personal consumption or as a gift at supermarkets or liquor stores. All-inclusive resorts represent about 30% of the wine market in the DR. These resorts import wine directly and almost exclusively in bulk, mainly from Spain.

Keywords: wine market assessment, demand analysis, wine consumer survey, Dominican Republic

INTRODUCTION

With its recent growth in tourism and wine consumption, the Dominican Republic has potential for importing U.S. wine. The current project's objectives were to conduct an assessment of this emerging wine market with the goal of identifying the potential for exporting U.S. wine, which in turn, can benefit the economies of both countries. To meet the objectives, a combination of qualitative and quantitative data were collected through the following activities: in-depth interviews with wine importers, restaurant, hotel, and resort managers in the Dominican Republic; Dominican wine consumer survey; examination and assessment of retail price points and shelf allocation; examination of wine lists, and examination of promotional and informational materials.

Traditionally, beer and spirits have been the preferred alcoholic beverages, especially among rural, lower-income populations. In recent years, however, the market for wine is on the rise in the Dominican Republic. In 2010, for example, the annual growth of wine consumption in the Dominican Republic was 13.2%, compared to the previous year. Although wine from various regions is available in the Dominican Republic, the market is currently dominated by wine from Spain (36% of the market share) and Chile (27%). Within the last few years, U.S. wines have increased their presence in the Dominican Republic due to increased exposure to consumers, changing consumption patterns, and lower transportation costs. Carlo Rossi is currently the best-known U.S. brand among the Dominican population. Overall, other than a few higher-end California wines, consumers are not generally willing to pay much for U.S. wines, due to strong competition with Spanish and Chilean wines.

OBJECTIVES

The project's objectives were to conduct an assessment of the emerging wine market of the Dominican Republic with the goal of identifying potential for exporting U.S. wine, which in turn, can benefit the economies of both countries. Specifically, the project included the following three objectives:

- To conduct an assessment of the Dominican Republic wine market, with the specific assessment of the wine distribution system, the local wine consumers, as well as on-premise (restaurants/hotels/resorts) and off-premise (supermarkets/liquor stores) wine consumption trends
- To conduct the market analysis of the Dominican Republic wine market

MARKET ASSESSMENT

a. Country Overview

The Dominican Republic is located in the middle of the Caribbean Islands and comprises the eastern 2/3 of the island Hispaniola, with Haiti bordering on the west. The nation covers approximately 18,704 square miles and consists of a maritime tropical climate with a diverse terrain ranging from semi-arid plains to tropical rainforests (U.S. Department of State, 2010). The second largest Caribbean nation after Cuba in population, its people represent mixed, European and African ethnicities, with most living in urban areas. Approximately 9.65 million people live in the country. With an annual growth rate of 1.5%, it is estimated that by the year 2015, the

Dominican Republic population will reach 10 million. Due to its unique history and location, the country is influenced by strong multiculturalism, with the largest foreign minority group being Haitians. It is estimated that approximately 100,000 U.S. citizens live in the Dominican Republic, many of whom are dual nationals. Spanish is the primary language spoken.

b. Wine

Traditionally, beer and spirits, including rum, whiskey, brandy, gin, and vodka, have been the preferred alcoholic beverages, especially among rural, lower-income populations. In recent years, however, the market for wine is on the rise in the Dominican Republic. Retailers interviewed all agreed that wine consumption in the Dominican Republic has increased considerably within the last ten years - a finding which supports the documented growth of the wine market in the Dominican Republic by existing literature. Wine consumption began to experience rapid growth in the 1990s, surpassing an annual sale of over 100,000 cases to approximately 500,000 in the year 2000 (Hernandez, 2004). By the year 2001, beer and wine had experienced a 55% average growth (Mendez, 2001), and by 2007, wine consumption alone was estimated to be 7 million liters annually and valued at more than U.S. \$18 million dollars, with an expectation to grow (Prochile, 2010).

Today, people with higher incomes tend to be the major buyers and consumers of wine in the Dominican Republic. Researchers found a noticeable trend in urban areas among those with higher incomes, who are decreasing their rum consumption and increasing whiskey, scotch, and wine consumption. Men are identified as the main wine purchase decision makers, but men and women consume wine equally. Researchers found that the female segment of consumers is actually growing, and women are influencing decisions on what types of wine to drink.

The most popular grape varieties in the market today are Cabernet Sauvignon, Merlot, and Tempranillo. Although white wine and sparkling wine is popular among female drinkers, the consumption of dry red wine by far surpasses the overall consumption of white, rosé, sparkling, and other types of wine.

c. The Growing Wine Market

Wine's popularity in the Dominican Republic is growing rapidly. Researchers found several factors that have contributed to this development. First, the Dominican Republic's growing economy has led to an increase in discretionary incomes. As the largest Caribbean economy, the Dominican Republic averages about 6% economic growth each year. In 2009, the gross domestic product (GDP) was estimated at \$45.6 billion, with the per capita GDP of \$ 8,648 , a much higher amount in terms of Purchasing Power Parity (PPP) than in previous years (U.S. Department of State, 2010).

This growing economy is dominated by services and fueled by an increase in tourism. According to the U.S. Department of State (2010), tourism, transportation, communication, and finances comprise about 54% of the nation's GDP, and it is expected that employment in travel and tourism industries will continue to increase. Since the Dominican Republic is one of the top Caribbean tourist destinations welcoming millions of tourists annually, the increase in palate preferences from more European and American tourists has also influenced the demand for more wine.

Several reasons have been identified as contributing factors to the growth of the wine market. First, the economic growth has stimulated an increase in the number of restaurants and media sources promoting wine consumption across the country. For example, fine dining and gourmet restaurant chains that include wine on their menus have become abundant. Restaurant managers interviewed reported that the growth of these establishments and the increased popularity of eating out in general have led to an increased interest in wine among Dominicans. Specialized chefs, magazines, and cooking shows on television have also contributed to an increased interest in wine.

Secondly, the cultural exposure to wine by Dominicans who interact with families in other parts of the world –particularly Spain– has also influenced the demand for wine. Several interviewees mentioned that many Dominicans perceive wine as a “democratic” beverage that is included in more social activities, and as a result, is present throughout the country -findings which support previous research (Prochile, 2010).

Third, major wine importers, such as *Suarez* and *El Catador*, make continuous efforts to educate consumers on the culture of wine through tastings, educational programs, and wine clubs. The popularity of gourmet clubs, in which Dominicans can participate in a food and wine experience, is also growing. Wine importers reported that higher income populations are interested in learning about wine and tobacco, particularly in the capital, Santo Domingo. As Dominicans make changes to their lifestyle, they are also learning more about wine’s health benefits.

Lastly, because of its location, size, economy, and Free Trade Agreements almost half of the total food and drink consumed in the country is imported. According to the USDA Foreign Agricultural Service (2002), “53% of the imported products are from the United States” (Mendez, 2002, p. 2). Dominicans have increased their interest in the consumption of imported products in general and the Dominican Republic’s Free Trade Agreements have opened the market to a greater variety of imported goods from different countries. With reference to the wine market, currently only one local brand of wine is available in the Dominican Republic and 99% of the overall wine market is imported (“Vertiginous Increase,” 2008).

d. Competitive Environment

Although wine from various wine regions of the world is available in the Dominican Republic, the market is currently dominated by wine from two major regions: Spain and Chile. Both Spain and Chile hold approximately 30% each of the available wine market, according to the wine importers interviewed. These findings support previous research from Mendez (2009), which documented that these two leaders supply over 4.5 million liters total to the Dominican Republic. In addition, the wine importers estimated that Argentina provides about 25% of Dominican wine imports, while France, the U.S., Australia, and New Zealand collectively comprise the remaining 15% of wine market.

Wines from Spain are valued most because of the country’s historical and cultural connection with the Dominican Republic. For example, personnel from the Dominican restaurant *Pat’e Palo* reported in the interview that older consumers are loyal to Spanish wine regions and producers, which they consider more “traditional.” Younger consumers, on the other hand, tend to be more adventurous and try wine from non-traditional regions, such as the United States. The Dominican

Republic also recently approved new importation regulations that have eased the taxation of Spanish wines, and as a result, they have become even more competitive in the market.

Chile, on the other hand, has quickly become a market leader largely due to aggressive marketing and strong promotional support that many Chilean wine producers provide to importers. Wine importers indicated that many Chilean wine producers invite Dominican Republic importers to their production facilities in Chile and organize training courses for Dominican Republic wine importers to learn about and promote their products. In turn, Dominican Republic wine importers then organize similar training session for retail managers to educate them about the Chilean wine. For example, one importer, *Suarez*, provides a 95-hour course for retailers, which consists of four modules: basic wine knowledge, basic viticulture and enology course, tasting, and commercial aspect of wine business.

Chilean wine producers also actively pursue marketing strategies for in-store tastings at supermarkets and liquor stores to promote exposure to their brands. These producers provide large investments in point-of-sales promotions. Interviewees reported that these strategies, along with consumers' perceptions and leaning toward fruitier and more "trendy" wines, place Chilean wines at an advantage in the market.

American wines have also increased their presence in the Dominican Republic due to increased exposure to consumers, changing consumption patterns, and lower transportation costs. As the most important trading partner with the Dominican Republic, "the United States supplied almost 1 million liters of wine to the Dominican Republic in 2007, valued at over \$1.7 million" (Mendez, 2009, p. 3).

Carlo Rossi is currently the best-known U.S. brand among the Dominican population, and interviewees indicated the perception that "Carlo Rossi brought U.S. wine to the Dominican Republic market" through its exclusive importer, *La Bodega*. *Beringer White Zinfandel* is another association many Dominicans have with U.S. wine, and several retail managers reported that this brand, along with several Washington state wines, have increased in popularity lately. The results of the interviews also suggest that although traditional wine consumption has been influenced by Europe, an emerging trend indicates that high quality California wines (typically on the higher end of the price spectrum) have substituted part of the French and Italian wine market in the Dominican Republic.

Overall, other than a few higher-end California wines, consumers are not generally willing to pay much for U.S. wines, as there is strong competition with Rioja wines. In terms of potential, the industry should focus on younger wine consumers, as they are more likely to experiment and try American brands, contributing to their popularity in the Dominican Republic.

e. Major Outlets for Purchase

Dominican consumers currently purchase wine from several major off-premise and on-premise sources.

Off-premise:

- Supermarkets

On-premise:

- All-inclusive resorts and hotels

- Liquor Stores
- Specialized retailers (*colmados*)
- Specialized distributors/importers
- In-city and business hotels
- Restaurants/ bars

f. Retail

Retail is by far the biggest potential for imported wines, as the vast majority of Dominican consumers buy wine for personal consumption or as a gift at supermarkets or liquor stores. These findings support previous research from Mendez (2002), which noted that supermarkets in the Dominican Republic are “growing in number and size” (p. 1) and represent about 30% of the retail market. In 2001, there were over 600 supermarkets and mini marts in the Dominican Republic, most of which were located in Santo Domingo and Santiago, and the number of supermarkets continues to grow nationwide today. Since supermarkets reach mostly the middle and upper classes with higher incomes and remain the main means to distribute most imported food products in the Dominican Republic, researchers confirmed these are definitive target markets for wine.

Lower-income Dominicans tend to purchase their food and beverages at *colmados* - small mom-and-pop independent grocery stores. Although supermarkets tend to offer better selection, product variety, and prices, many lower-income people purchase groceries at these *colmados* because of proximity, quantity of items needed, and personal relationships with the people who run the *colmado*. Researchers observed that wine can be found in these types of stores but with low variety and typically higher prices. Consumers reported that would occasionally buy wine at these outlets mainly for convenience.

g. All-Inclusive Resorts and Hotels

All-Inclusive resorts represent another 30% of the wine market in the Dominican Republic. Numerous resorts are scattered along the coastline of the Dominican Republic. These resorts are an important source of wine sales. As tourism and vacation experiences have increased over the last decade, most of the visitors to these resorts are international travelers from European countries and North America, with a few local Dominicans visiting, as well. The resort’s price range and clientele affect the type of wine available to visitors.

In-city and business hotels, on the other hand, represent only about 2% of the Dominican wine market. These hotels tend to sell wine served only at wedding receptions and banquets, unless they possess a high-end restaurant. Researchers found these businesses also tend to purchase their wine from local importers, which supported earlier findings by Mendez (2009).

h. Importers (Specialized Distributors)

Importers, or specialized distributors, represent about 20% of the wine market in the Dominican Republic. These businesses import wine from a variety of countries and regions and then distribute their product to retail outlets, resorts and hotels, or their own stores. Importers often feature their products through special events, such as showrooms, wine bars, and featured wine tastings, and provide valuable education and exposure to consumers. The Dominican Republic has five major importers that currently dominate the market: *El Catador, S.A.*, *Marcas Premium, S.A.*, *Manuel Gonzalez Cuesta, Sucs C por A*, *Alvarez y Sanchez, C por A*, and *Vinos S.A.*

i. Restaurants

Restaurants represent about 20% of the wine market in the Dominican Republic. Although restaurant sales have declined lately relative to off-premise sales at supermarkets and liquor stores, restaurants (and particularly upscale restaurants) still represent an important source of wine sales in the Dominican Republic. As a general rule, restaurants sell wine by the glass and by the bottle. However, by-the-glass programs are rare and not very popular. In the Dominican culture, orders in restaurants usually include ordering a bottle of wine, rather than buying wine by the glass. Consumers can find wine at a variety of restaurants, although greatest wine quality, variety, and availability will be found at upscale restaurants. Overall, researchers found that restaurants have the best potential for high-end wine sales in the Dominican Republic.

j. Supermarkets

Since retail represents one of the major channels of the wine distribution system, research was conducted on retailer shelf allocation and price points. Researchers observed that retailers organize their wine inventory mainly by wine color and by the country of origin, with the largest portion of shelf allocation given reds and to Spanish wines. For example, *Nacional*, one of the largest supermarket chains in the country, allocates six aisles (out of a total of 8 wine aisles) to red wine. Of these six red wine aisles, two aisles are Spanish wines, two aisles are Chilean wines, one aisle is French/Italian wine, and one aisle is reserved for wines from the U.S., Argentina, and other regions. Only one aisle (about two rows) is allocated for white wines, and another aisle is split between rosé wines, which represent about 2/3 of the wines in the aisle, and alternative packaging wines, which represent another 1/3 of the wines in the aisle.

Researchers also observed that wine is packaged mostly in traditional 750 ml glass bottles. Tetra-pack and plastic bottles are present in retail outlets, but this packaging represents roughly less than 5% of the total production represented in supermarkets and liquor stores. Small, six-pack or 180 ml bottles were scarcely represented, and it was indicated by several supermarket beverage managers that these smaller packing options are sold mostly during lunchtime due to the beverage size and screw top convenience. Overall, however, consumers feel very resistant about screw tops, and this type of closure is virtually not present in the market. Interviewees indicated that Dominican consumers feel very strongly about traditional cork closures. Beverage managers also indicated that wines with traditional design labels tend to sell better. The Spanish wines that sometimes utilize wordy, busy labels seem to be at a disadvantage. However, no research exists as of yet to verify this observation.

Researchers examined wine prices in retail settings, and noted that a wide price range is evident - from 200 pesos (approx. \$5.25) on the lower end to as high as 3,000 pesos (approx. \$78.6) on the higher end. For reference, the exchange rate as of October 11, 2011 is 1 Dominican Peso equals 0.0262 U.S. dollar.

The most common price for a daily consumption red wine is around 400 pesos. Retailers who priced over 400 pesos experienced a noticeable decline in sales. All retailers interviewed noted that within the last year, they experienced a noticeable decrease in overall profit sales, but not in

volume sales. *Nacional*, for example, indicated that within the last year their wine sales increased in volume by 33%. However, these wines tended to be priced cheaper.

Dominican retailers are allowed to purchase wine directly from the producer, with no involvement of wine importers. *Grupo Ramos*, for example, imports certain brands directly to its chain with exclusive rights to represent these brands. At the same time, however, the company also carries most known brands, which they purchase through importers. Retailers typically purchase through importers those brands that are well represented in the market in order to remain competitive with other retailers. For example, 70% of *Grupo Ramos*'s inventory is Spanish wines because the owners of the business are Spanish and have established business contacts in Spain. The other 30% of their inventory includes wine from other regions. Currently *Grupo Ramos* carries two lesser known U.S. brands with the specific strategy to compete with Carlo Rossi: Cutler Creek, which presents 75% of their inventory of American wines, and Glen Ellen, which represents the other 25%.

When importing wines directly from producers, retailers indicated that they tended to mark-up wines as much as 60%. Wines purchased through an importer, however, tended to only have a price mark-up of 25-30%. Researchers confirmed the following estimated commercialization margins in the Dominican Republic, a finding that supported earlier research by Mendez (2009):

- Importer: 40% – 50%
- Retailer: 25% – 30%
- Restaurant: 100 – 300%, depending upon the original cost of wine

k. All-Inclusive Resorts and Hotels

Over 80% of hotels in the Dominican Republic are all-inclusive businesses (resorts). These resorts vary considerably in clientele, cost, and amenities offered, which is reflected in the wines carried. For example, researchers found upscale resorts typically have an extensive wine list with wines represented from the major wine regions of the world. Many of the mid-range resorts offering all-inclusive food and beverages, on the other hand, only carry a few wines.

Researchers found resorts import wines directly and almost exclusively in bulk from wine producers mainly in Spain, and these wines tend to be priced between \$0.80 and \$3.00 per liter. Bottled wine is also imported and available through “al-a-carte” menus. However, this option is not very popular among patrons at all-inclusive resorts.

To obtain information on wine sales and allocation, researchers visited two all-inclusive resorts in Bavaro: the upscale hotel *Iberostar Grand Hotel* and *Iberostar Punta Cana Hotel*. *Iberostar Grand Hotel* can accommodate 475 guests. At the time of the interview (August 2011), the resort had 54% occupancy rate (255 guests). November is typically the high season for clientele. This upscale resort maintains an all-inclusive wine list featuring wines from 14 countries, including 26 wines from Spain, Chile, Argentina, Australia, France, South Africa, and other countries. *Iberostar Grand Hotel* also maintains a large non-inclusive wine list, including 25 white wines and 19 red wines.

Red wine is the most popular type of wine consumed at *Iberostar Grand Hotel*. Rosé and sparkling wine are also popular. To welcome guests to the resort, for example, hotel personnel provide Cava, a sparkling Spanish wine that is typically cheaper than champagne.

Iberostar Grand Hotel's sommelier makes the wine and food choices, which the wine manager then requests from suppliers. Suppliers to this resort include *El Catador*, *Bodega*, and several suppliers from Spain and Miami.

The average clientele consumption of wine by volume includes 97 bottles of wine at the *Iberostar's* restaurant and 35 bottles of wine for the all-inclusive package option. Interviewees noted that most people drink cocktails as part of the all-inclusive package but will often order a bottle of wine when they dine at the restaurants. Ordering a bottle of wine not included in the package, however, is typically seen as a special occasion.

Like *Iberostar Grand Hotel*, the second hotel that the researchers visited, *Iberostar Punta Cana Hotel*, also offers visitors an upscale resort experience. However, this resort has a much greater capacity for visitors. Two restaurants at this resort offer all-inclusive food and drinks; however, the wine is only from Spain, and guests can only choose from either white or red wine. There are three more restaurants at the resort where guests can buy food and wine. These restaurants have more extensive wine lists and provide a more upscale experience for visitors.

The other 20% of the total hotel market in the Dominican Republic is comprised of in-city hotels. In-city hotels' major clientele includes in-house guests, local business people, wedding receptions, and banquets. Researchers found that most in-city hotels purchase wine through local importers. Legally, hotels are allowed to purchase wine directly from wine producers. However, producers require full order payment in advance, while local importers provide credit, thus creating more advantageous conditions for hotels. In-city hotels often partner with local wine importers in an effort to educate consumers about wine. For example, the *Fiesta* hotel features promotional tastings and manages its own wine club, featuring live music and tastings on Friday nights. In the past, in-city hotels tended to add a substantial mark-up to their price of their wine, but the trend now is to lower the mark-up to attract more local customers.

I. Importers (Specialized Distributors)

Almost all available wine in the Dominican Republic is controlled by importers. Orders are placed through direct contact with supermarkets and liquor stores, and importers will then pay a slot fee to retailers to carry their brand. Importers indicated that they negotiate promotional costs with the producers and value those producers who invest in promotional materials and point-of-sales and continuously provide promotional campaigns for their products. Slot fees, as well as promotional budgets, can be negotiated and are usually paid by the wine producer as well.

The purchasing options between retailers, importers, and producers have created double competition in the market since retailers can buy directly from both importers and producers. Producers require direct payment for their product, whereas importers provide credit. As a result, although supermarkets, hotels, and restaurants can import directly from producers, most utilize importers because of attractive credit lines these importers offer.

El Catador, S.A., a family business established in 1976, is the largest importer of wine and beverages in the Dominican Republic. Today it imports about 80% of the total Dominican wine market. This company meticulously decides what wine it will carry. In fact, the Vice President personally decides when wine will be imported and which brands will be carried. Wine choices tend to be based on quality and tested by the staff and President. Other factors that influence *El Catador's* decision to import a wine include brand recognition, willingness of the wine producer to provide support, training, and promotional materials, and the overall relationship the brand establishes with *El Catador*.

Traditionally, this company imported wine mainly from Spain. However, researchers found that as preferences of consumers have changed, *El Catador* has changed its allocation of imported wine inventory to the following:

Chile – 50 – 55%

Spain – 25 – 28%

Argentina – 15%

United States – 6 – 8%

France and Australia – about 5%

Interviews with *El Catador* revealed that wine from Chile and Argentina is perceived as trendy and becoming more popular, particularly because these countries offer a high quality product at a cheap price and lead aggressive promotional strategies with many tastings and advertisements.

U.S. wines also have a good reputation at *El Catador*. The most popular wines this company imports include Robert Mondavi and Woodbridge and Beringer White Zinfandel, as growth is occurring with rosé wines and sweeter styles, particularly with younger consumers. Washington state wines are also making some inroads and increasing sales with *El Catador*. Washington is the only other significant U.S. wine region represented at *El Catador* outside California.

El Catador has four stores: two in Santo Domingo, one in Santiago, and one in La Romana. About 35% of its wine is sold on-trade to hotels and restaurants. About 32% is sold to retail stores, and about 22% is sold through direct sale at its own stores. The percentage between on-trade and off-trade sales has changed significantly, researchers found, due to the demand growth in the retail sector. In the past *El Catador* experienced about 75% on-trade sales and 25% off-trade sales. However, now *El Catador* notes that on-trade and off-trade sales are about 50% each, most of which occurs within supermarket chains, such as *El Nacional*, which is its principal client.

A large portion of *El Catador's* marketing policy involves wine education. The company offers many levels of classes for sommeliers, retail store managers, hotel managers, and individual consumers. Classes range from introductory to advanced and focus on education about wine regions and types. These classes are offered at a fairly inexpensive price, which attracts more clients. *El Catador* indicated that wine tastings are offered at these classes, hotels, and restaurants tend to be very popular. Wine producers will often provide the wine or other promotional support for these classes.

Although researchers met with several major local importers for this project, including the largest importer - *El Catador* – due to logistical difficulties in meetings organization, researchers were

unable to meet with all importers. The following background information on the remaining four importers has been provided from the USDA Foreign Agricultural Service (Mendez, 2009):

Marcas Premium, S.A. was established in 1993 to import and distribute quality wine brands. Currently this company is the exclusive representative for wine, distilled, and liquor from California, France, Scotland, Italy, Chile, Argentina, Spain, and Australia. It is also one of the importers of U.S. wine, including Kendall Jackson, Ferrari Carano, and Arbor Mist.

Manuel González Cuesta, Sucs. C por A was formally established in 1945 and carries over 70 imported brands, including labels from the U.S. It is the currently exclusive distributor of the Ernest and Julio Gallo winery.

Alvarez y Sánchez, C por A was established in 1979 and publicly states that one of its objectives is to “contribute to improve the quality of living of Dominican families” (p. 6). The company represents over 50 wineries, including Simi and Marimar Torres from the U.S., and has indicated it continues to look for additional ways to increase supply from the United States to the Dominican market.

Lastly, *Vinos*, S.A. was established in 1980 and purchased by the Brugal Group in 1995, one of the major rum producers in the Dominican Republic. This company’s portfolio includes more than 150 brands, including wine, vodka, cognac, gin, brandy, whiskey, cider, and mineral water. It is the only company of its kind with two regional distribution centers –one in Santo Domingo and another in Santiago. In addition to four specialty stores, the company has a wine club, Le Connoisseur, whose focus is to educate, to inform, and to promote wine consumption through wine courses and new product launching.

m. Restaurants

Wine options and pricing at restaurants varies by restaurant and clientele. Prices depend in part on supply channels. Most restaurants work with importers and buy wine through them. However, restaurants sometimes purchase wine directly from grocery stores if they need wine immediately or have needs that their main distributor can’t supply.

Researchers found that high-end restaurants tend to be the primary carriers of wine, particularly more expensive wine, whereas restaurants in the mid-price and lower-price range place little emphasis on wine. Moderately priced restaurants, for example, tend to carry relatively cheap Spanish or Chilean wines and overall provide only a very few brands for their customers to choose.

Wine sold by the glass is dominated by wine from Chile and Spain, but by-the-glass programs are typically not very popular because they are perceived as expensive. Restaurant interviewees indicated, however, they have started seeing many Chilean producers pursue the by-the-glass option.

To obtain data on restaurant wine sales, researchers met with personnel from two major restaurants in Santo Domingo: *Taboo Bamboo* and *Pat’e Palo*. *Taboo Bamboo* is an atypical business. Once it operated as a traditional restaurant, but today is it rented mostly for banquets and celebrations, a business approach that they have found profitable. The restaurant’s capacity is 400 people at a

time. Clients are shown a list of available wines, most of which are bought directly from *El Catador*. Researchers found that *Taboo Bamboo* carried a wide range of wines, including from the U.S. However, *Taboo Bamboo* indicated they do not deal directly with small importers, as it is cheaper for them to buy their wine, beverages, and other food products from a large importer.

Personnel interviewed indicated that during the last four years, they have noted a rapid growth in the consumption of sparkling and rosé wines. Future trends, they noted, will depend on the tastes and options available from distributors. Overall, *Taboo Bamboo* indicated they clearly focused on wine as an important aspect of their business.

Pat'e Palo is an upscale restaurant whose clientele consists mostly of wealthy Dominican and tourists. The restaurant's capacity is 325 people on the weekends and 235 people during the week. Like *Taboo Bamboo*, *Pat'e Palo* relies heavily on the major Dominican importer, *El Catador*, for its wine inventory and signs a yearly contract with the business to secure its supplies. "It would not be hard to change a supplier," interviewees noted, "if you have a solid reason for it." However, currently *Pat'e Palo* utilizes a small price mark-up of 1.7 – 1.8%, which is much lower than the average Dominican mark-up on wine of 2.5 – 2.7%. "Government duties tend to be high, which pushes prices for all wines up significantly," interviewees noted. *Pat'e Palo* is concerned that pushing prices too high would result in consumers viewing the restaurant as overpriced. As pricing and sales stand now, the restaurant grosses 500,000 pesos (approx. \$13,000) in wine sales per night.

Clientele are shown a large wine list, with wines from many countries. Wines are listed by region first, which shows how dominant the region is in respect to wine sales. The wines are then sorted by color and style. Regular consumers, the manager indicated, know the menu and the wine. *Pat'e Palo's* clientele wine consumption by country includes the following:

- Spain – 35%
- Argentina and Chile – 35% (and growing)
- France – 10%
- United States – 5%
- Other regions – 15%

Pat'e Palo's owner is present every night, and the manager has weekly meetings with staff to educate them about wine. At these meetings, the sommelier will share information about wine and staff will have an opportunity to taste it so that they can make suggestions to visitors. Overall, white and sparkling wines have very little demand in this restaurant, but *Pat'e Palo* is expecting to grow and double their wine sales in the next 18 months.

DATA COLLECTION AND ANALYSIS

Quantitative data were collected via the intercept method at supermarkets, liquor stores, and local malls. For data collection purposes, the researchers contracted a local university - *Universidad Dominicana O&M*. Undergraduate students majoring in marketing were trained by the contracted instructor to personally distribute pen-and-paper questionnaires to customers who purchased wine at supermarkets and liquor stores. A quota of 500 completed questionnaires was requested.

The researchers provided the instructor with a detailed training script with proper procedures for data collection. A full script of the data collection training instructions can be found in *Appendix A*. Specifically, the instructions stipulated that the training should begin with a brief introduction of the project to students. Students were then instructed on how to properly approach potential respondents, introduce the purpose of the project, emphasize the anonymous nature of the questionnaire and voluntary participation, and ask for their willingness to participate in the survey in exchange for a small token of appreciation. Incentives for participation (cork key chains in gift packaging), as well as 550 blank questionnaires, pencils and clipboards were purchased by Texas Tech University (through cost-sharing) and mailed to the Dominican Republic to facilitate the data collection process.

The data were collected at five supermarkets, eight liquor stores, and two local malls with smaller wine stores. The students collecting data were permitted to be in the wine sections of the stores. They approached potential respondents while they were making their selections of wine. In the malls, students approached customers outside the wine stores. Customers were generally willing to participate in the survey and a very low rejection rate was reported.

a. The Questionnaire

A one-page questionnaire was developed based on previous wine consumer research. Questions included wine preferences, wine consumption and wine purchasing behavior, as well as basic demographic information. The questionnaire was originally developed in English; then translated into Spanish by two independent bilingual individuals. Using the iterative process of back-translation (Brislin, 1970), the Spanish language instrument was translated back into English by separate individuals (not the ones making the English to Spanish translation) and then compared to the original English version to ensure adequate correspondence in the two versions.

b. Dominican Wine Consumer

The population of interest was wine consumers in the Dominican Republic. Because of the exploratory character of the study, a non-probability, purposive sample was used. A purposive sample includes subjects selected on the basis of specific characteristics or qualities (Wimmer & Dominick, 2003), in this case –wine consumers. The sample was limited to people who purchased wine at a supermarket or a liquor store in the Dominican Republic and identified themselves as wine consumers. A total of 482 valid surveys were collected and used for data analysis.

The socio-demographic characteristics tested were gender, age, education, and income. The sample consisted of more males (65.6%) than females (34.4%). The gender split in the consumer data was consistent with the observations from the qualitative data. Most of the interviewed industry professionals also noted that in the Dominican Republic men generally represent a higher percentage of wine consumers.

The majority of the consumers were aged between 20 and 60 years old and three-quarters of the respondents were younger than 50 years of age. The sample was well balanced in terms of different age categories, with about 20 to 30% of respondents in each age group between 20 and 60 years of age. However, there were very few younger (under 20 years old) and older (over 61 years of age) participants.

Respondents had higher education and income levels than the general population in the Dominican Republic. Sixty-two percent have earned either an undergraduate or graduate degree. Only 10% of the respondents had not attended college. Participants' income levels were also substantially higher than the general Dominican population. Thirty percent of the respondents reported that their monthly household income exceeded 80,000 Dominican Pesos (DOP) (an equivalent of approximately US\$2,070/month). Only 13.7% of the sample reported earning less than DOP20,000 (approx. US\$518) monthly. For reference, the Dominican Republic per capita GDP is US\$721/monthly (The World Bank, 2011). Over 70 percent of the sample reported monthly income above the average GDP per capita. Table 1 summarizes the socio-demographic profile of the sampled population of the Dominican wine consumer.

Table 2 provides an overview of Dominican consumer wine preferences and their wine consumption behavior. The most preferred alcoholic beverage was beer, which is not surprising, given that historically, beer and spirits have been preferred alcoholic beverages in the Dominican Republic. The results of the current study, however, clearly demonstrate the increasing wine consumption pattern in the Dominican Republic, previously noted by government reports and repeatedly mentioned in the qualitative interviews. In the consumer surveys, wine was named the second most consumed alcoholic beverage, which overpassed preferences for spirits by 16.4%. The respondents were asked about their wine preferences in terms of the wine color (red, white, or rosé) and wine sweetness (dry or sweet). The majority (75.1%) reported preferences for red wine, followed by preferences for white (17%) and rosé wines (7.9%). When asked about preferences in terms of wine sweetness, more respondents (59.5%) prefer dry wines and fewer consumers (40.5%) prefer sweet wines.

Further comparison of consumers who prefer dry wine and those who prefer sweet wines revealed that consumers who prefer dry wine tend to buy more bottles of wine per month (4.7 bottles on average) than those who prefer sweet wines (4.3 bottles on average). Consumers who prefer dry wines also spend more money on wine monthly (DOP929, approximately US\$24.1) than consumers with preferences for sweet wines (DOP775, approximately US\$20.1). As indicated earlier, overall, the vast majority of consumers prefer red wines, regardless of their preferences for dry or sweet wines. However, those who prefer sweet wines tend to also like rosé/blush wines, and those who prefer dry wines tend to like white wine more. More males (66.5%) prefer dry wines than females (33.5%), and more women (53.6%) give preference to sweet wines than men (46.4%). Women are also more loyal to rosé/blush wines than men. With regards to age, the wine literature generally shows that preference for dryer wines is an acquired taste. Findings from this research support this idea –the majority of younger consumers preferred sweet wines, whereas older consumers indicated preference for dryer wines.

In terms of the general wine consumption behavior, the vast majority (84.2%) reported that they consume wine at least once a week. Ten percent reported daily wine consumption. The majority of consumers who consume wine at least once a week are those who prefer dry and red wines. Only 2.7% of the overall sample indicated they drink wine less than once a month. Those with higher education and income levels tend to drink wine more often.

The analysis of purchasing and spending behavior is summarized in Tables 3 and 4. Table 3 represents consumer purchasing behavior of wine in the Dominican Republic. Table 4 demonstrates the average spending on wine (bottles and money) by Dominican consumers. On

average, the respondents consume 4.5 bottles of wine per month and spend about between DOP100 and DOP4500 (US\$2.6–118.4) on wine monthly. The average bottle of wine that consumers purchase costs DOP213.56 (US\$5.56). This number is consistent with the findings from the qualitative interviews, where the average price per bottle was indicated as a range of US\$3-10.

The majority of respondents (68.5%) buy wine at supermarkets, with the second largest outlet being liquor stores (22.8%). A very small percentage of consumers buy their wine at local *colmados* or restaurants/hotels. More men than women buy wine at restaurants and bars and those buying wine at hotels and restaurants tend to be consumers with higher levels of education and income.

One of the important aspects of any successful marketing and promotional program is the development of information sources that consumers mostly rely upon. Therefore, the survey asked where the respondents get their information about wine. The traditional word-of-mouth (that is, recommendations by friends and relatives) was found to be the most popular source of information, followed by information at supermarkets. Of particular value were retail displays and tastings at supermarkets. Radio/TV ads, as well as server recommendation at a restaurant were perceived as a lesser value. However, consumers with higher incomes, as well as older consumers, value servers' recommendations and media ads more than consumers with lower incomes and younger consumers. Women were found to rely on information from friends and relatives more than men. Men, on the other hand, indicated that tasting at supermarkets were their most relied upon source of information about wine.

In naming preferences for wine from specific wine regions, consumers ranked Chile as number one, followed by Spain, France, Italy, USA, Argentina, Australia/New Zealand. Again, these findings were consistent with the market share that most importers indicated in the qualitative interviews. In ranking the quality of wine from different regions, respondents ranked U.S. wine lower than wine from Chile, Spain, France, Italy, Argentina, and Australia.

Notably, U.S. wine was ranked higher among people with higher monthly incomes, especially those with incomes over DOP100,000 (US\$2,590). Although these more affluent consumers still ranked Chile and Spain as the most preferred regions, the USA was ranked third. This is an important finding and needs to be taken into consideration in future marketing programs by the U.S. wine industry, as this group of consumers should be considered as the primary target market. This group also reports that wine is their most preferred alcoholic beverage –61.5% of people within this income segment indicated they consume wine more often than spirits and beer. They prefer dry and red wine over other types of wine. These consumers also drink wine more often, spend significantly more money on wine monthly, as well as buy more expensive wine. For example, the average price of a bottle of wine for consumers whose monthly household income exceeds DOP80,000 (US\$2,070) was DOP252 (US\$6.54), while consumers whose monthly income is less than DOP40,000 (US\$1,035) on average spend DOP170 (US\$4.51) on a bottle of wine.

These findings also support the results of the interviews, where several importers mentioned they were ready to expand their portfolios for new U.S. wines, but only for more expensive wines, as they would be targeting more affluent consumers who seek more variety and a larger selection.

Table 1. Socio-Demographic Characteristics of the Sampled Population (N = 482)

Characteristic	Number of Respondents	Percent
Gender		
Male	316	65.6
Female	166	34.4
Age		
Under 20	6	1.2
21 - 30	106	22.0
31 - 40	120	24.9
41 - 50	134	27.8
51 - 60	93	19.3
61 +	23	4.8
Education		
High school not completed	14	2.9
High school graduate	20	4.1
Vocational / technical school	15	3.1
Some college / not completed	132	27.4
Undergraduate degree	221	45.9
Post-Graduate degree	80	16.6
Monthly Family Income		
Under RD20,000 (Under US\$518)	66	13.7
RD20,000 – RD40,000 (US\$518-\$1,035)	105	21.8
RD40,000 – RD60,000 (US\$1,035-\$1,550)	87	18.0
RD60,000 – RD80,000 (US\$1,550-\$2,070)	78	16.2
RD80,000– D100,000 (US\$2,070 \$2,590)	50	10.4
Over RD100,000 (Over US\$2,590)	96	19.9

Table 2. Dominican Consumer Wine Preferences and Consumption Behavior (N = 482)

Characteristic	Number of Respondents	Percent
Which alcoholic beverage do you consume most often?		
Beer	209	43.4
Hard Liquor	97	20.1
Wine	176	36.5
How often do you consume wine?		
Daily	50	10.4
Several times a week	189	39.2
Once a week	167	34.6
About once a month	30	6.2
Less than once a month	13	2.7
Special occasions only	33	6.8
What type of wine is your favorite?		
Red wine	362	75.1
White wine	82	17.0
Rosé / Blush wine	38	7.9
Do you prefer wine that is dry or sweet?		
Sweet	195	40.5
Dry	287	59.5

Table 3. Dominican Consumer Wine Purchasing Behavior (N = 482)

Characteristic	Number of Respondents	Percent
Where do you most often purchase your wine?		
Supermarkets	330	68.5
Liquor stores	110	22.8
Colmados	13	2.7
Restaurants / Bars	25	5.2
Hotels	4	0.8
Online / Mail Order	0	0
Wine from which region do you prefer most?		
Chile	243	50.4
Spain	132	27.4
Argentina	16	3.3
USA	24	5.0
France	36	7.5
Italy	28	5.8
Australia / New Zealand	3	0.6
Where do you go to find information about wine?		
Friends' / Relatives	235	48.8
Supermarkets	106	22.0
Server at restaurant	17	3.5
Retail Displays	76	15.8
Tastings at supermarket	26	5.4
Radio / TV	22	4.6

Table 4. Average Spending on Wine by Dominican Consumers (N = 482)

Characteristic	Minimum	Maximum	Mean	SD
Approximately how many <i>bottles of wine</i> do you consume per month?	1.0	15.0	4.5	2.6
On average, <i>how much</i> do you spend on wine per month?	DOP100.0 (US\$2.6)	DOP4500.0 (US\$116.8)	DOP866.9 (US\$22.5)	DOP668.7 (US\$17.4)

MARKET ASSESSMENT

The demand analysis has been conducted based on the following objectives of the project:

- Forecast increase in demand for wine
- Conduct consumer surveys to identify qualities valued most and key factors that affect purchasing decisions
- Analysis on how this knowledge can increase demand for U.S. wine

In recent years, consumption of wine in the Dominican Republic has been exhibiting some inconsistency. However, in the last two years, it showed strong positive growth. Between 2009 and 2010, the annual growth of wine consumption in the Dominican Republic was 13.2% (GAIN Report, 2011). The forecast of increased consumption for 2011 is quite convincing based on the actual numbers for the first six months. GAIN's report estimates 3% increase in wine consumption for 2011. Figure 1 shows changes in wine consumption during the last five years.

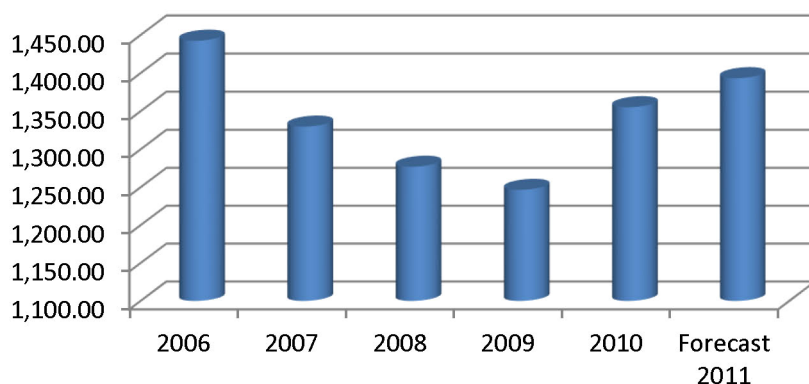


Figure 1. Dominican Republic's Total Wine Consumption, 2006-2011

A different view of wine consumption appears when comparing local wine consumption and imported wine consumption. Local wine is perceived by Dominican Republic consumers to be of low quality wine and so preferences are higher for imported wine. Figure 2 clearly shows the overall trend of increasing consumption of imported wine. In 2010, the proportion of consumed imported wine was 75% relative to total wine consumption (GAIN, 2011). Therefore, imported wine is an important commodity for Dominican Republic consumers.

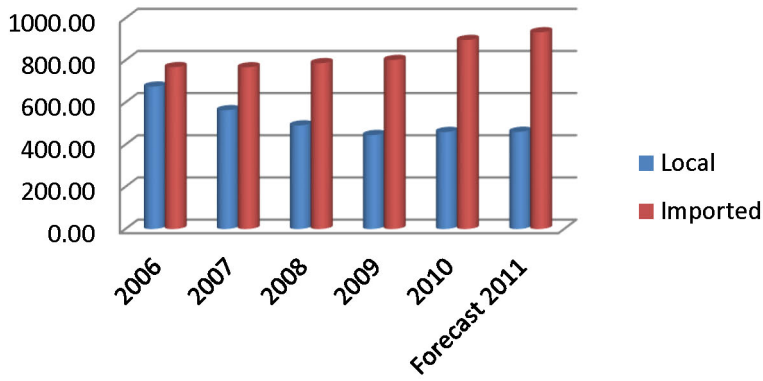


Figure 2. Wine Consumption: Local versus Imported, 2006-2011

According to the GAIN report of 2011, the United States has 14% of total wine market share, after Spain (36%), Chile (26%), and Italy (15%).

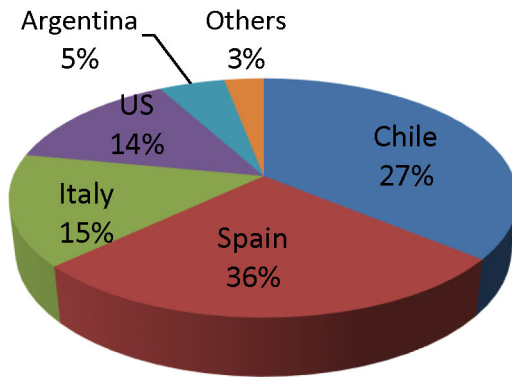


Figure 3. Market Share of Wine Importers in the Dominican Republic, 2010

However, an outlook of wine consumption across the last five years by the country of origin provides some additional information about market share dynamics across the countries.

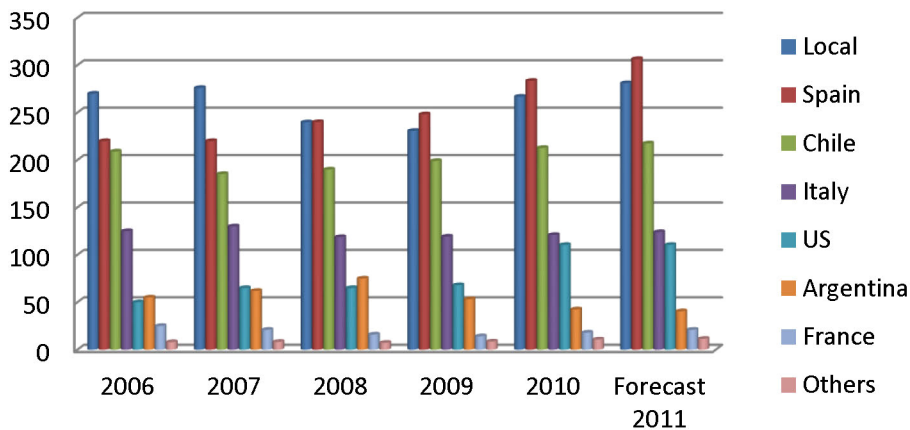


Figure 4. Wine Consumption by Country of Origin, 2006-2011

Spain historically has been the leading exporter of wine to the Dominican Republic (Figure 4). Chile is a close second. United States exports have increased recently and currently the U.S. has almost reached Italy in terms of the amounts of exports to the Dominican Republic. The United States' market share has increased dramatically (by 62.5%) from 2009 to 2010. However, the competition within the Dominican Republic wine market is tough and Argentina is another U.S. competitor in this market. Argentina is behind the United States in terms of exports, but its aggressive marketing policy may lead to the future increase in demand for Argentinian wine.

An outlook of the current situation in population growth and income growth of these two groups will help to assess the future trend of demand for wine in these two areas. The population of the Dominican Republic is growing at a fast pace. According to the World Bank, between 1990 and 2009, the population of the Dominican Republic has increased by 2.72 million people and showed a growth rate of 36.9%. As seen from Figure 5, this population growth comes mainly from the growth of the adult population over 19 years of age. This segment of population represents active wine consumers. Thus, the growth in this segment represents a growing trend in wine demand from local consumers.

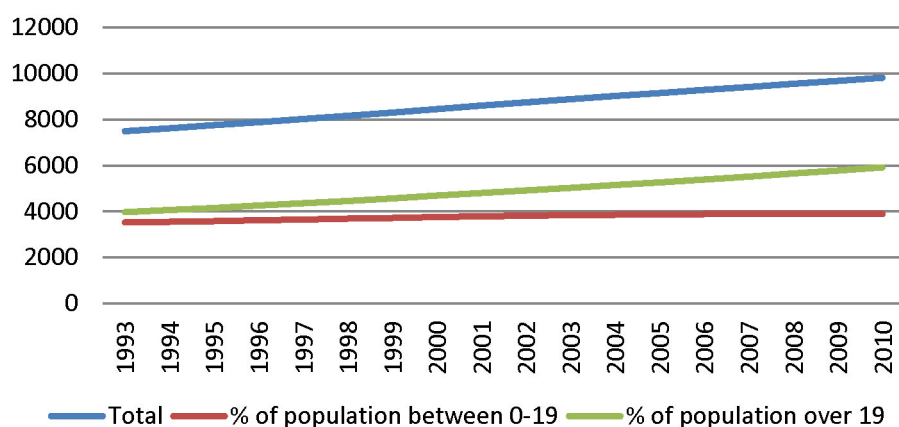


Figure 5. Population Growth by Age, 1993-2010

An important determinant of demand is gross domestic product (GDP) per capita. In 2010, the GDP per capita in the Dominican Republic was \$8,647.72 (The World Bank, 2011) Since 1990, the GDP per capita in the Dominican Republic has increased by 208%, showing a substantial increase in purchasing power of Dominican Republic's consumers. With the increase in personal budgets, consumers allocate a larger proportion of their personal budgets to wine purchases. An increase in personal budgets leads to a higher standard of living, which in turn, leads to a change in the tastes of consumers. These changes are observable in the wine market of the Dominican Republic.

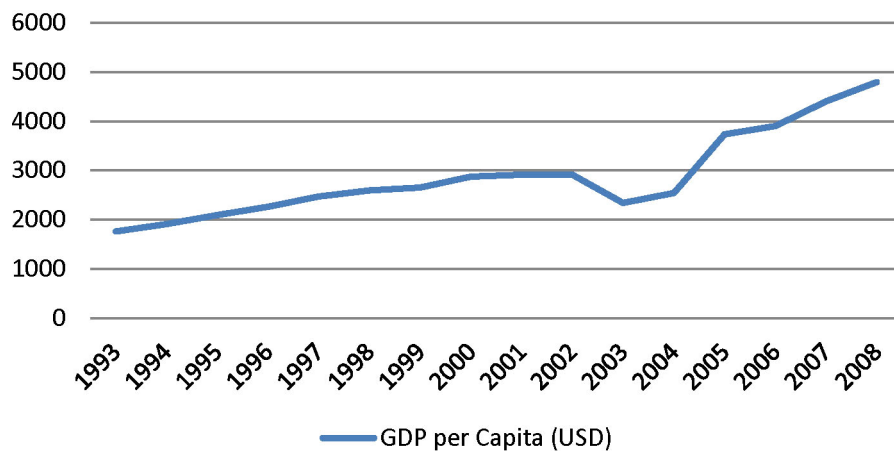


Figure 6. Per Capita Gross Domestic Product, 1993-2008

Today, the number of people who prefer red wine has increased substantially in the Dominican Republic. In 2010, 62% of Dominican wine consumers preferred red wine, about 32.5% preferred white wine, and 5.5% preferred rosé (GAIN report, 2011). Figure 7 shows that overall consumption of all wine has increased over the 5-year period. The GAIN report found that the largest increase of 19 percent was exhibited in the consumption of rosé wine, followed by an increase of 16 percent in the consumption of red wine.

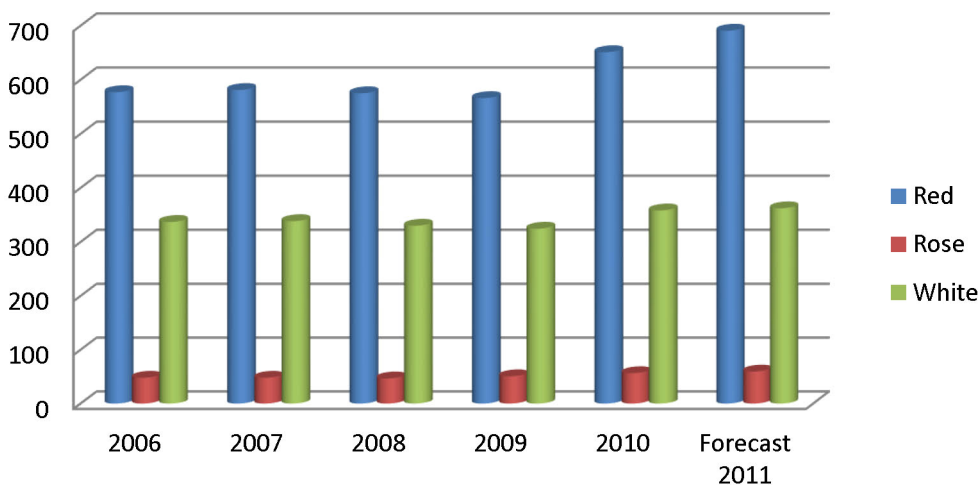


Figure 7. Consumption by Type of Wine, 2006-2011

The analysis of consumer surveys collected for the current project reveals that 75.1 percent of respondents prefer red wine, 17 percent prefer white wine, and 7.9 percent prefer rosé/blush wine. Overall, the split in consumer preferences for wine by color found by the current research is consistent with the previous findings identified in the GAIN report. Further comparison between the current study (2011) and the GAIN report (2010) also revealed an increase in consumer preferences towards red wine.

Wine consumers in the Dominican Republic recognize five categories of wine: light wine, sparkling wine, fortified wine, light aperitifs and others. Figure 8 shows wine consumption by category for the years 2006-2011. As seen from the Figure 8, still light wine has been the most popular category and the consumption of this type of wine has started to grow since 2009. Sparkling wine is the second most popular category of wine and its consumption is also growing. Light aperitifs category is the third largest growing category. Consumption of fortified wine is low and is not increasing. The current study's consumer data of the Dominican wine market showed that 59.5 percent of consumers prefer dry wine and 40.5 percent sweet wine.

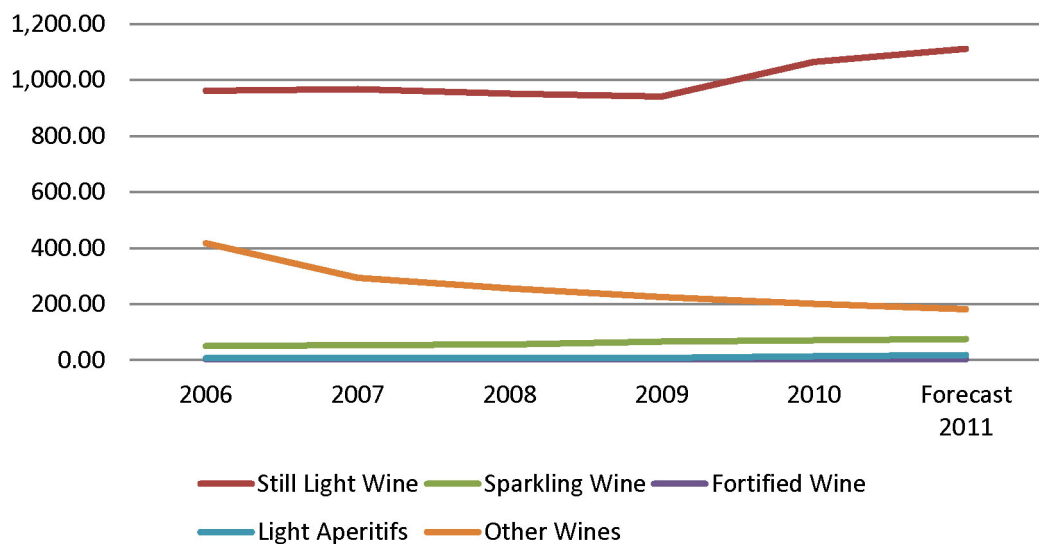


Figure 8. Dominican Republic's Wine Consumption by Category, 2006-2011

There are two main groups of consumers in Dominican Republic: local consumers and tourists. Local consumers consume around 55% of all imported and locally produced wine in the Dominican Republic. Of the 55% consumed by locals, around 30% of wine is being purchased at the super/hypermarkets and liquor stores. The majority of wines offered at super/ hypermarkets and liquor stores are from Spain, Chile, and the U.S., and the average price per bottle ranges between \$3 and \$10. Local consumer purchasing wine at super/hypermarkets and liquor stores is the fastest growing segment.

The current study's analysis of consumer surveys collected at supermarkets, liquor stores, and local malls has shown the changing patterns of consumption. As income goes up, consumers consume wine of a higher quality and more often. According to the survey, 39.2 percent of respondents consume wine several times a week and 34.6 percent consume wine once a week, with 21.4 percent of respondents consuming four bottles of wine per month and 20 percent of respondents consuming three bottles of wine per month. The majority of consumers purchase their wine at the supermarkets (68.5%) followed by liquor stores (22.8%).

When asked about preferences for wine from specific wine regions, consumers ranked U.S. wine as number five after Chile, Spain, France, and Italy. In ranking the quality of wine from different regions, respondents ranked U.S. wine lower than wine from Chile, Spain, France, Italy, Argentina, and Australia.

Another 20% out of the 55% of wine consumed by local consumers is purchased at specialized distributors. These distributors often promote their products through showrooms, wine bars, and wine tasting events. Wine purchases at distributors' shops attract middle to higher income clientele. A variety of wine is offered here and prices range from middle to high. The remaining 5% out of the 55% of wine consumed by local consumers is purchased from restaurants and hotels. Consumers purchasing wine in restaurants and hotels are typically Dominican businessmen who participate in business events that take place at restaurants or hotels.

Another large group of consumers of the overall wine market are tourists. Tourists consume around 45% of all wine in the Dominican Republic. The number of tourists visiting Dominican Republic in 2010 has increased by 3.3% compared to 2009 (ETN, 2011). Dominican Republic welcomed over 4 million visitors in 2010. The U.S. has been the Dominican Republic's largest market for tourism over the last six years with over one million U.S. visitors in 2010. The overall growth in tourism continues and the tourism industry is expanding to accommodate the growing number of tourists from the U.S. and Europe.

The majority of tourists stay at all-inclusive resorts while visiting the Dominican Republic. Visitors of all-inclusive resorts consume around 30% of all imported wine. Tourists at the resorts consume mostly low-quality inexpensive wine from Spain, Chile, and the U.S. The price of wine offered at the all-inclusive hotels ranges between \$1.00 – 2.00 per liter.

A smaller number of tourists and business travelers visit business hotels and restaurants in the Dominican Republic at the non-resort locations. Together this group of travelers represents around 15% of the overall wine market that hotels and restaurants represent together. Out of the 15%, wine consumption at the restaurants represents around 14% and consumption at the hotels, around 1%.

The numbers presented above lead to the conclusion that the largest wine-consuming group in the Dominican Republic are local customers with average to high levels of income, followed by a smaller group of business travelers and foreign tourists. This group of foreign tourists are those who travel on their own and tourists of the upscale all-inclusive resorts, where a variety of branded wines are available.

In conclusion, currently, the demand for U.S. wine is growing in the Dominican Republic. In terms of preference for wine from a specific region, Dominican consumers ranked U.S. wine after historically traditional wines from Chile, Spain, France, and Italy. However, when it came to rating the *quality* of wine by region, Dominican consumers rated the quality of U.S. wine lower than the quality of wine from other countries. The fact that local Dominican consumers perceive U.S. wines as lower quality wine is a particular concern and needs to be addressed in future marketing and promotional programs.

Because of strong competition on the supply side from competitors like Spain, Chile, Italy, and Argentina, the United States can capture additional market share by holding an aggressive promotional wine strategy. The United States can increase the demand for U.S. wine and capture a larger market share in the Dominican Republic by applying marketing and promotional policies tailored to this specific market.

The majority of the demand comes from customers of supermarkets, hypermarkets, and liquor stores. These consumers look for wine with prices that range between DOP100 and DOP400 (US\$2.70 – US\$10.81). Those that consider quality in wine, purchase wine on the higher end of the price spectrum. U.S. wine priced within this range is likely to be the most popular in the short-run for this group of consumers. As the personal income increases, the consumers will be more willing to purchase more expensive wines.

Business travelers and foreign tourists demand quality and variety. Wines with a higher price range (\$25-\$125) will be in demand for this category of consumers, and although this category is much smaller relative to the supermarket/liquor store category, it will contribute its share to an increase in overall demand.

There is an established wine distribution system within Dominican Republic. Four large distributors supply U.S. wine to the Dominican Republic: *El Catador*, *Vinos SA*, *Manuel González Cuesta*, and *Alvarez & Sánchez*. During the interviews, three distributors indicated an interest and willingness to expand purchases of higher quality wines not only from California, but also from other U.S. states. The growth in tourism and in personal income of Dominican Republic's middle class will increase wine consumption and will lead to an increase in demand for wine in the Dominican Republic.

CONCLUSIONS

Retail is by far the biggest purchase venue for imported wines, as the vast majority of Dominican consumers buy wine for personal consumption or as a gift at supermarkets or liquor stores. Since supermarkets reach mostly the middle and upper classes with higher incomes and remain the main means to distribute most imported food products in the Dominican Republic, they are important target outlets for wine. All-inclusive resorts represent about 30% of the retail wine market in the Dominican Republic. Numerous resorts are scattered along the coastline of the Dominican Republic and over 80% of hotels in the Dominican Republic are all-inclusive businesses. These resorts import wines directly and almost exclusively in bulk from wine producers mainly in Spain, and these wines tend to be priced between \$0.80 and \$3.00 per liter.

Almost all available wine in the Dominican Republic is controlled by importers. Orders are placed through direct contact with supermarkets and liquor stores, and importers then pay slot fees to retailers to carry their brand. Importers indicated that they negotiate promotional costs with the producers and value those producers who invest in promotional materials and point-of-sales and continuously provide promotional campaigns for their products. Slot fees, as well as promotional budgets, can be negotiated and are usually paid by the wine producer as well.

With regards to export potential and recommendations to the industry, the vast majority of importers interviewed agreed that the current wine market in the Dominican Republic is saturated.

Spain and Chile continue to be the U.S. primary competitors. Most importers indicated that they do not currently add new brands to their portfolio.

Despite this finding, researchers concluded that U.S. high-end wines present the best market potential in the Dominican Republic, and a few importers indicated that they are open to negotiate a new addition of these wines in their upper-level price segments. Findings from the consumer data also support the idea that the primary target market for the U.S. wine industry should be Dominican consumers with higher education and income levels. These consumers prefer wine over spirits and beer; drink wine several times a week; buy wine more often and spend more money on wine than other groups of consumers. Dry red wine is their top preference. Especially important is the fact that U.S. wine was ranked higher among more affluent consumers. Although this group still ranked Chile and Spain as the two most preferred regions, the USA was ranked third. They also perceived the quality of U.S. wine higher than the other groups. Clearly, these consumers represent potential and should be considered as the primary target market for U.S. wine. The best approach to introduce new wines to the Dominican Republic is to work with one of the major importers, as they are familiar with the market, common distribution channels, and promotional and marketing activities that increase sales. The DR-CAFTA agreement signed in 2004 provides an advantage to U.S. wine by making it duty free since 2010.

In conclusion, the U.S. wine industry can capture additional market in the Dominican Republic and increase the demand for U.S. wine by applying aggressive marketing and promotional policies tailored to this specific market. However, it will need a substantial financial and personnel commitment over an intended period of time.

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