Going Local: An Examination of the LCBO and the Ontario Wine Industry

Winemaking and the wine industry has seen many evolutions and revolutions since its first appearance in early civilization. From the mastery and history of the Old World in Europe to the high-tech artistry of the New World, like Australia and California, to amateur winemakers working out of their basements, the wine industry has taken many different forms. It is a cultural and economic driver and its deep connections to regions and appellations instill pride amongst local inhabitants. Many studies on the wine industry revolve around its transition into the New World and the global acceptance of New World wines. Others focus on the marketing and promotional tactics utilized by small, family operated wineries. While these studies provide great insight, there has been little work regarding specific unique factors that some wine regions face exclusively. The Ontario wine industry in Canada is part of the New World of wineries and is amassed with many small operations; however it is a unique topic amongst wine research with unique problems unlike that of any other region.

Once thought of as a region that would never be able to produce quality wine from its own land, the Ontario wine industry has seen many evolutions, just as the global wine industry has. Ontario wines have since proven the naysayers of the Old World wrong as they have received overwhelming amounts of international awards and accolades for its traditional varietals, its unique hybrids, and its highly sought after Icewines. However, Ontario residents still seem to be reluctant to put their faith in the local industry as Ontario wines only represent 42% of Ontario wine sales, with the remaining 58% being controlled by a highly competitive import market. To put this into perspective, most wine regions control at least 80% of their own local market. Furthermore, this issue is exasperated due to the fact that the Ontario wine market is running on a monopoly retail and distribution system that is owned and operated by the Ontario government.

With many other wine regions around the world receiving plenty of support from their governments, how is it that a retail system which is operated entirely by a Crown Corporation cannot support its own wine industry and achieve a majority of sales in the local market? If Ontario wines are being praised on a global scale, what is preventing them from being fully adopted by local customers? If sales in a capitalist market are driven by marketing, advertising, and promotional measures, is this an issue of failed techniques or a complete lack thereof? If Ontario wines, by international standards, are worthy of attention, it seems that there is a communication error that is not expressing the value of Ontario wines to Ontario customers. But who is to blame? To answer these questions and uncover the promotional relationship between the Crown Corporation and the Ontario wine industry, I will perform a historical analysis to examine the political economic conditions surrounding the Ontario wine industry. To further qualify this historical analysis, I will conduct interviews with members of the Ontario wine industry with hopes of developing an understanding from the perspective of those directly involved in the industry.

Literature Review

The following review of literature will help position this research amongst previous studies on marketing and promotionalism within the wine industry. Beginning with a brief understanding of promotionalism, we will move on to examine promotional strategies and consumer behaviour of the wine industry in general. Finally we will conclude with considerations on the impact of the wine industry and why it is an important research field.

Promotionalism

The study of promotionalism has been a consistent and significant topic in the field of Communication Studies because of its innate purpose of communicating a message outwards. When paraphrasing Wernick, Knight and Greenberg define promotionalism as "the integration of different aspects or forms of communication to the extent that functional differences between them become blurred and fused…advertising, marketing, public relations" (6). Promotionalism essentially performs one basic function: advancing and managing public presence for the purpose of furthering success and continuity (Wernick 181; Knight and Greenberg 6). Through promotionalism, which includes advertising, marketing, and public relations, a corporation attempts to control its reputation in the hopes that it will develop into economic growth and a firm position in the market. As Wernick succinctly puts it: "you promote to sell" (42).

Economic growth and the market play an essential role in promotionalism. In their seminal books *The Codes of Advertising* and *Promotional Culture*, Sut Jhally and Andrew Wernick respectively take a Marxist approach to understanding promotionalism and advertising. As they outline, promotionalistic techniques like advertising grew out of a need to ensure consumption in a capitalist society. "Manufacturers have to ensure that what is produced is also consumed. Advertising is the main weapon that manufacturers use in their attempt to 'produce' an adequate consuming market for their products" (Jhally 3). As Wernick further describes, promotionalism is the lifeline of given market: "commercial communication between buyers and sellers is an inherent feature of commodity exchange and without it no market can function" (17). From this perspective, we can begin to appreciate the importance of promotionalistic techniques in our capitalist society. Advertising, marketing, and public relations, along with any other promotional measure, are what keep the economy up and running. All types of companies, from large-scale corporations to small family-run businesses must benefit from some form of promotionalism in order to survive; the market demands it.

Of course, as many other works have shown, advertising and promotionalism have another aspect that sparks the interest of Communication scholars. If promotional tactics have such influence on the market and our economy, what type of influence do they have on society and culture? As Wernick warns “Promotion is a mode of communication, a species of rhetoric. It is defined not by what it says but what it does” (184). In his article *The Distorted Mirror*, Richard Pollay echoes this sentiment. “Advertising is seen as having profound consequences, despite the fact that its intent is clearly the pedestrian one of effecting sales” (Pollay 21). If we now understand promotionalism as a function of capitalism and having the sole purpose of increasing sales, how does it affect society? As Jhally explains, advertisements contain many different codes that lie beneath the surface; despite its basic capitalist function, advertising builds strong associational links due to its visual nature (22). To Jhally, the visual and imagistic nature of advertisements allows associational and latent meanings to be communicated, alongside the purposeful manifest message. These links tend to be so strong that it is often hard for consumers to separate the manifest from the latent messages, both being powerfully connected to the product.

Wernick also addresses the latent messages found in advertising, but points to the political and ideological perspectives of the corporations for an answer. “Because corporate owners and managers use advertising commercially, they do so politically; and that behind the ideological bias of their ads lies a directing intelligence which seeks deliberately to secure loyalty in the system they rule” (Wernick 25). The latent content of advertisements actually has political and ideological biases that reflect those of the corporation. The advertisement thus serves two purposes for the company: to influence purchasing decisions and to influence political and ideological thoughts in favour of the system that keeps them in power. He further describes that advertisements act as a "reinforcement of whatever ideological codes and conditions have, for other reasons, come to prevail" (Wernick 42). Wernick makes an important distinction here. Companies, through advertisements and promotionalism, reinforce ideological conditions that prevail and allow them to maintain control; they reinforce them, they do not create them. As he states, these ideological conditions exist for other reasons beyond the company itself.

Marketing and Consumer Behaviour of the Wine Industry

Just like any other industry operating in a capitalist society, the wine industry is dependent upon promotional strategies to support its growth and success. Wineries must employ advertising, marketing, and public relations tactics to ensure consistent business. So what are current promotional techniques utilized by wineries and wine labels? In his study outlining retail consumer wine choice, Steve Goodman found that the most influential reason behind choosing a bottle of wine over another was the fact that the customer had tasted the wine previously (44). These findings are perhaps unsurprising due to the nature of the product. Wine is a product that is obviously consumed by drinking; therefore knowing what the wine tastes like and having enjoyed it previously seems a logical indication to select a given wine. However, this poses an imminent problem for the marketing and advertising of wines as the customer does not often have the ability to taste the wine before purchase. This puts wine into the category of a high-risk purchase for the customer because they are taking a chance on their purchase (Kolyesnikova et. al 322; Johnson and Bruwer 278). How does the industry cope with such a problematic product element?

Regional branding, the marketing of a wine by the distinct region of where it was produced, has become an important aspect of marketing and advertising in the wine industry. Varietal branding, the marketing of a wine by the distinct variety of grape it is made from, is somewhat useful, however as popular varietals are becoming more and more reproducible all over the world, it is more important to differentiate a bottle of wine; regional branding makes that possible (Johnson and Bruwer 280). Once a region has become well-known, it is easier for the customer to be willing to take a chance, which has made it an influential form of marketing in the wine industry. As Johnson and Bruwer state, "consumers will pay much higher prices for wines from a well-known region when they are uncertain about the quality" (277). In their study examining perceived wine quality and regional brand image, Johnson and Bruwer found that including the regional information on the wine label increased the consumer's confidence in the quality of the wine (295). In a similar study conducted by McCutcheon et al., it was found that the region of origin of a wine product was a highly important factor in the purchasing decision of customers (229). These two studies show that regional branding is a highly successful marketing technique to be utilized wineries as the customers deem region to be a determining factor in their purchasing decisions. As Johnson and Bruwer state "consumers seek out brands and regions whose track records have pleased them before" (278), and if there is a perceptible link between quality and origin then regional branding is an extremely useful technique (279). Chancy echoes the importance of regional marketing by outlining how retail stores that organize their wine by origin simplifies the buying process, especially for naive customers (34). Furthermore, Chancy describes that purchasing wines from a specific region is actually used by consumers as a risk-reduction strategy if they have enjoyed wine from that region before (34). The customers might not be able to taste the wine, but if they have enjoyed other wines from that region, they are likely to make the purchase.

Johnson and Bruwer also make an important distinction in that it is not only regional branding that could influence consumer decisions but corporate branding as well (278). Just like the regional branding, if a specific corporate brand of wine has pleased them before, the customer is also more willing to take a chance on that brand again. A corporate brand, like in other industries, can be a highly important factor in customer decision-making and in the marketing of a product. However its usefulness is limited to the size of the company and brand itself. As McCutcheon et. al point out "regional brand is more important to new wineries and small brands than to large well-known brands" (215). This is extremely evident when comparing the marketing that is available to large-scale corporations to that of the small-scale and new operations. Large corporations have the capital and budgets to spend on large-scale marketing and advertising campaigns to promote their corporate brands, where small-to-medium sized wineries and new wineries do not (Chancy 35). To clarify a small-to-medium sized winery is categorized as distinct from large corporations due to its smaller scale of production, they are independently owned and operated, with all managements decisions made by only a couple of people who also take on a variety of duties at the winery, including winemaker, viticulturist, chemist, labourer, and sales associate (Edwards 14). McCutcheon et al. found that marketing strategies like regional branding serve as a way for the smaller and newer operations to address these advertising and marketing concerns (230).

In order to ensure future growth and sales, smaller and newer winery operations have to make further use of what their respective regions have to offer. Not only does regional branding play a key role in their marketing, but so too does regional sales. As Kolyesnikova et al. state, smaller and new wineries look to their local regions as their inceptive markets. Promotion of smaller and new wineries “starts with attempts to build local residents into loyal customers, enthusiasts and advocates who further disseminate product information” (Kolyesnikova et al. 321). As the smaller and new wineries do not have the budget to afford big advertisement campaigns, they rely on local residents to become loyal customers and eventually evolve into advocates who help promote the wine to others in and outside of the local region. In this case, the local market is key to the success smaller and new wineries (Edwards 16). However, this is not an easy task as one might assume. In their article examining consumer attitudes toward local wines, Kolyesnikova et al. warn that it is often incorrectly assumed that local residents automatically accept local products (321-322). Regional proximity does not guarantee customers, nor does it guarantee loyal ones.

In the study conducted by Kolyesnikova et. al, it was found that the willingness of local residents to recommend regional wines over other wines actually varied amongst participants (323). In fact, their results showed a distinct group of participants who gave local wineries high-quality ratings and assessments but, for one reason or another, were unwilling to recommend those wines to others (Kolyesnikova et. al 329). In an industry where the recommendations of others are shown to impact consumer decisions, it seems highly unfortunate that locals do not recommend local wines despite holding them in high standing (Kolyesnikova et. al 329). From this perspective, it seems that smaller and new winery operations are at a further disadvantage when compared to the large-scale corporations. While the study by Kolyesnikova et. al did find a distinct group of local enthusiasts that did recommend the local wine to others, those identified as wine “connoisseurs”, whom were also part of a substantially higher income bracket and thus have more disposable income, acted as detractors from the local wineries and did not recommend them (329). These findings further represent the uphill battle faced by many small and new winery operations.

Another major strategy in the marketing and promotion of wines and regional wineries is wine tourism. Getz and Brown comprehensively define wine tourism as “simultaneously a form of consumer behaviour, a strategy by which destinations develop and market wine-related attractions and imagery, and a marketing opportunity for wineries to educate, and to sell their products, directly to consumers” (147). Furthermore Telfer, when summarizing Hall and Macionis, states that wine tourism is characterized by “visitations to vineyards, wineries, wine festivals and wine shows for which grape wine tasting and/or experiencing the attributes of a grape wine region are the prime motivating factors for visitors” (24). Wine tourism essentially turns winery regions into a destination where one can enjoy all that the region has to offer, but centred on the grapes and wines of the said region. Consumers have been bombarded with the ideal rural scenery that wine regions convey, and are inspired to set off and enjoy the scenery, the leisure, the cuisine, and of course the wine, with the most popular destinations being Bordeaux, Tuscany, and Napa (Getz and Brown 147). In the wine industry, it is important for individual wineries to differentiate themselves by educating the consumer about the history of the winery as well as its’ winemaking philosophy and practices (Spawton 11), and wine tourism gives wineries the best opportunity to do so by having consumers experience the winery in person. But while the beautiful scenery and other factors might contribute to a region’s success as a wine tourism destination, the importance of the wine itself must not be overlooked. The most important motive for wine tourists to visit a region is to taste the wine, and if a region has not yet established a reputation for good quality wine, then the wine region will not benefit from wine tourism as a promotional measure (Getz et al. 25-27). In their study examining critical success factors for wine tourism, Getz et al. conclude that in order to gain success as a wine tourist destination “the image and reputation of wines and wine regions must be earned, then effectively communicated” (32). So while wine tourism can be a successful promotional strategy, it is still supplementary to the winery and wine region developing a quality reputation.

Why Study the Wine Industry?

So why study the wine industry? From a business perspective, the global wine industry provides essential insight into many aspects of business management, including global corporate conglomerates focused on large-scale commercial aspects and family-run small businesses oriented on the cultural aspect of wine and viticulture. As Orth et al. explain, due to the expansion of wine regions beyond the “old world” of France, Italy, and Germany and the increasingly global structure of the exportation market, marketing and promotional measures have become substantially important to the sale of wine, which has become a highly interesting research field (6-9). Furthermore, these sales are not just important for the individual company, but actually have a profound effect on the surrounding area. As Larreina and Aguado conclude wine regions have the ability to spark the local economy, and when the wine region is experiencing a significant growth in performance, there is a positive effect on the socio-economic conditions of the surrounding locale (164). This has also caused further study into what has been termed “Oenopolis”, a metropolis where wine is a major driving force in its economy and society (Larreina and Aguado 164). It is from these two perspectives that I have decided to examine the wine industry of my native Ontario, Canada. Furthermore, previous to this research, I have had a personal affinity with the Ontario wine industry as I have taken personal measures to fully enjoy all that my local wine region has to offer, therefore developing a true understanding of the Ontario wine industry is very important.

The Ontario wine industry has proven itself to be an interesting topic in the wine business world. Despite producing critically acclaimed wines, there are those who still question Ontario's viability to produce quality grapes. Furthermore, the industry contains an incredibly large range of different sized operations, from large-scale corporations who own multiple wineries to small family farm businesses. It is also unique as the Ontario market is dominated by government-run retail operations, with limited capabilities for private stores. The Liquor Control Board of Ontario, or the LCBO, has been the subject of previous critical work, including its use of surveillance measures to monitor the Ontario public (Thompson and Genosko), its problematic hotel licensing procedures (Malleck), and the potential economic impact of privatizing the LCBO (Jazairi). While these studies have improved a critical understanding of the LCBO, there has been little research regarding the LCBO's relationship with the Ontario wine industry, especially from a promotional perspective.

The Liquor Control Board of Ontario was originally incepted as a means for the province of Ontario to regulate the production and distribution of alcoholic beverages at the end of prohibition in 1927. Since then, the Crown Corporation has evolved into a highly profitable organization, generating over one billion dollars in annual revenue for the Ontario government and counts itself as one of the single largest purchasers of alcoholic beverages in the world (LCBO). As the largest alcohol retailer in the province and as a Crown Corporation, one would expect the LCBO to have a strong, mutually beneficial relationship with the local wine industry, and at first glance it does. Many Ontarians are proud to be pouring wine that was produced in their own backyard and the LCBO seems to make that possible. But the LCBO is also an extremely large importer of many different wines from around the world, and its goal is to maximize those sales as well. This causes a complicated relationship, as there seems to be a conflict of interest as the Ontario wine industry faces such strong competition from imported products, yet do not have much other options for distribution. Should the LCBO, as a public entity, be placing more emphasis on the promotion and advertising of local wines to put money back into the local economy? Furthermore, is it their responsibility to increase public knowledge and appreciation for the Ontario-based wineries? With a recent study released outlining the Ontario wine industry's contribution to the Ontario economy, it is important to critically analyze the promotional relationship between the LCBO and the wineries of Ontario.

RQ: As a Crown Corporation, does the LCBO effectively promote Ontario- based wines?

A Brief History of the Ontario Wine Industry

To address and analyze the Ontario wine industry, I will be taking a political economic approach. According to Meehan et al., political economy "examines the production, distribution, and consumption of resources" (107) therefore developing a critical analysis by addressing the essential elements of an industry. This analysis will also mimic an institutional analysis, a common methodology in the political economy of communication (Meehan; Wasko), as it allows for the tracing of industrial structures and their effects on the industry as a whole (Meehan et al. 112). Furthermore, from a political economic perspective, history is an essential dimension when conducting analysis (Meehan et al. 107). When observing the current state of the Ontario wine industry, we cannot make appropriate assessments without truly understanding the history behind it. Therefore, the following section will provide a brief history of the Ontario wine industry. As Startt and Sloan state when reflecting on the importance of history, "it can help us understand the present…revealing particulars from the past which may serve as comparisons with the present, as lenses through which to consider our own times" (xii). Political economists are interested in the who, what, where, and when, but more intriguing to political economists is the why (Meehan et al. 114). A historical analysis will provide these essential answers, with special focus on why the Ontario wine industry is the way it is, allowing a deeper understanding when considering its current state. It must also be noted that this historical analysis is deeply rooted in the political economic approach and will focus on those elements; therefore it should not be deemed as a complete history of the Ontario wine industry and does not claim to be one. There are many key people, companies, government officials and events that have contributed greatly to the foundation of the Ontario wine industry that will not be mentioned in the following analysis.

While the Ontario wine industry is only one sect of the large Canadian wine industry that stretches across the entire nation, industry growth has been well concentrated in the province of Ontario and the Niagara Peninsula in particular represents the largest grape-growing region in all of Canada yet only a quarter of potential grape growing land is currently being farmed (Bramble 13; Cho et al. 311; Agriculture and Agri-food Canada; Bramble et al. 74). It is for these reasons, its current domination of the Canadian industry and its potential to continually grow at an enormous rate, that we will be focusing specifically on Ontario. In 1811 Johan Schiller, a retired German Soldier living near the Toronto region, farmed and domesticated wild vines, supplemented with American hybrids to make enough wine for him and to sell to his neighbours, and is now known as the father of commercial winemaking in Ontario and all of Canada (Bramble 14; OVA). From there the industry began to grow.

Unfortunately, nature did not make it easy on the early industry. Grapes grew wild in Ontario, but they were far from ideal for winemaking. The grapes native to this region are the Vitis Labrusca species, which have the strength to survive the cold winters but a highly unfavourable taste which is brought out in the winemaking process (Bramble 15; Telfer 24; Canadian Vintner's Association; Hope-Ross 4; Hart 6; Bramble et al. 65). The taste, described as “foxy” due to its similarities to that of fox urine, is caused by an innate compound called methyl anthranilate, and therefore was not easily manageable (Bramble 15; Hope-Ross 4; Bramble et al. 65). Clever winemakers would compensate by adding sugar, water, and alcohol to make the wine more palatable and some were blended with American hybrids, however it was never enough to be considered a fine wine (Bramble 15; Canadian Vintner’s Association; Agriculture and Agri-food Canada; Bramble et al. 65). The early industry was based on the Labrusca varieties and so too was its reputation, which would haunt the Canadian industry for many years.

During these early years, European settlers were trying everything they could to make the same quality wines that they used to back home. They attempted to grow the much more favourable European Vitis Vinifera species, but the vines did not survive the pests, fungus, or winter freezes to develop quality grapes (Bramble 15; Agriculture and Agri-food Canada; Bramble et al. 65). With a meager wine industry in Ontario making wines from less than desirable grapes, April 1916 brought about the Ontario Temperance Act. The act prevented the sale of alcohol in the form of drink in the province, and by 1918 the entire country was dry; Prohibition was in full force (Bramble 23-24; Thompson and Genosko 23; Canadian Vintner’s Association). However, this did not sit well with the new grape growers whose livelihood depended on the sale of their grapes for winemaking. In an interesting turn of events, the grape growers successfully protested the ban on alcoholic drinks and the act was amended to exclude domestic wine, with the six established wineries being allowed to produce and sell wine from their property (Bramble 24). The amendment included an important clause though: all wine had to be made from 100% native Labrusca grapes, no imported blends allowed (Bramble 24), so the Ontario industry would be further defined by the “foxy” varieties. Unsurprisingly, this amendment sent shockwaves throughout the province and soon people were lining up to get their hands on the Ontario wine industry. As Linda Bramble explains, soon "entrepreneurs, mostly new European immigrants with a history of wine making at home, flooded the newly created Board of License Commissioners with applications to open a winery—which the commissioners issued with no investigation into the competence, capital, or credibility of the applicant to make or sell wine" (24). During the Prohibition period, the number of Ontario wineries jumped from 6 to 51 (Bramble 28; Bramble et al. 64). While Prohibition actually provided a measurable growth in terms of size, this would prove to be a scar on the industry, one that the government would have to get rid of.

After failed referendum attempts and further tightening of laws, the Ontario government officially ended Prohibition in April 1927 (Bramble 26; Thompson and Genosko 13). Following the lead of British Columbia and Quebec, the compromise was that the provincial government would enact full control over the sale of alcohol. The Liquor Control Board of Ontario, or LCBO, was officially set up to take on this control and although their purpose was to sell alcohol to the public, their mandate, influenced by temperance notions, was to discourage consumption and was intentionally designed the buying experience to be dreary (Bramble 27; Thompson and Genosko 14; Agriculture and Agri-food Canada; Adrian and Ferguson 532). As Bramble describes, the LCBO personified what is meant when one says 'full control over the sale of alcohol. "The general functions and duties of the LCBO were to import, buy and sell alcohol beverages, to establish and manage liquor stores, to control the possession, sale, transport and delivery of liquor within the province, to maintain inspection staff, and to assist the police in enforcing the act" (Bramble 28). Furthermore the newly created LCBO was given full control and power over its own mandate and its enforcement, seemingly unbound by checks and balances. As Scott Thompson and Gary Genosko describe in their work examining the LCBO and surveillance, "the Board could develop its own regulations and policies as well as its own policing, regulating, and investigating agencies—empowered to make arrests and additionally unbound by the need to acquire warrants" (28). The LCBO was ready to take its stranglehold over the production and distribution of alcohol in Ontario.

The brief growth period experienced by the Ontario wine industry during Prohibition actually had negative effects on the industry, and it was now up to the newly formed LCBO to clean up the mess. The new small wineries were being operated by less than appropriate winemakers who were making wine in less than appropriate sanitary conditions, which put a damper on the entire industry (Bramble 28; Bramble et al. 64). To the LCBO, the solution was simple: get rid of the small wineries completely, but in order to do so they needed the help of the larger wineries that existed pre-Prohibition. The Ontario government promised the larger, more established wineries that they could keep the retail licenses of the small wineries if they bought them out, thereby forgoing the 'one retail outlet per winery' law that previously existed (Bramble 28; Canadian Vintner's Association; Bramble et al. 64). In the end, the 51 wineries dwindled to the pre-Prohibition number of six, with the larger wineries now having control of the leftover retail licenses, which contributed to their domination in the industry for years to come. To prevent the same issues from resurfacing, the LCBO placed a moratorium on the authorization of new manufacturing and retail licenses which would last 50 years (Bramble 29; Canadian Vintner's Association; Bramble et al. 64). This moratorium essentially inhibited the growth of the Ontario wine industry, which would survive the next five decades on the ill-tasting and ill-fated Labrusca varieties.

This is not to say that entrepreneurial and innovative minds did not exist in the Ontario wine industry. One of those minds was liquor giant Harry Hatch. After making his millions in the distillery industry, Hatch purchased one of the six wineries, T.G. Bright & Co., in 1933 and he was determined to improve the wine industry. His goal was to produce dry table wines in Ontario, a drastic difference from the sweetened and fortified Labrusca wines that dominated the industry at the time (Bramble 30). Hatch realized that it was the Labrusca varieties that resulted in the poor quality wines so he set out to solve that problem. If the Labrusca grapes were of poor quality then don't make wine with Labrusca grapes, a simple notion that ended up changing the Canadian wine industry forever. Adhemar de Chaunac, one of the microbiologists hired by Hatch, was given a plot of land specifically to perform experiments on new varieties. De Chaunac came to understand and work with the unique and favourable microclimate of the Niagara region (Telfer 23; Wine Council of Ontario) and by 1938, de Chaunac successfully introduced Canada to Vinifera hybrids, including the now popular Maréchal Foch and Baco Noir (Bramble 30; Bramble et al. 67). After the war, in 1946 de Chaunac began experimenting with 35 more hybrids and four pure Vinifera varieties, which are now well-known to the region: Chardonnay, Riesling, Pinot Noir, and Gamay and in 1955 these experiments proved successful as de Chaunac produced the first Vinifera wine in Canada, a 100% Chardonnay made from 100% Ontario-grown grapes (Bramble 31; Canadian Vintner's Association; Wine Council of Ontario; Bramble et al. 67). While these wines were never available for retail sale, these experiments would change the course of history for the Ontario and Canadian wine industry.

De Chaunac's experiments were successful but troublesome and required much work and capital, which was not particularly appealing to the Ontario wineries. In the 1960's and 1970's, despite Ontario wine drinkers maturing towards the drier table varieties, the Ontario wine industry was still subjugated by the Labrusca varieties, masked as sweetened and fortified sherries and ports, and any dry table wine attempted to be made from the native grape still reeked of ‘foxiness’ (Bramble 37; Canadian Vintner’s Association; Hope-Ross 4; Bramble et al. 65-66). However, change was about to come. In 1971, Austrian-born Karl Kaiser and Ontario-born Donald Ziraldo attempted the impossible. Kaiser and Ziraldo, both experienced amateur winemakers, applied for a license to start their own winery, despite the LCBO being in the fifth decade of upholding the moratorium, and they planned to make their wines from Ontario-grown Vinifera and French hybrids only (Bramble 41-42; Telfer 24; Canadian Vintner’s Association; Hope-Ross 4; Bramble et al. 67). Never mind the issues of applying for a license, the pure fact that they wanted to make wines only from Vinifera and French hybrid varietals was insane at the time. De Chaunac and some other wineries were successful with their Vinifera and hybrid experiments, but as mentioned earlier they were never available for sale; they never moved beyond the trial stages and the established wineries didn’t think it could be done. But one thing was on the mind of Kaiser and Ziraldo: quality wines made from quality grapes, grown and produced in Ontario.

Luckily for the future of the wine industry in Ontario, quality was also on the mind of another important individual at the time. The LCBO was recently going through a period of poor performance and they needed someone to pull them through it. General George Kitching was hired as the new CEO of the LCBO to make a turn-around after their profits dropped from 20% of the provincial budget in 1942 to only 3.5% of the budget in 1970 (Bramble 42). Kitching realized that the Ontario consumers enjoyed wine very much; however they did not enjoy the domestic wine made from the Labrusca varieties. He understood that in order for the Ontario industry to survive, their needed to be a paradigm shift from the ‘foxy’ Labruscas to the more enjoyable and sophisticated Vinifera and French hybrids (Bramble 45). After having their application initially turned down three months earlier, Kitching heard word of Kaiser and

Ziraldo's plan, met with the them, tasted their wine, and granted them a temporary manufacturing license with limited release in LCBO stores (Bramble 46). The tides were turning, but it was dependent upon the success of these wines. If the sale of their wine was deemed successful, then Kitching would consider a permanent manufacturing license, along with a permanent retail license (Bramble 46). Needless to say, Kaiser and Ziraldo's wine was a hit; In 1975 the newly created Inniskillin Wines was producing and selling quality Ontario table wine as Ziraldo and Kaiser were the first to be granted a permanent manufacturing and retailing license since 1929 (Bramble 47; Telfer 24; Bramble et al 67). The Ontario wine industry as we know it today was beginning to take shape.

Despite being held in high standing for doing much for the Ontario wine industry, Kitching also managed to frustrate it. Noticing Ontario's desire for high quality table, Kitching doubled the number of imported brands listed in the LCBO retail stores, from 250 to 500, in order to meet these new demands (Bramble 44). From this, Kitching help set in motion the reliance on imported wines for the LCBO's sales. He also further angered the domestic grape growers by amending the LCBO's Wine Content Act. Previous to 1972, a bottle of wine had to contain 100% Canadian grown grapes in order to be called 'Product of Canada', however after a poor harvest, Kitching dropped the legal domestic content to 75% (Bramble 45; Bramble et al. 66). The grape growers and the sincere domestic industry wouldn't be the same again. The Wine Content Act would continue to see amendments over the years, reaching all-time lows of 10% Canadian grapes in 1993 and 2003, with its current levels at 30%, a far cry from the 1972 level of 75%, all while proudly displaying 'Product of Canada' on the label (Bramble 45). While doing much for the Ontario wine industry, it's easy to understand why Kitching is also remembered for doing some harm.

While Kaiser and Ziraldo's Inniskillin Wines brought something entirely new to the Ontario industry, they faced an uphill battle. Ontario wines still had an extremely poor reputation and it was exceptionally bad for table wines as they were still being made from the 'foxy' Labrusca varieties, so trying to turn customers to 100% Ontario grown table wines was a dubious task, one that still plagues Canada's wine industry today. It also didn't help that just as Inniskillin Wines was setting out to promote and sell their 100% Ontario grown wines, Canadian actor Christopher Plummer publicly humiliated the Ontario wine industry by saying that Ontario wines were "terrible" and that his "arm nearly fell off" when he had a sip. After setting their sights high on the wine lists of Toronto's finest restaurants and hotels, Ziraldo was able to sell their high quality, 100% Ontario wines by the cases to La Scala and the Windsor Arms. People were starting to truly appreciate the hard work of Kaiser and Ziraldo producing such quality wines with Ontario grapes (Bramble 48).

At this point in time, the larger, more established wineries were paying attention. Inspired by the success of Inniskillin, the larger wineries began turning their Vinifera and hybrid experiments from unsophisticated proprietary blends to high-quality, all-Vinifera varietal wines from Ontario grown grapes (Bramble 49; Hope-Ross 3). Inniskillin Wines signified change for the Ontario and Canadian wine industry, change that was for the better, and the other Ontario wineries were beginning to follow suit. But not everything was perfect. The traditional grape growers, after their decades of growing Labrusca grapes, were neither prepared nor skilled in the art of effectively growing the troublesome Vinifera varieties or the French hybrids. The Ontario growers were hit hard by this shift in the market and to supplement their losses but still move the domestic industry in the appropriate direction, the Ontario government initiated a five-year pullout program to help the growers shift from the native Labrusca to the Vinifera and French hybrid grapes (Bramble 51). This program helped with some of the adjustments and some were willing to make the necessary changes, however, unsurprisingly most of the farmers were set in their ways.

After changing the domestic wine market drastically, Inniskillin managed to do it again in the late 1980's, except this time instead of fighting the Canadian climate they would work with it. Taking a page from the Northern European wine countries, Inniskillin would attempt to make Icewine. In 1986, Kaiser introduced his 1984 eiswein (originally spelled in the German tradition) at an international wine competition winning gold (Bramble 54). By leaving his grapes on the vines until the first freeze, the frozen water separates from the juice, concentrating the sugars to make a sweet, luxurious dessert wine; the technique originated in Germany and Austria but Kaiser mastered it in Canada (Bramble 54; Hope-Ross 8; Agriculture and Agri-food Canada; Bramble et al. 71). In 1991 Inniskillin turned the global wine industry upside down. At the prestigious Vinexpo, an international wine trade show, Kaiser presented his 1989 Icewine, and much to the surprise of the entire industry, took home the Grand Prix d'Honneur for best in show, officially putting Canada on the map as a formidable opponent in the global wine industry (Bramble 54; Canadian Vintner's Association). This brought about global and further domestic interest and appreciation for the Ontario wine industry.

It was about this time that free trade talks were beginning to take place between Canada and the United States, and the Canadian wine industry feared the worst. The LCBO attempted to address the domestic versus import concerns by implementing and minimal markup of 1% on domestic wines and a 66% markup on imports to make the domestic wines more appealing to the consumer (Bramble 72; Heien and Sims 174; Hart 6). This did not work. The LCBO was charged by the European Union with violation of the General Agreement on Tariffs and Trade and only gave the Americans more leverage during the free trade negotiations, so the LCBO was forced to eliminate the markup differential with both being changed to a 60% markup (Bramble 72; Telfer 24; Hope-Ross 4; Agriculture and Agri-food Canada). With free trade looming alongside favourable Californian wines, the industry's fears were personified when Prime Minister Mulroney said to President Reagan, “You drink our beer and we'll drink your wine” (Bramble 72). After how far the industry had come, it now seemed that it was all for nothing. When the North American Free Trade Agreement was signed, Americans wines were granted “national treatment” (Bramble 108; Agriculture and Agri-food Canada; Hart 6; Bramble et al. 69), meaning that in the marketplace, an imported Californian wine would be treated as equal to a Canadian wine.

Free trade was disastrous for the domestic wine industry; it was believed that the Canadian wine industry would be washed away by cheap Californian wine. One survey even predicted that the entire industry would disappear within five years (Bramble 103), but the Ontario wine industry was not about to roll over and die. With the help of Liberal Premiere David Peterson, the industry as a whole, including grape growers, winemakers, and government officials met to address the issue, concluding that the future of the Ontario wine industry rested in the Vinifera and hybrid varietals (Bramble 73; Canadian Vintner's Association; Agriculture and Agri-food Canada). Despite the concerns of the grape growers, all were agreed that this would be their only mode of survival, thus beginning a second initiative for growers to pull out the Labruscas, with compensation from the federal government (Bramble 78; Canadian Vintner's Association; Hope-Ross 4; Hart 6; Bramble et al. 70). In the end, the Ontario wine industry was desperate to save themselves from certain doom, yet the LCBO, now with both domestic and imported wines marked-up to 60%, netted themselves $240 million (Bramble 78). But to further ensure their safety, the wineries had one more strategy up their sleeve. If they could not benefit from a price differential to assist domestic sales, then the Ontario wineries would turn to the one thing they believed truly differentiated themselves from imported products: quality.

The Ontario wine industry was doing well, but it was still being outshined by imported wines, at least in the minds of detractors and snobs that were dwelling on the days of old. Those customers that did support the local efforts were still caught between a hit and miss selection that was permeated by “Product of Canada” wines that actually contained more imported grapes than domestic due to the Wine Content Act. A few key members of the Ontario wine industry realized they needed a system that promised quality to influence newcomers, guaranteed a 100% Ontarian product to those wanting to support the local industry, all while making this information highly visible and recognizable to the consumer. Thus the Vintners’ Quality Alliance, commonly known as VQA, was born. Originally called the “Niagara Quality Alliance”, the board was headed by Donald Ziraldo and membership was actually granted to individual wines rather than wineries as a whole (Bramble 75; Canadian Vintner’s Association; Hope-Ross 4; Bramble et al. 69). If a given wine meets the quality standards set out by the VQA, then it becomes a member, officially bearing the VQA medallion on the bottle, a symbol of esteemed quality for the customer. Moreover, through multiple tests and audits, a VQA wine is guaranteed to contain 100% Ontarian grapes, and is designated as being from one of the four distinct appellations in Ontario (VQA Ontario; Telfer 24; Wine Council of Ontario; Agriculture and Agri-food Canada; Bramble et al. 69). This appellation system, which outlines distinct character differences of origins that is reflected in the wine, along with the guarantee of wine quality is the Canadian equivalent of similar boards seen in Europe, including wine giants France, Italy, and Germany (Wine Council of Ontario). With the help of Len Pennachetti, owner of Cave Spring Cellars and former Law student, the standards and regulations of the VQA were formalized (Bramble 76).

With the basic purposes and rules of the VQA laid out, the next concern was enforcement. As Bramble points out, the VQA founders realized that “standards were only as good as the transparency and independence of their enforcement” (76), therefore an outside source was essential and the solution seemed quite obvious. Ziraldo, Pennachetti, and the rest of the VQA founders knew that the LCBO could provide the transparency and independence the VQA required. Through their existing quality-control departments, which already managed aspects like sensory tastings, lab testing, and auditing services, the LCBO would provide the independent eye to enforce wine sensory tastings for quality, grape production audits to ensure origins, lab tests to ensure no Labrusca varietals, and finally packaging control to enforce VQA labeling requirements (Bramble 77; Canadian Vintners Association). The combination of these four elements was the assurance the VQA would guarantee the customers, while ensuring the Ontario wine industry of their enforcement independence and transparency through the LCBO.

The formal regulations of the VQA and its enforcement via the LCBO were finalized in June of 1990 (Bramble 77). Initially, those who violated VQA regulations were only formally reprimanded through censure but in 2000, ten years after its formal inception, the Vintners Quality Alliance Act was passed by the Ontario government, and violators are now brought against the force of the law (Bramble 76; Canadian Vintners Association; VQA Ontario; Agriculture and Agri-food Canada; Vintners Quality Alliance Act 1999). The positive effect of the VQA would prove to be two-fold. Not only did it guarantee quality for the customers, but it was used during the free-trade negotiations. A government official contacted the VQA founders asking to use their new regulations as the basis for quality standards during the negotiations, as the government had none of their own, informally legitimizing their hard work (Bramble 108). The VQA standards and its subsequent medallion of approval garnered much consumer interest and trust in the Ontario wine industry and has since become a highly recognizable symbol of quality (Canadian Vintners' Association).

With concerns over the quality of Ontario wines taken care of, Ontario wineries set their sights on other issues they believed were hindering the industry. As the quality of Ontario table wines improved, local restaurants and bars became a key avenue for sales for many wineries. The only problem was that due to the regulations at the time, the LCBO was reaping the benefits. When selling to a local restaurant or bar, the individual winery would make the direct delivery to the place of business; however wineries would have to pay the LCBO a tax totaling 58%, despite performing absolutely no service. This meant that if a winery was selling a bottle of wine for $10, almost $6 was handed over to the LCBO, totaling millions of dollars in lost revenue for the wineries. This, understandably, did not sit well with them, so they set out to have the regulation changed. After an initial struggle, the LCBO agreed for the wineries to sell the wines using their GST number, thus letting the wineries keep a commission totaling 30%. This was a great win for the Ontario wineries and has greatly contributed to their success in the food and restaurant industries (Bramble 119-120; Giesbrecht et al. 391).

The Ontario wineries also noticed another aspect of the LCBO where they were being shortchanged. Not only were they making less money when selling to restaurants, but they were making less money when selling through the LCBO retail stores. When all was said and done, approximately 75% of a sale went directly to the winery when sold at their own private stores, but only 42% of a sale went to the winery when sold through the LCBO chain. It obviously made more financial sense to try and get people to buy directly from the winery over the LCBO. Wine tourism became the new strategy that the Ontario wine industry would concentrate on. Wineries, growers, and government members took part in a large research development to determine what wine and tourism activities already existed, what areas were seen as promising, and where gaps existed that could be expanded to support a wine tourism industry. Wine tourism has become a successful marketing technique for the Ontario wineries and continues to be a driving force in the industry (Bramble 121; Cho et al. 312; Bramble et al. 72-75).

The Ontario Wine Industry Today

There is one element that still plagues the industry today, and it seems that there is no solution coming anytime soon. As previously mentioned, in the early days of the industry, the LCBO convinced the larger corporations to buyout the smaller wineries to get rid of their poor quality wines, and in return the LCBO would allow these larger corporations to keep the retail licenses of these wineries. This allowed the larger corporations to run other private retail stores to sell their products, beyond the legal limit of one on-premise retail license per manufacturing license. During the free trade discussions, American wineries wanted this same privilege, so in order to prevent further competition with the LCBO retail stores, they decided they would remove this capability. Those who already acquired retail licenses were safe, but the LCBO would not grant anymore, much to the dismay of many newer and smaller wineries. There are approximately 350 private retail stores in Ontario, the problem being that they are owned by only a handful of wineries. Furthermore the overwhelming majority are split between wine giants Vincor and Peller due to numerous acquisitions since the original initiative. This puts any of the newer and smaller wineries at a huge disadvantage. These large corporations who already have such a stranglehold over the industry have an additional outlet to sell their products, causing distinct inequities within the industry. Furthermore, the LCBO has their own restrictions in terms of access to their distribution system. In order to have a product sold through the LCBO retail stores, the winery must guarantee a minimum volume supply, but many smaller wineries do not meet the required amount. Any newcomers to the wine industry see this as a complete failure of the distribution channels made available by the LCBO as well as causing severe bifurcations (Bramble 109, 115, 201; Agriculture and Agri-food Canada; Giesbrecht et al. 391; Bramble et al. 73).

Currently, the Ontario wine industry, as well as the Canadian wine industry has seen steady growth and respectable sales, however imported wines are still a major force in the market. Between 1990-2000 domestic wine sales increased by 33%, however foreign wine sales increased by 74.4%, which was cause for some concern. With the domestic market share standing at 42% in 2000, the Wine Council of Ontario set an aggressive goal of earning 50% market share by 2020. The LCBO was fearful and refused to commit to such a high number, which they felt was unachievable. However, the industry was persistent to set the goal high, especially considering that California has 80% of their market share, along with France and Italy having over 95% of their market share (Bramble 184-185; Hope-Ross 3, 8; Agriculture and Agri-food Canada; Bramble et al. 74).

The industry believes it is only worth their time to set the bar high, but they still have some ways to go as recent statistics show foreign dominance over the domestic market. While 100% Canadian made wine from 100% Canadian grapes are important in the market, the majority of domestic sales come from blends of Canadian and imported grapes, which can contain as much as 70% imported product (Agriculture and Agri-food Canada; Bramble 202). Specifically, in 2007, 77 million litres of wine was imported into Canada to make these blended “Canadian” bottles while 200 million litres of bottled wine was imported for direct sale

(Agriculture and Agri-food Canada). Imported sales soared to $1.7 billion, over 67% of the Canadian market in 2007, which is notably understated since any imported bulk wine used in Canadian blends are considered domestically made by Statistics Canada despite their actual imported content (Agriculture and Agri-food Canada). From the overall Canadian perspective, imported wines still rule the market.

When looking at the Ontario market, locally made products are more successful, but market share has yet to reach the 50% mark. As mentioned earlier, the majority of Canadian wine production takes place in Ontario, with 80% taking place in the Niagara region alone despite only a quarter of potential grape growing land currently being farmed (Bramble 13; Cho et al 312; Agriculture and Agri-food Canada; Bramble et al. 74). In 2009, the Ontario wine industry produced 56 million litres of wine, totaling $575 million in retail value garnered from over 130 wineries (Wine Council of Ontario; Bramble 9). These numbers prove the measurable success of the industry and suggest that the Ontario industry has come a long way. Unfortunately, the Ontario wine industry's share of the Ontarian market is at 45%, which is better than the overall national level, but still a far cry from California's 80% share of the Californian market (Wine Council of Ontario). What does remain strong is the wine industry's impact on Ontario's economy. In 2009, the Ontario wine industry employed approximately 5,973 people, which is commended in relation to recent unemployment rates (Wine Council of Ontario). Furthermore, Canadian auditing firm KPMG released a report in 2008 stating that on average, one litre of Ontario made wine puts $8.48 back into the Ontario economy, one litre of VQA wine puts $11.50 back into the Ontario economy, but one litre of imported wine puts a meager $0.67 back into the Ontario economy (Bramble 183; Wine Council of Ontario). The release of these numbers has solidified the importance of the wine industry within Ontario. But it has also been a cause for concern for some people.

If the local wine industry is so important to the Ontario economy, then why are sales so inferior to that of imported products? Should someone be helping to promote the industry to incur sales, and thus incur the economic development of Ontario as a whole? One vocal member of this perspective is, as he is referred to on his website, the Little Fat Wino, a man who has taken it upon himself to speak up against the injustices of the Ontario wine industry. He has chosen to do this through his website, littlefatwino.com, where he is the sole administrator, author, and developer. At first glance, the website seems completely ridiculous, arduously constructed without any clear navigation, and invoking the elements of poorly designed sites from the early days of the Internet. But if one spends some serious time navigating through the pages, a clear message is evident throughout his site: due to the Ontario wine industry's contribution to the Ontario economy, as a Crown Corporation, the LCBO should be doing more to promote Ontario wines; furthermore the LCBO is single-handedly responsible for imported wines dominating the Ontario market. He also boasts an impressive resume that backs up his strong convictions. The Little Fat Wino has been a wine judge at the Ontario Wine Awards for the past five years, a judge at the All Canadian Wine Awards for the past three years, he is President of the Amateur Winemakers of Canada, a recipient of the Grapes for Humanity Award, and he has even received a letter of recognition for his contributions to the Ontario wine industry and the VQA from Donald Ziraldo himself (Paterson).

As if that wasn't enough, he has two other entries in his resume that legitimize his strong point of view: he is the current Secretary/Administrator for the Ontario Viniculture Association and he is a retired employee of the LCBO, after working there for almost 30 years (Peterson).

His background with these two institutions proves that he might actually have the sound knowledge required to make such strong allegations. As an employee within the LCBO retail stores, he was especially active in the promotion of VQA certified wines, including the creation of store signage, writing detailed tasting notes of VQA Ontario wines and mailing them to over 85 LCBO retail locations, and even bringing back vine cuttings and frozen ice wine grapes from the Niagara region for customers to truly experience the local wineries while teaching them amateur winemaking techniques like turning cuttings into vines (Paterson). The Ontario Viniculture Association, or OVA, is an organization that represents Ontario wineries that produce 100% Ontario products and advocates on their behalf in the hopes of creating market equality for all Ontario wineries (OVA). From these experiences, the Little Fat Wino has been tracking the LCBO's performance and has concluded that "the LCBO and the Ontario Government are doing much to harm and little to help the small wineries in Ontario…growing signs of what I view as institutionalized corruption (Paterson).

A key element in his argument is his monitoring of the LCBO's promotional techniques. The Little Fat Wino has noted the industry's goal of achieving control of achieving 50% of the Ontario market, including the LCBO's recent promise of increasing Ontario wine sales to $413 million by 2013 (Paterson; LCBO) and so he has put them to the test. As mentioned in the literature review, promotional measures are distinct tactics to achieve sales; therefore he has been tracking what the LCBO is promoting in their annual publications. By conducting a content analysis of each LCBO publication since 2001, the Little Fat Wino has been contrasting how many imported wines are promoted against how many Canadian wines are promoted. According to the numbers, he is very concerned for the industry and believes the public should be concerned as well. In 2010, the LCBO Vintages Releases contained only 7.3% Canadian wine, the LCBO Vintages Releases Online contained only 1.4% Canadian wine, the LCBO Classics Catalogue contained no Canadian wines, and the highly popular LCBO Food and Drink Catalogue only contained 32.5% Canadian wines (Paterson). It is essential that the LCBO's sales and market share goals be called into question, especially in relation to their promotional tactics, as this is how the LCBO measures their success in the industry.

Interviews with Members of the Ontario Wine Industry

While the Little Fat Wino does display his concerns for the Ontario wine industry, I felt it best to understand this trend from the perspective of other members of the industry. In order to obtain this information I conducted one-on-one interviews with members of the Ontario wine industry from a multitude of perspectives, including the Little Fat Wino himself, several wineries with different production sizes, and the manager of an LCBO retail store. From these different perspectives, I hope to gain a further understanding of the relationship between the local wineries and the LCBO. Wineries are often defined by their average annual production; in the Ontario industry a small winery produces less than 20,000 cases, a medium sized winery produces between 20,000-100,000, and the large wineries produce more than 100,000, with the biggest producing over 500,000. The size definitions will be used to differentiate each winery's unique perspective. The Little Fat Wino's content analyses seems to suggest that the LCBO is not doing their job when it comes to the promotion of Ontario wines, however, it must also be asked whether it is the LCBO's responsibility to promote Ontario wines. Also, it is best to understand what the Ontario wineries think of the LCBO's promotional techniques. My hypothesis is that all of the wineries might have some concerns with the LCBO's promotional techniques, however I believe the smaller the winery, the larger the concerns will be, while the larger the winery, the less concerns they will have.

Methodology

One-on-one, semi-structured interviews were conducted during July and August 2010. A total of five interviews were completed lasting approximately 40 minutes, each representing many different perspectives on the industry, including three different wineries of varying sizes, a current manager at an LCBO retail store, and former LCBO employee and self-described LCBO distribution critic the Little Fat Wino. For the purpose of my overall research question and the questions in my interview guide, it was necessary for the wineries who would participate in the research to have previously had their wines made available at some point through the LCBO retail stores. This included being part of the LCBO's general list of products that are regularly found in the retail stores or being part of the LCBO's Vintages list which offers limited release products. The primary resource for potential winery recruits was the 2010 "Wine Country Ontario" guide to the wineries of Ontario published by the Wine Council of Ontario, which offers descriptions of the wineries including information about their most popular LCBO products. Not all winery descriptions offered information about their LCBO products; therefore the list was cross-referenced with the LCBO's Product Search available on their website.

A total of 15 wineries from the Niagara Region were sent recruitment letters via e-mail requesting their participation in the study, representing a fairly wide sample base of various production sizes, determined by the amount of products available in the LCBO via their Product Search page. The Niagara Region was chosen specifically due to its enormous size and contribution to the Ontario and Canadian wine industry as a whole and due to ease of access when conducting the interviews. It was expected that not all wineries would be willing to participate, partially due to the subject matter of the research and due to the timing of the research, as the summer is high season for wine route tourists. Unfortunately, for the external validity of the research, only three wineries responded and were willing to be part of the study. To recruit an LCBO manager, local LCBO retail stores were visited and managers were spoken to directly or recruitment letters were left for them if they were absent, with only one responding to the request. The Little Fat Wino was contacted directly via the e-mail address made available on his website.

Due to the delicate subject matter, ethical considerations were made throughout the process. It was understood that the questions being asked during the interview had to do with the livelihoods of the participants and there is the possibility for repercussions and negative reactions to their responses. To manage this, all information that might be used to potentially identify a specific winery, LCBO location, or specific individuals who took part in this study have been omitted and kept completely confidential. For the purpose of the analysis of the interviews, all respondents will be given a pseudonym so that they can be easily referred to and differentiated from each other. The exception will be the Little Fat Wino, who will be referred to by his own name, due to his opinions already being made publicly available via his website and as he stated, he has "nothing to hide". The wineries will be assigned a letter designation, and therefore will be referred to as Winery A, Winery B, and Winery C. The manager of the LCBO retail store will be referred to as Manager. A predetermined interview guide was utilized to lead the interview; however a semi-structured format was employed, which allowed me to move away from the guide as I saw fit, adding or deleting questions whenever necessary (Bryman and Teevan 186). The semi-structured interview format proved useful as the adjustment of questions kept the flow of the interview as natural as possible.

Analysis of Interviews

<u>The Little Fat Wino - Larry Paterson</u>

Larry Paterson expressed some extremely strong resentment towards the LCBO. Over his many years of faithful service with the LCBO and since retiring, Paterson believes that he has witnessed a great shift in focus away from the LCBO's prime foundations and towards a very narrow goal of making money. He is disgusted with the way they run their business, where their main focus is putting money into the pockets of upper management who are receiving bonuses for what he believes to be poor results. Paterson believes that the biggest problems with the LCBO is their lack of support for the Ontario wine industry as a whole, their bias towards the large corporations, and their inability to follow through on any promises.

When asked if he believes that the LCBO is effectively promoting Ontario wines, he abruptly answered "no, not at all", and he presents a convincing argument. According to Paterson, the LCBO sees Ontario wineries as clear competition, which is why they don't effectively promote Ontario wines, and he believes that the LCBO actually has a vested interest in not selling Ontario wines to consumers. As Paterson explains, if the LCBO sells a customer a bottle of Ontario wine and you enjoy it, you may decide to actually go down to visit the winery in person and purchase is there, which is exactly what the LCBO does not want you to do. If you buy a bottle of wine on-location at the winery, the LCBO doesn't receive the markup profit they would normally receive if sold out of one of their retail stores. He also states that the current upper-management bonuses are partially dependent upon total profit; therefore the executives at the LCBO do not want to lose that potential profit. If the LCBO successfully convinces consumers to buy imported wines, then they will not lose a customer to the competitors, they won't lose their markup, and thus not lose their bonuses. He also believes that this mindset trickles down to the sales team on the floor of the stores. From his perspective, if a customer went into an LCBO store looking for a white wine for dinner for $15, 9 out of 10 times the sales associate will bring that customer to the vintages section and try to sell you an import, despite the fact that the given criteria couldn't be better suited than an Ontario wine. As he simply states "bonuses depend on max profits and you do not send people to the competition when that is your goal".

He does recognize that the LCBO does have a promotional period each year where there promotional focus is on the Ontario wine industry, but to Paterson, it is just not enough. The LCBO also has promotional periods for France and Argentina and Chile, yet as Paterson rhetorically asks "what does the 'O' in LCBO stand for?", to him this does not make sense; more needs to be done for our local industry. He also thinks that there are not nearly enough Ontario wines available in the "Vintages" section, a special product list where premium and limited release wines are sold, so customers are under the assumption that Ontario wines aren't good enough to make it into that section. These are some very strong allegations that have some very serious implications, and that does not go unnoticed by Paterson: "if the public believed what I believe they would be dead in a week, if they believed the LCBO was against Ontario wines they would be privatized".

Another major issue that Paterson sees with the LCBO is their strong bias towards the large multi-million dollar corporations and their disdain for the small wineries. Paterson completely disagrees with the LCBO calling the wines that are blended with Ontario and imported grapes, which are legally allowed to contain up to70% imported product, "Cellared in Canada", or CIC. He sees this as the LCBO deceiving the customers as they are often in and amongst the Ontario section, despite the fact that the majority of it is imported product. He notes that the wineries that make CIC wines are the large corporations, which the LCBO is more than happy to bend for because they control so much of the Ontario market. In turn, according to

Paterson, when the LCBO does promote Ontario products, they promote the CIC wines, which is evident as the CIC products make up the majority of Ontario wines sold through the LCBO. These sales put little back into the Ontario economy, and have had a great affect on the Ontario grape industry as thousands of tons of grapes are left of the vines to rot, year after year. Personally, Paterson does not have a problem with blending Ontario grapes with imported products; his problem is with the labeling and the location of the product. He does openly admit that the LCBO has recently made a change to the name of "Cellared in Canada" as an attempt to make it clearer to customers, however not all LCBO locations have made this adjustment and he believes the damage is already done, especially when CIC dominates the domestic sales. Furthermore, the smaller wineries, which are producing 100% Ontario products, can't sell through their LCBO because they do not produce enough volume and they cannot make it to the "Vintages" section because the cost to be listed is astronomical. Paterson believes this clear bias needs to be exposed to the general public.

So how does the LCBO hide these issues? Paterson says they do whatever they can to appear like they are doing great things for the Ontario wine industry by making use of public relations techniques. As mentioned earlier, the LCBO had agreed in 1998 to set a goal of Ontario wines achieving 50% market share through the LCBO retail stores, but that is yet to be. Paterson says that they have made a series of promises over the years which sound good in a press release and in the media, so it appears that they care about the Ontario wine industry. Paterson outlines that in their 2002/2003 annual report, they again declared a goal of 50% market share for Ontario wines, which did not happen, and he thinks that their current goal of achieving $410 million by 2013 is another one of their empty promises to make the general public think that they care about the Ontario wine industry. Again, Paterson details that the LCBO is completely deceiving Ontarians.

According to Paterson, the solution is simple: instead of having bonuses dependent on totally profit, bonuses should be dependent on sales of Ontario wines. If they were, Paterson thinks we wouldn't be able to grow enough grapes to supply the market and within three years there would be 500 wineries in Ontario. To ensure the increase in sales of Ontario wines, the LCBO would better promote local over imported, they would open the access to their stores to the smaller wineries to make as many Ontario products available as possible, and they would actually make attempts at achieving their goals. Paterson does not think complete privatization is the solution; however major adjustments need to be made. He also believes that unlike the free trade talks which eliminated the LCBO's price differential in favour of Ontario wines, this solution would not face similar problems. However, he does note that the LCBO has hidden behind the walls of free trade, and needs to be reminded that Canada signed the agreement, not Ontario; also "how can France and Australia complain about free trade when they don't sell Ontario wines in their stores?" To Paterson, these problems can be fixed; it is just getting the right people to listen.

Paterson is under the assumption that all wineries hate the LCBO, from big to small because they are so complicated to work with. He attributes the industry to running like a police-state, where an auditor has the power to shut down an entire winery at will. He openly admits that he has never heard of this happening; however he believes that the wineries are frightened of this possibility. Paterson's opinions are strong and downright vicious at times, but he believes that he is only giving the LCBO what they deserve. Whether his viewpoints are correct or not is hard to tell, but he has managed to gather up enough information to provide evidence to his claims. Regardless, one thing remains true for Paterson: “no matter what the LCBO says, or no matter what an asshole like me says or does, the measure is what they actually sell”, which is not enough true Ontario wines.

<u>LCBO Retail Store Manager</u>

The Manager has been working in the LCBO retail stores for over 35 years, so a little longer than Paterson was, and therefore has been witness to the same corporate atmosphere. The Manager easily points out the company’s successes and their downfalls, and also the downfalls of the industry as a whole. On a basic level, the Manager sees the LCBO as a highly important source for the Ontario wineries because it’s their best way to get the products out to a wide market, something that their on-location stores cannot provide. The Manager thinks that a large part of the problem facing Ontario wineries is the competition from imported wines. The biggest issue, according to the Manager, is around price. Ontario wines are not competitively priced, as customers can purchase a good quality bottle of imported wine for a much cheaper price than a bottle of 100% VQA Ontario wine. The Manager believes that it is much easier for the customer to base their wine purchasing decision on price over anything else; therefore inexpensive imported products usually win on that front.

The Manager also clarifies that unlike Paterson’s opinion of sales associates’ unwillingness to sell Ontario wine, each LCBO retail store as a fully trained “WOW” representative, which stands for “Wonderful Ontario Wines”. These WOW representatives act as a liaison between the Ontario wine industry and the LCBO, taking part in annual training sessions provided by the Wine Council of Ontario to keep them up-to-date on the industry and new products. The Manager also believes that the promotional period that is dedicated to Ontario does make a difference, and in fact he has witnessed a big uplift in sales due to the numerous advertisements that are utilized. While the LCBO does have promotional periods dedicated to other regions, the Manager says they simply aren't as successful as the Ontario promotional period. Furthermore, the LCBO often runs a feature called "Ontario Superstars", which centers around four different small, lesser known Ontario wineries, giving them a prominent front of store display with high visibility. They also make the Official Wine Guide available to the public, encouraging customers to go out and visit Ontario's wine country.

When it comes to the LCBO sales floor, Ontario wines are the first thing in their minds. The Manager explained that every single LCBO location is designed so that the Ontario wine section is the very first thing you see, right in the customers face, so that it will encourage customers to see what is available in Ontarian wines. From a managerial perspective, the Manager says that they are told from upper management to try and promote Ontario wines. This mindset is then transferred down to the sales associates. If it fits the specific profile the customer is looking for, the Manager explains that it has been his experience that all sales associates will take the customer to the Ontario wine section. In fact, the Manager explains that a strategic goal of the LCBO sales associates is that when a customer has no clue what they are looking for, it is a clear opportunity to promote Ontario wines. Also, if a customer does come in looking for a specific varietal that Ontario is known for or well-represented in, the Ontario wine section is the first place a sales associate will take them. The Manager also detailed a new LCBO retail store located in St. Catherines that is specifically designed to sell VQA Ontario wines and has the listings to support that mission.

The Manager, who appeared to be a general supporter of the Ontario wine industry, believed that the LCBO does effectively promote Ontario wines, yet there is always room for improvement. Since beginning at the LCBO, the Manager has witnessed the visibility of Ontario wines improving while the quality of Ontario wines were improving, but believes that the LCBO could be doing more to increase their visibility to the general public. In regards to the one promotional period, the Manager believes that there should be at least one more dedicated to Ontario wines, and envisions it as running one to promote the well-known larger wineries that already have strong brand awareness and another promotional period dedicate to the smaller, lesser-known wineries who may not have the same brand recognition amongst general customers. The Manager does see that a cooperative measure is needed between both the LCBO and the Ontario wine industry in order to improve the current share of the Ontario market, where LCBO employers and managers can meet with industry members, beyond their regular meetings, to discuss new ways to improve promotions. The Manager is of the opinion that the LCBO's current goal of achieving $410 million in Ontario wine sales by 2013 is possible, however the Manager has not witnessed any changes or adjustments being made to prepare in reaching that goal, which the Manager thinks needs to be done. The Manager also took note that Southern Ontario drives the Ontario wine market due to proximity to the major wine industry; however as one heads further and further north away from the main industry regions, it becomes harder for LCBO's to sell Ontario wines. Because of this, the Manager believes that the LCBO should focus on increasing Ontario wine sales in other regions, which would improve Ontario wine sales quite a bit. Despite the effort put into the new location in St. Catherines, it causes some confusion as St. Catherines is in the heart of Niagara wine country, and therefore, according to the Manager, does not need much help in promoting VQA Ontario wines.

While there was some talk about how the LCBO could improve on current promotional techniques in regards to the Ontario wine industry, the Manager did express that making changes that privilege the local industry is not as easy as some might think. With regards to the under-par performance regarding market share, the Manager explains that other wine regions that have a majority of their market share like California or Italy probably limit the amount of wines that they import, so it's easier for them to control their market. The problem is that the LCBO has a reputation for being the largest importer of product in the world, which is a reputation they would like to hold onto as the LCBO takes pride in the variety they offer to Ontario customers. The Manager also recalls back to the free trade talks and warns that regulations and treaties won't make it easy for the LCBO to take major steps to support the Ontario wine industry exclusively as they were quickly shut down before. The Manager admitted that they do see the wineries as competition, but only because of the unique monopoly system the industry is operating in, so they don't have any other competition. The Manager qualified this competition though, explaining that the fact that the LCBO promotes Ontario wines in any capacity is proof that they are not worried about this competition, and therefore would not conjure up anything to strategically eliminate their sales.

The hardest issue that the Manager sees is the fact that the LCBO, like any other retail stores, is sales driven, so logically, the LCBO will support wherever the sales are. The Manager tells how Fuzion, a brand from Argentina whose bottles sell for about $7.50, has been extremely popular and has seen great sales. Even though it is an imported product, the LCBO has been selling "tons of cases" so they have to take it and run with it because it's making money. As the Manager explains: "ultimately our goal as an organization is to make money for the province of Ontario, and I'm not saying to do that at the detriment of the Ontario wine industry, but it's about making money". As mentioned earlier, the Manager is a supporter of the Ontario wine industry and believes that as a Crown Corporation, the LCBO should put some extra effort to sell Ontario wines. However unlike products like Fuzion, many of the small wineries don't have the volume to be sold in the LCBO retail stores, so in the end it's very difficult to promote a product that the LCBO won't have on a regular basis. In conclusion, the Manager expressed that it's easy to recognize the LCBO as the main distribution system for the Ontario wine industry, so as the main sales vehicle for Ontario wines the Manager believes that it is their responsibility and obligation to try and increase Ontario wine sales.

Winery A

Of the three winery representatives that were interviewed, Winery A was the largest, producing approximately double the amount of cases than Winery B, however, by industry standards, they are still considered a mid-sized winery. Winery A believed that the Ontario wine industry is an essential part of the local economy because of its direct impact through aspects like job creation, but also through indirect elements such as driving the tourism industry and other cultural elements like culinary arts, visual arts, and theatre. In this manner, Winery A has an idealistic vision of the Ontario wine industry where it is received as part of society, much like the old wine regions of France and Italy. Currently, Winery A's wines are available in the LCBO retails stores through their general lists and their Vintages section, amounting to just over 200 LCBO locations that sell their wines. Despite admitting that the LCBO is "critical" to their sales, Winery A believes that there are major issues with the Crown Corporation, often describing them as inhibitors to growth of the industry. As Winery A explained, there is a conflict of interest with the LCBO as "the cop and the pusher are the same folk". Problems are inherent in the organization because they are the liquor control board but they are also only retailer.

Winery A described how the system of the LCBO is geared towards building the LCBO's brand, and not the wineries' brand, which is problematic because wineries rely on brand awareness and developing a brand relationship with customers. In essence, visibility on an

LCBO shelf is brand awareness as the quantity of their locations alone, now standing at over 600 locations, are better than any advertising campaign a winery can invest in. The problem for wineries like Winery A, and other wineries that are not producing as much wine as the largest corporations, their wines can only be made available in 1/3 of the LCBO locations or less. This prevents the smaller wineries from developing a strong relationship with their brand like. Furthermore, Winery A claims that visible location within an LCBO store also causes issue because "if they [customers] walk into the LCBO stores and within ten seconds they can't see your brand, what's the point?" As Winery A further explained, the only way a winery can receive prominence amongst the hoards of shelving in the stores is if they buy into the LCBO's merchandising program, which is very expensive and completely unreasonable for most Ontario wineries.

Winery A does strongly believe that imported wines are immense competition for the Ontario wine industry, however they are not the biggest problem facing the industry. Unlike other wine regions in other jurisdictions, are the monopoly system and the unchecked powers the LCBO has. Similar to what Paterson mentioned, Winery A believes that the LCBO has the power to turn a winery away from their retail stores if they wish. The problem that Winery A points out is that "if the LCBO doesn't want your wine, we have nowhere else to go, and then you are forced to deal with business repercussions of high inventory levels, and with an agriculturally-based product, you can't turn off the top and stop making wine, its hanging out there". In the monopoly system, if you are not in the LCBO, you are extremely limited in the distribution channels that are available to you, and when listing in the LCBO provides such solid brand awareness, wineries are left with little to work with. Winery A further clarified by paraphrasing wine writer John Szabo, saying that many international brands do not want to work with the LCBO because even for them, they are difficult to work with, but these companies have the ability to go down the street and sell through someone else; Ontario wineries do not have that option.

When asked whether the LCBO effectively promotes Ontario wines, Winery A was very quick to answer “definitely not”, and went on to explain that there are barriers to appropriate promotional measures as well. As Paterson does on his website, Winery A tells that the Ontario wine industry is not well represented in the LCBO’s publications. While it is possible for wineries to purchase advertising space within these publication, Winery A says that this is nearly impossible for smaller wineries because the cost of advertising is prohibitive; the LCBO sets the advertising price extremely high at approximately $15,000, while advertising in other wine-related publications cost an average of $3500 and other magazines with comparable circulation only cost an average of $9000. Winery A sees the value in the promotional period focused on Ontario, however, as the Manager admitted, one is not good enough. Winery A even went further in saying that it should be Ontario wine month every month of the year, allowing Ontario wines to be figured prominently in every LCBO promotional and advertising feature.

Based on the current programming and the current system, Winery A does not believe that the LCBO will achieve its goal of increasing Ontario wine sales to $410 million by 2013. Comparing it to the problems faced by the Ninth Ward after Hurricane Katrina, Winery A says that the LCBO is consistently applying temporary fixes that are “woefully inadequate”. Winery A, who does export their wine internationally, emphatically believes that in order to be a strong international brand, you have to own your own marketplace, however because of the current system, Ontario wines do not. Winery A also explained that, like the Manager noted, they have not seen any evidence of changes or plans to be put into play to help them achieve that goal.

Also, as Paterson noted, Winery A believes the free trade argument to be “hogwash” and that the LCBO only uses it as a convenient excuse to couch the real issues and say that it is not their problem.

Winery A is familiar with Paterson and warned that not everything he says should be regarded as fact. They applaud him for taking a stand against a very powerful organization, however they think that he is “out-there” in terms of his opinions and that sometimes is information is misguided. Regardless, Winery A clear has some strong opinions themselves about the LCBO. Winery A sees a solution in shelving. They think it’s great for the LCBO to have Ontario wines front and centre when a customer walks in, but the vast majority of the store is everything else, which is not good enough. Winery A believes that the LCBO should double the amount of shelf space that is dedicated to Ontario wines. With all of their strong arguments and opinions present, perhaps the most profound statement came when Winery A said that if they knew what they know now about the LCBO and the system that the Ontario wine industry works under, they would have done it entirely differently because their current model does not work. Despite having been involved in the industry for some time, Winery A said that they would take it all back. What does work, according to Winery A, is relying on the LCBO as little as possible; have a smaller location, smaller production, smaller vineyard holdings, and rely on mostly cellar door sales. There are current Ontario wineries that follow this formula, they do not have to deal with the LCBO nearly as much and, most importantly, they are making good profit.

Winery B

As mentioned above, Winery B has a smaller annual production than Winery A, yet is a larger producer than Winery C, and in fact falls right in the middle of the two. Further comparison shows that Winery B has dramatically different perspectives than Winery A and

Paterson. Like Winery A, Winery B relies on the LCBO as its main source of sales, where their products are represented in the general list and the Vintages section, and in total their products are available in approximately 175-200 LCBO locations. Winery B sees the KPMG study as an extremely positive story for the Ontario wine industry and is a public example of what the Ontario wine industry contributes to the Ontario economy. Winery B takes it a little further, believing that the sustainability of the wine industry is also a significant factor, where in comparison to other industries within Ontario, wineries have a much smaller carbon footprint, which adds to its importance.

Where Winery B truly differentiates is their opinion of the LCBO and the industry as a whole. Winery B is aware of the industry's inability to control the Ontario market, but they do not see it as entirely negative. Winery B notes that in Ontario, wine has never been the beverage of choice for most Ontarians, the number is on the rise, but it is still lower than elsewhere in the world. From this perspective, Winery B believes that if the LCBO turns someone onto wine, whether it's an imported product or a lower-end VQA, or even CIC, it's a conversion, and anytime you move someone away from other alcoholic drinks, the healthier the Ontario wine industry will be. When further discussing imported wines, Winery B continued to stray away from the opinions of Winery A and Paterson. Winery B believes that they Ontario wineries actually have an advantage over imported wines. Ontario wineries have the ability to develop an emotional response with their customers and generate "warm, fuzzy feelings", which is viewed as a competitive advantage. Winery B believes that having a connection to the winery is becoming more important for customers, so having the ability to easily go and visit the location, perhaps even a couple times a year, is something they will cherish. Imported wines do not have that advantage because so few Ontarians will ever have the opportunity to visit the regions of the imported wines. In comparison to Ontario wines, Winery B believes imported wines to be "faceless" without having that potential for intimate interaction.

Despite the positive outlook, Winery B certainly does not believe that the system is perfect. Like the Manager detailed, Winery B sees price as a constant struggle for the Ontario wine industry. According to Winery B, other wine regions are strongly supported by their governments in the form of subsidies so they can afford to sell their wine at much lower prices. This is troublesome on two levels as Ontario wineries experience very few subsidies and the cost of doing business is much more costly in Ontario. On average, Ontario grapes are 12-times the price than other regions, so VQA wines simply cannot compete on a price level with lower-end imports. As Winery B describes: "above the $10 mark, it's a non-issue, but competing at $7.25 or $8, [Ontario wineries] can't buy the bottle, the cork and capsule, and label at these prices, let alone the grape input and labour; it's just not feasible". Like the Manager explained, price is a huge issue for the Ontario wine industry, and Winery B shares the same perspective.

When it comes to the LCBO's promotion of Ontario wines, Winery B believes that they actually offer fair coverage in relation to other wine regions. Unlike Winery A, Winery B believes that the Ontario promotional period offers lots of opportunities for the Ontario wine industry. From their perspective, the LCBO invests and contributes large amounts to make sure the industry is successful. In fact, Winery B explains that in the past three years, they have seen significant improvements in the attitude, promotional techniques available, and creative thinking on behalf of the LCBO to increase the visibility of Ontario wines. Winery B did make note that the LCBO offers little in specific brand awareness methods and are more focused on promotional of entire categories like VQA, however individual wineries can opt to pay for brand awareness services to be carried out by the LCBO. Winery A made a similar point, however Winery B left out any discussion over the cost of those services. Winery B did make it clear that the promotional support carried out by the LCBO is not determined by political pressures. "They are not doing it because they are trying to be patriotic or because they have strong local feelings, or from other political pressures, they are doing it because it makes good business sense". Winery B believes that the LCBO offers support to Ontario wines because it is a good business decision, they see the value in and return from Ontario wine sales. There is no overwhelming desire to support the local economy but instead a strong business case to be made. Winery B does believe that as a Crown Corporation, the LCBO does have an indirect responsibility to the citizens, but their mandate from the government is not about making citizens happy but about making money. This point reflects that of the Manager's perspective regarding the sales of imported products. To offer a clearer understanding of their point, Winery B reversed the thinking, explaining that if selling Ontario wines wasn't good business, we would be asking the LCBO to lose money by enforcing them to promote a category that will never see the return on investments, which would probably anger voters even more.

Winery B does make a case that there is always room for improvement within the LCBO. The biggest factor is seeing results on the sales floor. They believe that upper managers do see the bigger picture and the value in Ontario wines, but there is a disconnect between those people and the employees in the retail stores. Winery B thinks that all retail employees should be more involved and engaged with the Ontario wine industry so that they can understand and appreciate what the local wineries have to offer. According to Winery B, sales associates underestimate the customer's ability to make choices beyond price, which is why many of them have the attitude that questions why they would sell customers a $12 bottle of Ontario Chardonnay when they can sell them an $8 bottle of Chilean Chardonnay. As Winery B professes "it's not always about rock-bottom prices; there is no reason that the LCBO needs to be the Wal-Mart of beverage sales".

Despite Winery B's defense of the LCBO, at least in comparison to Winery A and Paterson, Winery B does not see the LCBO as a perfected system. Ultimately, Winery B believes that a corporation that is so large, with so many different players, the LCBO will never be able to meet the needs of an industry that is so small and so dynamic, and that the long-term success of 100% VQA wines will not be achieved through the LCBO. As Winery B explains, the biggest problem with the LCBO's promise of $410 million in Ontario wine sales by 2013 is not the size of the goal, like the other interviewers expressed, but their definition of Ontario wines. According to Winery B, 75% of Ontario wine sales are actually CIC, which can contain as much as 70% imported product, therefore the overwhelming majority of Ontario wine sales are not 100% Ontarian. Winery B sees this as a serious problem because when the LCBO promises to increase Ontario wine sales to such a high amount, they are including CIC sales in that definition. To Winery B, a true testament to their intentions would be to increase VQA sales, made from 100% Ontario grapes. If the LCBO truly wanted to make a difference and properly gauge the success of the Ontario wine industry, they would adjust their definition to be VQA Ontario wines exclusively. Admittedly, a promise to increase VQA Ontario wines exclusively wouldn't look as impressive on a press release or in the media because the number would be much smaller and they need those big numbers to make them look better, however Winery B sees the future of the Ontario wine industry in VQA wines.

Winery B concluded with similar notions expressed by Winery A and Paterson: this is the way the system is, so you can't do much about it. As Winery B explains: "it is important that the LCBO offer promotional measures, however there is no other significant way to sell wine in the province, so if you don't like the marketing and promotional opportunities made available, you don't have another option, it is what it is whether you like it or not". Within an industry running on a monopoly system, you are limited on the options you have, so many wineries, like Winery A and Winery B are forced to work with the system as much as they can because their survival depends on it.

Winery C

As the smallest producer amongst the three wineries interviewed, Winery C offered a unique perspective, but tended to be more in agreement with Winery A. Unlike the other two wineries, Winery C only has their product available at their winey location and through a couple of restaurant licensees as they do not produce enough to utilize multiple distribution channels. However, Winery C did have some of their products listed in the LCBO's Vintages section, but it was only employed as a marketing tool to increase brand awareness and "get their name in the customers mind"; it was not used to generate any sales and was envisioned purely as an investment. Because of this, Winery C is not reliant at all on the LCBO for their sales, which instead come from their on-site retail operation.

Winery C believes that Ontario wines do see plenty of competition from imported products and has noted a shift from European to Australian and New Zealand. However Winery C believes that the reason Ontario wines have been able to achieve the success they have is not due to government investments or subsidies, or even because of the Wine Council's "go local" promotional campaign; what the success can be attributed to, according to Winery C, is that the winemakers and the wineries in Ontario are just getting better at what they do and what they can do with the land. To Winery C, the proof is in the bottle, and that is what should be driving the Ontario wine industry.

Winery C sees that the problem with LCBO promotions is who they are choosing to promote. Winery C said they “suppose” the LCBO effectively promote Ontario wines, but they promote the wineries that they are friendly with. Just as Winery A described the unchecked powers of the LCBO, Winery C says that they are more willing to promote some over others. Furthermore, Winery C does not see the value in the promotions and advertisements that the LCBO spends money on. Not once has Winery C ever heard a response from customers about LCBO ads or promotions. While they admittedly don’t know why they do not see a response, Winery C does not believe the LCBO is making the best use of these promotional dollars. While it is true that the LCBO does spend money on advertisements, according to Winery C, their biggest problem is their relationship with Ontario wineries.

Winery C plain and simply thinks that when it comes to sitting down and actually working with Ontario wineries, the LCBO does not do a good job. Winery C describes the LCBO as a “hassle” and a “big front” who “has their nose in everything”, just as Winery A did. As Winery C exclaimed: “we aren’t even in the LCBO and you wouldn’t believe how much trouble they give us”. Constantly changing forms, adjusting industry standards, and auditing issues to name a few are what cause Winery C to see the LCBO as preventing growth in the industry and punishing the smaller wineries just for being small. From a retail store perspective, Winery C thinks that the LCBO is “nuts” and impossible for smaller wineries to work with. Small wineries, like Winery C, cannot be included in the LCBO’s general listing due to their small production sizes, so their only option is the Vintages section. As Winery A explained, being in the LCBO offers brand awareness like no other advertising or promotional campaign can offer, so from a sales perspective, it is essential for wineries to attempt distribution through the LCBO. The problem for Winery C, like Winery A, is that it is way too costly to do so.

Winery C believes that it is not worth it to pay the LCBO to be listed in Vintages, then you have to pay to get a better spot on the shelves, then you have to pay for a brand awareness campaign, but for a small winery, it cannot be done.

While the Manager seemed optimistic about what the WOW program offers, Winery C, the only winery to mention the WOW program, is not so optimistic. “Out of 10 LCBO store, only four will have a WOW representative that actually knows what they are talking about”. Winery C explains further that the WOW program is not successful and if a customer were to ask what is new in Vintages, the WOW representative won’t know anything about what is happening in the Ontario wine industry. Winery C believes that the LCBO sales associates and WOW representatives talk a lot about promoting Ontario wines, but you only witness it “when the film crews are there”. While it is true that the WOW representatives go to Wine Council training and education events, Winery C believes that they don’t apply what they learn and instead see it as a day off work where they get paid to drink wine. Market share, on the other hand, is less of an issue with Winery C, if it remained proportional. A general increase in market share would do little to help the small and mid-sized wineries because the market is already dominated by huge corporations, so an increase in market share would only put more power in their hands. What Winery C would prefer to see is an improved system that would open up the market for the smaller wineries, increasing market share as a whole while equalizing the market distribution amongst Ontario wineries.

While Winery B felt that that the subsidies that are offered to the Ontario wine industry are money well-spent, Winery C disagrees. To Winery C, subsidies are only given to the LCBO to spend on marketing and promotions, but as mentioned earlier, the LCBO is close friends with the larger wineries, so most of that money is spent on the promotion of the big, well-known wineries. As Winery C sees is, this is very redundant because it's the big wineries that have the biggest sales, so why would they need the assistance on the promotions side? Instead Winery C believes that if the LCBO and other government organizations were logical, money would be spent on or given to the wineries that actually need the money. To Winery C, the system is completely inadequate. The general Ontario public knows of the large wine corporations and that's all they will ever know. The LCBO could improve the system simply by featuring lesser known wines, but they don't. As for the goal of increasing Ontario wine sales to $410 million, Winery C thinks that it is an impossible goal and that it is out of proportion for what is actually happening in the industry. Like the other interviewees explained, Winery C has not seen any changes or attempts to achieve that goal by 2013, and if anything Winery C thinks that the LCBO has applied more rules and regulations which take more time to manage, thus more costly for the individual wineries.

Winery C offered some further insights into problems within the Ontario industry that no other winery did. In the interview with Paterson, he described how some smaller wineries actually have issues with the VQA and can cause many problems. Winery C proved to be a perfect example of that. Despite the history of the VQA and despite how it has helped the Ontario wine industry immensely, Winery C thinks that they are simply part of the problem. Instead of being an "alliance" for Ontario wineries, Winery C believes that they operate with similar function as the LCBO, with unchecked powers and limited room for questions. As Winery asks: "the VQA is a joke…there are many wineries who can't get a wine passed in the VQA tasting panel yet the wine has won numerous awards, how is that possible?" Just as Winery A explained that if the LCBO doesn't want you, they don't have to take you; Winery C says that the VQA operates in the exact same manner. The problem is, just like the LCBO, the VQA favours the largest wineries because they control the majority of the market and have the millions of dollars to back them up. It is Winery C's impression that the VQA hates small wineries and always enforces one obstacle over another, constantly asking for money, subjecting them to obtrusive auditing, and more, but the small wineries see so little in return. As Winery C explains, between troubles with the LCBO and troubles with the VQA, life can be hell for a small winery.

What is evident is that there is a clear dichotomy presenting itself within the Ontario wine industry. The LCBO has the conflicting responsibilities of promoting wines which hurt their bottom line, while at the same time ensuring that they maximize profits. Based on the findings of this research, which objective one finds to be more vital depends strongly on the individuals place within the larger industry. If the LCBO only cares about profit, then the success of Ontario wineries is clearly hindered, however, this is their only major retail outlet option. While having liquor sales fall under a Crown Corporation, there was no mention of an unregulated, privatized system, which leads me to believe that Ontario wineries do not see privatization as the solution. The only other option for the wineries to profit from this business is to have a winery on a smaller scale and rely solely on the tourism of the Niagara wine route.

Limitations, Conclusions, and Future Considerations

While all of the above the interviews have provided this research with great insight into the current state of the Ontario winery industry, it is far from a complete understanding and is not representative of the entire industry. Due to the limited response received, only three wineries were interviewed, which presents a very narrow perspective compared to the amount of wineries that exist in the Niagara region alone. Despite the variety in perspectives and productions sizes between those involved in the interviews, this research would benefit from further investigation into other wineries, especially those representing the largest corporations. Furthermore, other individuals from around the industry, including upper-managers of the LCBO, members of the VQA and the Wine Council of Ontario, and wine writers could all offer unique perspectives that would greater infer this research.

In conclusion, the opinions of the interviewees claim that, overall, the LCBO does not effectively promote Ontario wines. The Manager did have opposing opinions in regards to the LCBO's effectiveness; however the Manager was in agreement that improvements can be made and more could be done to promote the Ontario wine industry. The wineries that were interviewed all had unique perspectives on the industry while agreeing that the current system is insufficient for what is needed. They all offered individual issues on why they believed the system to be poorly designed, including: lack of shelf space available, poor definitions of Ontario wines, and biased actions and decisions made against the smaller producers. Paterson, Winery A, and Winery C all agreed that as a Crown Corporation, the LCBO should be doing more to support the Ontario wine industry because of its impact on the Ontario economy. On the other hand, the Manger and Winery B believed that the LCBO has an even greater responsibility to generate money for the province, which at times means supporting those making the big sales, even though they may be imported products. This research also explains that in regards to the promotion and marketing of Ontario wines, there is a complex system of subsidies, government control, LCBO power, and costly affordances that seem to only cause more problems for the wineries than it does help them. Overall, my hypothesis was incorrect in assuming that the larger the company, the less problems they would have with the LCBO; Winery A, the largest of the producers interviewed had strong opinions against the LCBO, while Winery B saw them as a necessary evil that did make solid contributions to the industry.

I believe that this research has begun to uncover deeper problems within the Ontario industry. With an industry that includes so many different players from so many different situations, more research could be gathered to expand on these findings and discover further opinions about the successes and failures of a system that has been through many iterations. I also believe that the Ontario public, LCBO customers, and Members of Provincial Parliament all should be represented when analyzing the state of the Ontario wine industry as they too have insights and beliefs that would contribute to a more complete understanding. Finally, as mentioned earlier, despite all that organizations like the VQA has done for the Ontario industry as a whole, it is clear from Paterson and Winery C that all is not perfect, with many wineries left shunned.

Despite the LCBO's control over the distribution system, there does seem to be an area where wineries can survive and achieve some measurable success without them. Winery C provides a good example of that. There is no question that a company like Winery C could achieve more sales if they had open access to the extensive distribution chain of the LCBO, but they have also proven that they can survive without them. Winery A also made reference to other wineries that have smaller production, limited LCBO listings, smaller vineyard holdings, and a smaller winery location, and explained that wineries like this are extremely successful. I believe that this could potentially be the key route the industry might have to take if things continue the way they are now. However, I believe that the LCBO need to develop a stronger communication base with all Ontario wineries, not just large, VQA members. Furthermore, the LCBO needs to open itself up to the many possibilities of Ontario wineries. This doesn't just mean opening up its distribution channel, but also its promotional opportunities. If there was an equal opportunity and access to promotions, through aspects like lowering costs and regulation fees, the LCBO could be the active agent in the future growth of the Ontario wine industry, rather than a roadblock.

While many different opinions, beliefs, and arguments were presented, it is clear that all is not well within the Ontario wine industry. When looking back at the history, analyzing the trials and tribulations faced by those who fought hard to get the industry to where it is today, shows that the Ontario wine industry has come a long way. From making terrible, “foxy” table wines, to winning international wine competitions, to well over 100 wineries in the Niagara region alone, the Ontario wine industry has shown tremendous strength and virility. But with a powerful monopoly system and many demands for change, what does the future hold? With so many different voices offering many different solutions to an increasingly larger list of issues, is it possible for the industry to continue the way it is? If the Ontario public and its governmental representatives knew of the many issues that the Ontario wineries have with the LCBO, I believe the current system will not last any longer. If we want to see our wine industry reach its full potential, questions must be answered, issues must be solved, and the LCBO should step up, or else risk failing its own people.

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