CBI
Ministry of Foreign Affairs

CBI Market channels and segments:

Wine in Austria

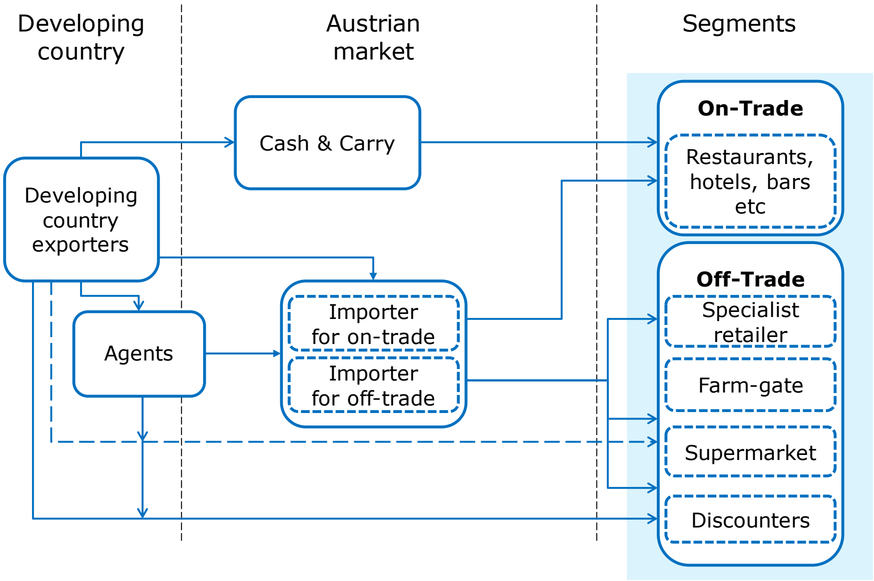
Introduction

The Austrian wine trade is dominated by large retailers, consisting of supermarkets and discounters. Large retailers increasingly import bulk wine from developing country exporters to save costs. However, your best option to reach this channel is through an importer, mitigating your risks. In the longer term, opportunities can increasingly be found for low-volume suppliers, with specialist retailers investing in new clientele and online sales, and the on-trade climbing out of its economic crisis dip.

Trade channels

The trade channels for wine are presented in Figure 1. A further explanation of the channels can be found in Annex 1.

Figure 1: Trade channels for wine in Austria



Source: ProFound 2015

Buyer concentration: long-term relationship is important

The off-trade in Austria is dominated by large retail chains, which account for more than 70% of off-trade wine sales. This includes discounters (31%), supermarkets (25%), and hypermarkets (16%) (Austrian Wine Marketing Board, 2014). The largest supermarket and discounter chains in Austria are Rewe (including ADEG), Spar, and Hofer (Aldi), followed by relatively smaller chains including Markant and Lidl. Supermarkets and discounters often have their own import companies. Smaller importers/distributors mostly cater for specialist retailers and the on-trade, but sometimes also supply supermarkets.

Tip:

- With only a limited number of importers in the market, it is important to cherish your relationship with a buyer. Be consistent and trustworthy in your supply quality and quantity. Make sure your wine is always available; once buyers need to go elsewhere they do not come back.

Increase in Austrian bulk wine imports

Bulk wine imports have increased in recent years. This results in a higher dependence on buyers, in turn increasing risks and resulting in a tougher bargaining position. Read CBI Competition for wine in Austria for more information. The dominant position of traders and the high-volume trade by discounters is expected to continue in the coming years.

Tip:

- Engage in a long-term partnership with an Austrian importer or bottler. You can develop a private label brand in addition to your own brand in order to split risks and profit more equally.

Outlook for specialist trade is promising

Despite the dominance of high-volume trade, more opportunities are expected for higher quality producers in the specialist trade in the coming years. Specialty retailers account for 4% of wine sales in Austria (Austrian Wine Marketing Board, 2014). Besides beverage retailers that sell wine alongside other drinks, there are approximately 300 'vinotheques' devoted specifically to wine.

Austrian specialist retailers are working hard to find new customer bases, present a more attractive assortment compared to supermarkets and have an innovative marketing and client approach. Moreover, in contrast to the discounters and supermarkets, they increasingly invest in online sales, attracting new customers.

Tip:

- Make your product attractive for specialist retailers. Emphasise your unique selling point, like unusual origins, varieties, production/region stories, sustainability / organic or Fairtrade certification in your presentations.

Economic recovery: on-trade sales increase

The economic crisis has affected the Austrian wine market. Total consumption decreased substantially during the crisis. Moreover, consumers switched from on-trade to off-trade consumption as wines sold via on-trade channels still have a high mark-up (of around 3 to 5 times the wholesale price). Since 2011, the Austrian off-trade wine market has shown a positive development in terms of value, whereas the volume is still decreasing. This development is the result of consumers preferring to drink wine at a higher price level at the expense of volume. The growth in the premium segment of the Austrian wine market is led by Austrian wines, while cheaper wines are increasingly imported.

As the economy recovers, wine sales in the on-trade are expected to increase again. The trend towards drinking more wine instead of beer in restaurants and the emergence of wine bars in Austria further stimulate on-trade wine sales. However, Austria currently has one of the slowest-growing economies in Europe (Bloomberg, 2015).

Tips:

- In times of economic adversity, more opportunities can be found in the off-trade sector and for lower-priced wines.
- The premium segment of the Austrian wine market is dominated by Austrian wine. As a developing country exporter, it will be hard to compete with the local production.

Online sales

Online sales account for approximately 3% of the wine market in Austria (Meininger's, 2015). About half of these are cross-border sales, meaning Austrian consumers frequently buy wine from online retailers in other countries. As more Austrian retailers create an online presence, this channel has the potential to grow in the coming years.

In general, retailers with physical stores lead the development of online sales. Consumers need to know the retailer before they will rely on the information provided in the webshop. Nonetheless, many small premium wine importers without physical stores offer their wines through a webshop too. Premium wines sell well online as consumers are willing to pay more for a less common wine which they cannot buy at the supermarket. Read more about online sales in the CBI Product Factsheet: Online sales of wine in Europe.

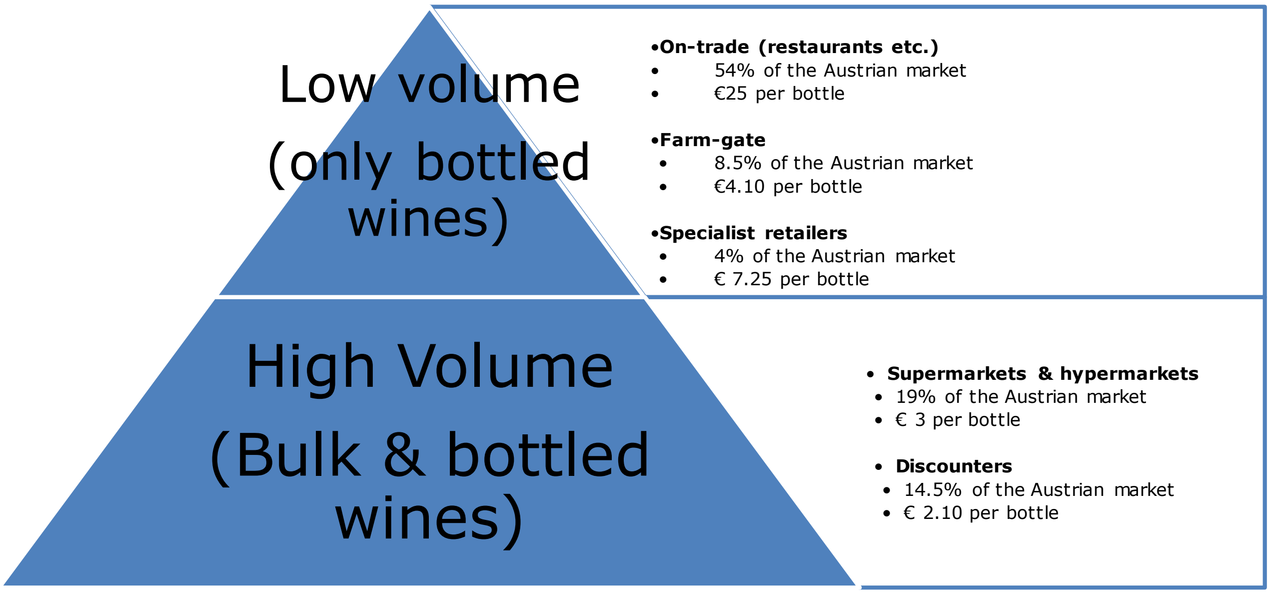
Tips:

- If you supply small volumes of premium wine, find an importer with a webshop which offers wines from original locations.
- Webshops are particularly interesting retail channels for premium wines from developing countries, as they offer space to provide product information, such as a story about the history of the winery.

Segmentation of wine

Trade volumes are the primary factor by which to segment the Austrian wine market. The classification of wine is the basis for secondary segmentation. The primary segmentation of the Austrian wine market is presented in figure 2. A further explanation of the figure can be found in Annex 2.

Figure 2: Market segments for wine in Austria, including indication of share in sales per segment and average retail price per bottle



Source: ProFound 2015

Imports of bulk wine offer opportunities for high-volume suppliers

Amounts of bulk wine imports to Austria differ from year to year, while imports of bottled wine remain relatively stable. In 2013, table wine imports by Austria consisted of 70% bottled wine and 30% bulk wine. Bulk wine imports depend strongly on the Austrian wine harvests. When domestic production is high, bulk wine imports tend to decrease. However, the value of bulk wine imports has increased steadily since 2009 (Austrian Wine Marketing Board, 2014).

Tip:

- As a developing country exporter supplying bulk wine, you can target a discounter or supermarket, which you can target directly or via an importer, although retailers often use an importer to import, blend and bottle bulk wine from new suppliers.

Supplying bottled wine directly to supermarkets is difficult, due to high listing fees. In Austria, this fee (in the form of kick-backs and discounts) can range from 20% - 30% of the retail price. Working with supermarkets therefore requires good price calculations and involves high risks, as the sales quantities are not guaranteed. Importers are often a more suitable channel for exporters in developing countries. These importers are in a better position to comply with the requirements of retailers. Please note that Austrian discounters often do not use listing fees.

Tips:

- When supplying bulk wine, you can only target discounters or supermarkets. Being able to offer a low price is of vital importance in Austria.
- Importers can play a role in protecting producers from the high risks involved when trading with one big buyer, by spreading sales and to help with their understanding of supermarket requirements.
- If you target supermarkets with bottled wine, provide them with the offer to supply their own label to avoid listing fees.

Discounters: strong price consciousness

Austrian discounters have been very successful in making consumers very price conscious. As a result, the low-end segment of the market with an average price point of €2.81 p/l has become big. Discounters currently account for 31% of the off-trade wine market in Austria. They primarily sell their own brands, which effectively leaves a small share of the market for branded wines of producers and traders. The latter must focus on the middle to premium segments.

Tip:

- If you aim to supply discounters, focus on low-cost production of bulk wine.

Position yourself in the market

Developing a successful brand requires proper positioning of the wine in the Austrian market. You should be able to differentiate yourself from your competitors and communicate this to the consumer, thus making your brand unique. You can differentiate yourself through a unique feature of the winery, your geographical location, a unique wine variety or food application, a solid reputation for environmental sustainability. Awards for your wine, such as Mundus Vini would also boost your company's image. Alternatively, a positive judgement by well-known wine experts in Austria will add value to your brand.

Tip:

- If you aim to supply the middle or premium segment, build a strong brand around your Unique Selling Point (USP).

Differentiation in private labels

Retailers are increasingly expected to carry different private labels. This trend is already visible in the United Kingdom and is expected to be widely adopted by Austrian retailers within a few years. Already, major Austrian retail chains, including Rewe and Spar, are selling their own private label wines. Lidl Austria offers a line of private label wines exclusively from New World countries and promotes New World varieties on its website.

Commonly, private labels refer to the name of the retailer or do not mention a brand name at all. Retailers mostly position these private label wines, which are often made of relatively cheap bulk wines, in the low-end market segment. In addition to these cheap private label wines, retailers will also develop premium private label wines and private labels which carry a name other than that of the retailer on the front label. In the latter case, retailers develop a brand which cannot be recognised by consumers as a brand (i.e. private label) of the retailer. Only the label on the back of the bottle includes a reference to the retailer as the owner of the brand.

Retailers will increasingly take control of the branding of wines, as it offers them several advantages. First and foremost, it gives them greater control over their supply chains, because they can switch between suppliers if needed. As long as the flavour profile of the total wine blend remains similar, they can change individual wines in their blend. Secondly, retailers can add value by branding and have all the resources they need to build strong brands.

Tips:

- Supplying wine for private labels is only interesting for relatively large exporters, as retailers with private labels require large volumes, especially in the low-end market segment.
- Supplying wine for private labels is particularly interesting for exporters whose activities focus on viticulture and wine-making. The supply of wine for private labels offers an opportunity to direct all resources towards the improvement of production, whether in terms of quality or quantity.
- Mix private label wine supplies with branded wine supplies to remain an interesting partner for retailers, while also adding value through your own brand.

Comparing segments of the promising export markets

Match your wine with the most suitable export market. Table 1 provides some insight into which product options are appreciated in each of the selected promising export markets. High volume and low volume refers to matching target segments to your export capacity.

For more detailed information on specific segments, please read the CBI Product Factsheet for Sustainable Wine in Europe, CBI Product Factsheet for Bulk wine in Europe or CBI Product Factsheet for Online wine sales in Europe.

Table 1 Matching your product with a promising wine market in the EU/EFTA

		Organic	Fairtrade	ISO quality	ISO social	Screw cap	Bag-in-box	Bulk wine	Online sales
Germany	High volume segment	+++	-	++	+	++	+	+++	+
	Low volume segment	++	++	+++	++	+	--	-	+++

United Kingdom	High volume segment	**++**	**+**	**++**	**+**	**+++**	**++**	**++**	**+**
	Low volume segment	**++**	**+++**	**+++**	**+++**	**++**	**--**	**---**	**+++**
The Netherlands	High volume segment	++	+	++	+	+++	--	+++	+
	Low volume segment	+	+	+++	+++	+	--	---	+++
Poland	High volume segment	---	---	++	--	+	+	++	-
	Low volume segment	-	-	++	-	-	--	---	+
Denmark	High volume segment	+++	**+**	**++**	+	+++	++	+++	+
	Low volume segment	++	**++**	**+++**	++	++	--	--	+++
Belgium	High volume segment	+	**+**	**++**	+	++	+	+++	+
	Low volume segment	++	**+**	**+++**	+	+	--	-	+++
Czech Republic	High volume segment	-	**-**	**++**	-	-	-	++	-
	Low volume segment	+	**+**	**++**	-	-	-	-	++
Austria	High volume segment	+++	-	++	+	++	+	++	-
	Low volume segment	++	++	+++	+	+	--	-	++

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Annex 1: Explanation of trade channels in Figure 1

Cash and carries are a type of wholesaler supplying the on-trade sector. They sell wines from their warehouse where customers pay on the spot and carry the goods away themselves. In Austria, the main Cash & Carry chain is Metro. Developing country exporters which produce (smaller volumes of) higher quality wine, or fairly unknown/speciality types of wine can target the on-trade sector and thereby choose a cash & carry wholesaler to reach this segment.

Agents are independent companies who negotiate on behalf of their clients and act as intermediaries between buyer and seller. Agents do not take ownership of the products, nor keep stock. Developing country exporters willing to supply importers/distributors or retailers can use an agent to link them up with a trading partner. The commission of a sales agent varies from 3-5% for large volume supplies to 10% for smaller quantities. Agents are still active in the Austrian market, but their role is diminishing. Agents are well informed about current market trends, prices, and users and can be a useful channel for less experienced exporters. However, once you have established sales through an agent, it will be difficult to bypass the agent. They are legally well protected, which implies that cancellation of a contract can become costly. The costs depend on the time and value of their sales.

Importers: Developing country exporters which produce smaller volumes of wine, higher quality wine, or fairly unknown types of wine are advised to use an importer/distributor to enter the Austrian wine market, unless you have your own depot in Austria to distribute your wine. Also for organic, ethnic and Fairtrade products, importers are the main trade channel. Importers can advise exporters on many issues, including legal and quality requirements, market trends and packaging.

Importers buy goods, of which they then take ownership and distribute to retailers, the on-trade sector, or re-export them to other countries. Some importers are specialised in selling to the on-trade sector. Retailers often use an importer for less known wines, since importers then take care of the quality control. Importers generally add a mark-up to cover commissions, credit risk, after-sales service and the cost of carrying a local inventory to meet small orders. Their margin ranges from 15-25% of the selling price.

Discounters: Compared to other European markets, discounters play an important role in Austria. Hofer (part of ALDI) is the leading discounter. Discounters are known for being formidable price fighters and almost exclusively focus on unbranded wines, indicating that, if you aim to supply them, you should be able to offer a very competitive price. In addition, you need to be able to export a large volume. These retailers import by container, so you need to be able to fill at least an entire container. Moreover, if you sell a brand to a discounter, you cannot sell that brand to other market channels. The margin of discounters on the selling price is 15%.

Supermarkets: Supermarkets are a suitable channel for high-volume exporters, either bottled or in bulk. Like discounters, they import by container, so you need to be able to fill at least an entire container. They also focus sharply on price, although to a lesser extent than the discounters. Their margin on the selling price is 30%.

Sales by supermarkets are expected to increase in the coming years. However, listing fees are problematic, making it difficult for a developing country exporter to successfully target this channel. In Austria, this fee (in the form of kick-backs and discounts) can be up to 10% of the purchasing price of the order.

Specialist retailers: Specialist shops are small, look for higher quality wines, and usually buy their wines from an importer specialised in the off-trade. This channel, therefore, can only be reached indirectly by developing country exporters. Their margin on the selling price is 30% or higher. Sales by specialist retailers are expected to increase in the coming years.

Farm gate sales: Farm-gate sales (*ab Hof*) are direct business-to-consumer sales at the farm gate, i.e. domestic producers selling Austrian wines to consumers. Farm gate sales make up a significant share of the off-trade (19%).

On-trade: The on-trade sector consists of many small players, and therefore usually does not import directly. If you target the on-trade sector, you can supply an importer, which redirects your wine to the restaurants and other players in the Austrian market.

An importer with a high quality image can provide support in selling your wine to the on-trade, by making use of his image. Restaurants mostly look for wines with a reputable image and of a good quality. Sales by the on-trade sector are expected to remain stable in the coming years.

Annex 2: Explanation of market segments in Figure 2

High-volume:

High-volume trade plays a less important role in Austria. It usually concerns lower quality wines suitable for the low-end market addressed by discounters and supermarkets. Competition on price is very high in this segment. High-volume wines are imported by container.

Low-volume:

Low-volume trade concerns bottled wine only, and usually involves speciality wines, of a high quality or with another unique selling point. Targeting the low-volume segment, therefore, requires at least some level of authenticity. Note that branding is important in the middle to premium segments in Austria.

Bulk:

Bulk wine imports are increasing in Austria. When supplying bulk wine, the retailer or importer then bottles the wine in Austria. Importing wine in bulk is cheaper than importing wine in bottles. Moreover, since Austria is a wine producing country itself, bottling facilities are already present. You need to be able to export a large volume when supplying bulk wine; a thousand hl is usually the minimum required quantity (20-25 thousand litres per shipment).

This private label market could be an opportunity for developing country producers, although it is also a risk, as buyers can more easily switch to other producers to make up their blends. As such, it is mostly interesting for developing country producers without a brand.

Bottled:

Exporting bottled wine is most suitable for smaller exporters and for producers of branded wines. Transportation is more expensive in this case, but value addition for developing countries is also higher, since bottling takes place in the producing country.

Discounters:

Compared to other European markets, discounters play a major role in Austria. Discounters are known for being formidable price fighters and almost exclusively focus on unbranded wines, indicating that, if you aim to supply them, you should be able to offer a very competitive price. These retailers import by container, so you need to be able to fill at least an entire container.

Supermarkets:

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Specialist shops are small, look for higher quality wines, and usually buy their wines from an importer specialised in the off-trade. This channel, therefore, can only be reached indirectly by developing country exporters.

On-trade:

The on-trade sector consists of many small players, and therefore usually does not import directly. If you target the on-trade sector, you can supply an importer or wholesaler, which redirects your wine to the restaurants and other players in the Austrian market. Restaurants mostly look for wines with a reputable image and of a good quality.