



CBI
Ministry of Foreign Affairs

CBI Market channels and segments:

Wine in Denmark

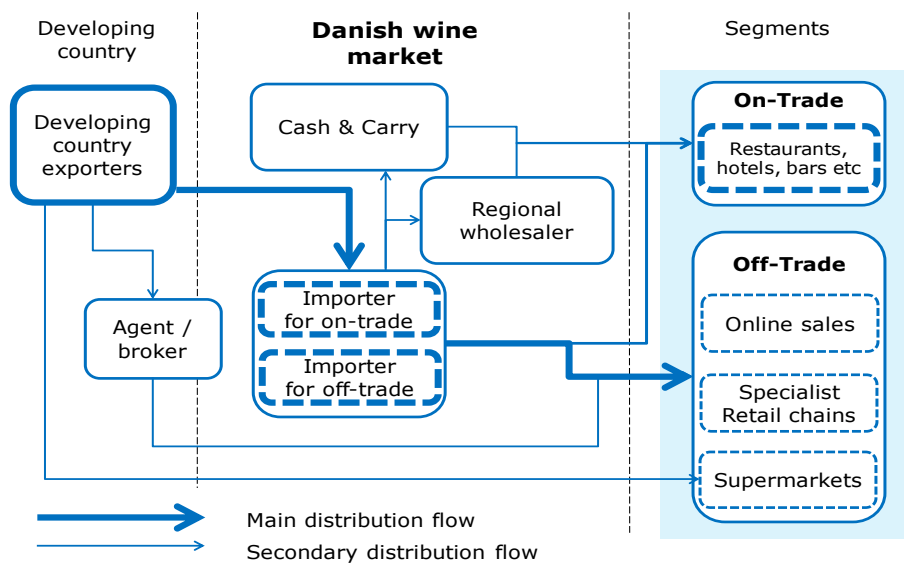
Introduction

Supermarkets dominate the Danish retail market. They are particularly interesting buyers for established suppliers. However, the other market channels offer more opportunities for new entrants from developing countries. The market segments for organic and sparkling wines are particularly interesting.

Trade channels

The trade channels for wine in Denmark are presented in Figure 1. A further explanation of the channels and their key actors can be found under Annex 1.

Figure 1: Trade channels for wine in Denmark



Source: ProFound 2015

Supermarkets dominate the retail landscape

Supermarkets and discounters account for 80-90% of retail wine sales, which is high compared to other European countries. The three largest players in the wine trade in Denmark are COOP, Dansk Supermarked and SuperGros, together accounting for 80% of the retail wine market, indicating that the sector is highly concentrated. These supermarkets use their purchasing power to demand very low prices. This enables them to put the wines on promotion for very low consumer prices, which is their main sales instrument. Read the [CBI Competition for wine in Denmark](#) for more information.

Supermarkets are increasingly sourcing wine directly from producers, instead of buying from importers. This is most relevant for established wine producers who have a strong reputation as big-volume suppliers of wine with consistent quality. An example is Concha y Toro from Chile. However, since the economic crisis, supermarkets have been cautious about buying new wines in large quantities unless they are sure that sales will be high. Instead, they tend to add new wines to their portfolio in small batches of around 6,000 bottles to test if they will sell.

Tips:

- Supplying a supermarket chain directly is only possible if your export volume is high (minimum of one sea container every few months for smaller supermarket chains or approximately 60,000-100,000 bottles annually) and if the ratio between the objective quality of your wine, as determined in blind tastings, and its price is high at the price point required by the supermarket.
- If you supply supermarkets, you can reduce risks by supplying through importers. This reduces risks related to the strict contract conditions of supermarkets, such as supply guarantees which require warehousing of wine in Europe.
- Control quality consistency by setting up long-term contracts with grape suppliers and monitoring during their harvests or set up your own vineyards.
- Provide a quality consistency guarantee in the form of ISO quality management certificates or similar guarantees.

Switching back to on-trade

The European-wide economic downturn over the last years caused many consumers to eat out less and drink more wine at home instead. This has corresponded to a shift from on-trade to off-trade sales. As the economy recovers, consumers will spend more money on eating out again. They will also trade up to more expensive wines.

Tip:

- Make use of the arising opportunities in the on-trade sector and increasing demand for premium wines.

Specialist retailers remain significant

Many Danish consumers look for premium wines if they want to celebrate a special occasion with a nice dinner at home. Specialist retailers are in a good position to sell premium wines, as consumers will need detailed information about the wine. Specialist retailers can provide this information through trained personnel. In contrast, supermarkets cannot provide such a service and focus on the entry level segment. Nonetheless, only 14% of Danish consumers purchase wine at specialist retailers (YouGov, 2013). Most consumers only buy wine at supermarkets.

Tips:

- Be prepared to pass on interesting background information if you deliver to specialist retailers. This information may include, among others, details about the wines origin, production process or the winemakers.
- If you aim to establish long-term relationships with channels leading to the off-trade, do not only offer a fair price, but also provide after sales support once your products are listed. For example, supply promotion materials and organise wine tastings.

Online sales

In European countries, online sales account for an estimated 3-11% of the market. So far, these sales have only played a small role in Denmark. 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 Danish premium wine importers without physical stores offer their wines through a webshop. Premium wines sell well online as consumers are willing to pay more for a less usual wine which they cannot buy at the supermarket. Read more on online sales in the [CBI Product Factsheet: Online sales of wine in Europe](#).

A list of online shops can be found here: <http://www.vinbladet.dk/forhandlere.html>

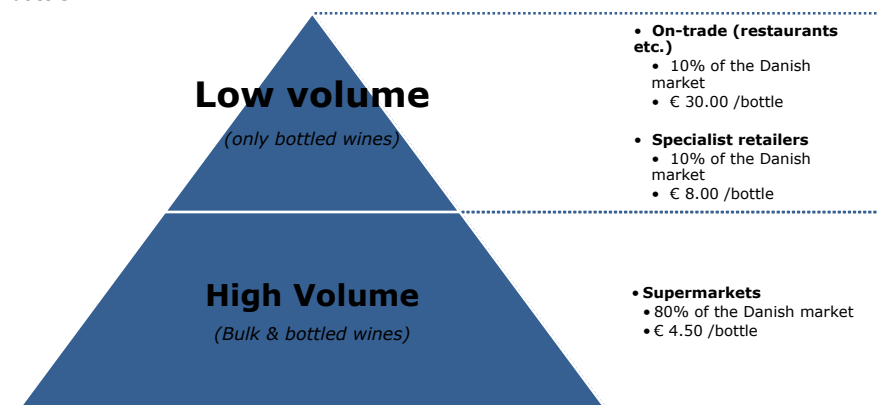
Tips:

- If you supply small volumes of premium wine, find an importer with a webshop which offers wines from less usual origins.
- 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

The segmentation of the Danish wine market is presented in figure 2. A further explanation of the figure can be found under Annex 2.

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



Source: ProFound 2015

Increase in bulk wine trade

In the last decade, bulk wine imports have grown significantly across Europe, including Denmark. Large importers and retail chains with their own brands lead developments in this trade. The import of bulk wine gives them control over the blending and bottling process. It enables them to change wine blends if their product needs a quality or price improvement. The import of bulk wine, as opposed to bottled wine, also enables them to build their own brand. This branding can fortify their position in the market.

As the traditional suppliers in Southwest Europe are exporting much of their wine to other continents instead of European markets, Danish importers are increasingly sourcing bulk wines from other regions.

Tips:

- Prove that you are a reliable exporter. Make sure you can supply the required volumes at the agreed price and at the right time. Plan your production to meet the buyer's requirements for regular programmed bottling.
- Participate at the [World Bulk Wine Exhibition](#) to learn more about the possibilities.

Differentiation in private labels

Retailers are increasingly expected to carry different private labels. This trend is already visible in the United Kingdom and expected to be widely adopted by Danish retailers within a few years. Commonly, private labels refer to the name of the retailer. 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 do not carry the name 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 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.
- 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.
- Mix private label wine supplies with branded wine supplies to remain an interesting partner for retailers, while also adding value through your own brand.

Strong market for organic wine

Consumers in Denmark are more conscious of environmental problems and other ethical issues than in many other European countries. In 2013, one Danish importer even imported organic wine on a sailing ship, instead of a motorised ship, arguing that this type of transport matched better with the values of consumers of organic wine.

Tips:

- Improve your competitiveness with an organic certificate if you can convert your current production system to organic.
- Ensure that the conversion to organic production does not lead to quality deterioration. Consumers do not accept organic wines of a lower quality than conventional wines at the same price point.

Sparkling wine

Sparkling wine is a small, but growing segment in the Danish market. In 2012, sparkling wine accounted for 2.7% of total wine imports (VSOD, 2013). Although the growing sparkling sales may be a relatively short-term fashion trend, the European-wide growth of this category indicates that it will remain a strong category at least for another year.

The sparkling wine market is particularly interesting for exporters in developing countries as Danish consumers of sparkling wine tend to be less interested in the wine's origin than consumers of still wine. This is positive for developing country exporters, as Danish consumers generally prefer wine from traditional supplying countries over New World countries.

Tip:

- If you are producing sparkling wine, the Danish market might be a good opportunity for your company, as consumers in this segment are also open to new origins.

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.

For more detailed information on specific segments, please read the [CBI PFS for Organic Wine in Europe](#), [CBI Product Factsheet: Bulk wine in Europe](#) or [CBI Product Factsheet: Online wine sales in Europe](#).

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

		<i>Organic</i>	<i>Fairtrade</i>	<i>ISO quality</i>	<i>ISO social</i>	<i>Screw cap</i>	<i>Bag-in-box</i>	<i>Bulk wine</i>	<i>Online sales</i>
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 that supplies the on-trade sector. They sell wines from their warehouse where customers pay on the spot and carry the goods away themselves. 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 for a cash & carry 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. Agents are still active in the Danish market, but their role is diminishing.

The commission of a sales agent varies from 3-5% for large volume supplies to 10% for smaller quantities. Furthermore, once you are using an agent, direct trade with an importer or retailer afterwards is difficult due to legislative issues, where the agent has to be compensated for the commission he misses, so the content of the contract with an agent is very important.

Importers: Developing country exporters which produce smaller volumes of wine, higher quality wine, or fairly unknown types of wine are strongly advised to use an importer/distributor to enter the Danish wine market. Also for organic, ethnic and Fair Trade 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. Importers are either specialised in selling to the on-trade sector or the off-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 generally ranges from 15-25% of the selling price, but can go down to 10% when supplying supermarkets.

Supermarkets are the most suitable channel for high-volume exporters, either bottled or in bulk. They only import directly per container, so you need to be able to fill at least an entire container. Supermarkets primarily focus on price. Their margin in the stores is between 15% to 30%.

Listing fees for some supermarkets can be problematic, making it difficult for a developing country exporter to successfully target this channel. Working with supermarkets therefore requires good price calculations and involves higher risks, as the sales quantities are not guaranteed.

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 decrease in the coming years, as supermarkets become more competitive within the off-trade market.

Online sales: Although supermarkets have engaged in online sales, these sales only play a small role in Denmark. The online segment is currently mostly suitable in the specialist trade. However, the importance of e-commerce is expected to grow significantly in the future.

On-trade: The on-trade sector consists of many small players, and therefore usually does not import directly. If you aim for the on-trade sector, you can supply an importer or wholesaler, which redirects your wine to the restaurants and other players in the Danish 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 showed a decrease in sales in the last few years. There are no clear signs that this will change in the short-term future.

Annex 2: Explanation of market segments in Figure 2

High-volume:

High-volume trade plays an important role in Denmark. It usually concerns lower quality wines suitable for the low-end market addressed by supermarkets. Competition on price is very high in this segment. High-volume wines are imported per 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.

Bulk:

Bulk wine imports remained stable. You need to be able to export a large volume when supplying bulk wine; 100 thousand litres is usually the minimum required quantity (20-25 thousand litres per shipment).

The private label market could be an opportunity for developing country producers. It is most interesting for developing country producers without a brand.

Bottled:

Exporting bottled wine is most suitable for small- and medium-sized exporters and producers of wines. Transportation is more expensive in this case, but value addition for developing countries (including branding) is higher as well since bottling takes place in the producing country.

Supermarkets:

Supermarkets are a suitable channel for high-volume exporters. They import per container and highly focus on price. However, listing fees are problematic, making it difficult for a developing country exporter to successfully target this channel directly.

Specialist retailers:

Specialist shops are small, look for higher quality wines, and usually buy their wines from a specialised off-trade importer. 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 Danish market. Restaurants mostly look for wines with a reputable image and of a good quality.