CBI
Ministry of Foreign Affairs

CBI Market channels and segments:

Wine in the Netherlands

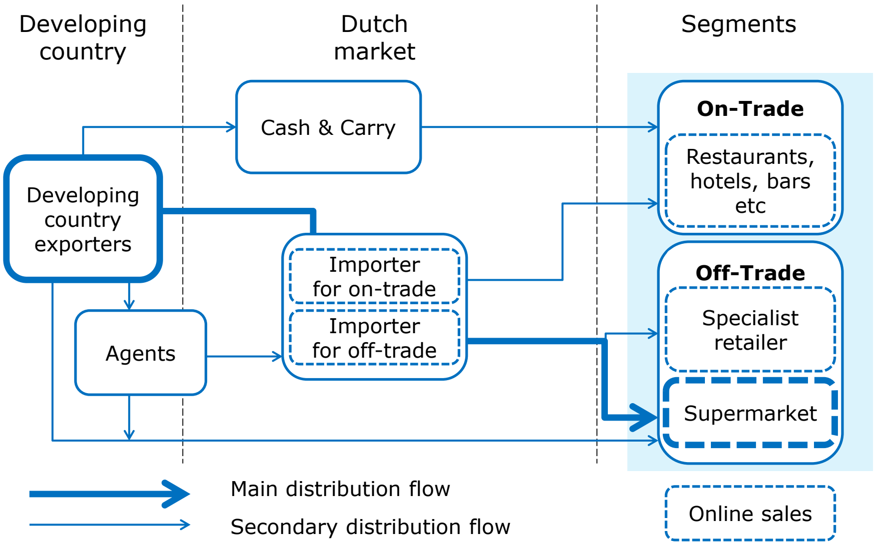
Introduction

After a temporary increase in the off-trade in recent years, more Dutch consumers are returning to buying wine in the on-trade. Improving economic conditions and increasing popularity of wine will once again stimulate wine sales in bars and restaurants.

Trade channels

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

Figure 1: Trade channels for wine in the Netherlands



Source: ProFound 2015

Economic recovery: switching back to on-trade consumption

The economic crisis has impacted on the Dutch wine market. Total consumption increased slowly, but consumers have switched from on-trade to off-trade consumption. Consuming wine at home has saved the Dutch consumer money as wines sold via on-trade channels still have a high mark-up (of around 3 to 5 times the purchase price). Consumer spending on wine has increased in recent years, with higher priced wines becoming more popular for consumption at home (Drinks International, 2015). As the economy slowly recovers from the crisis, Dutch consumers will purchase more wine again via the on-trade. This is further stimulated by an increase in the popularity of wine. Wine has gradually become more fashionable in Dutch restaurants and bars at the expense of beer.

Tip:

- Now that the Dutch economy is picking up again, the on-trade sector will become a more interesting option. However, you must note that competition on pricing is very strong in the Netherlands. For higher-priced wines it is recommended to focus on the off-trade sector.

Market share of supermarkets keeps growing

In the last decade, supermarkets have significantly increased their share in the Dutch wine market. In 2012, supermarkets accounted for 91% of still wine sales in terms of volume and 89% in terms of value (Productschap Wijn, 2013). Wine is considered to be a market driver as well as a high-margin product for supermarkets. As a result of the growing market share of supermarkets, there is increasing pressure on smaller, non-specialised importers, who are either consolidating or disappearing.

Dealing directly with supermarket chains can be difficult for developing country exporters as margins are low and they expect product exclusivity. Importers can play an intermediary role which can protect producers from the high risks involved when trading with supermarkets. Importers can spread sales to different channels under different labels and help exporters to understand the requirements of the supermarkets.

In the coming years, supermarkets are nevertheless expected to bypass importers more often in their sourcing strategies and source directly from producers. This will mostly happen with established wine exporters that can guarantee the right price points and consistent quality of the product.

Tips:

- Only target supermarkets if you have significant experience in exports and if you are able to guarantee high volumes at low prices.
- Aim for importers that can help you supply the supermarket channel.

Specialist retailers are searching for new opportunities

Despite the dominance of high-volume trade, opportunities are available for higher quality producers in the specialist trade in the coming years. Although this segment is expected to become less important within the overall trade channel, Dutch 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 (using social media and online marketing tools).

Tip:

- Develop a unique selling point, like unusual origins, varieties, wine show medals, production or region stories, sustainability / organic or Fairtrade certification to gain access to the specialist retail channel.

Online sales

In the Netherlands, online sales account for an estimated 3% of the wine market. The leading online wine retailer in the Netherlands is Wijnvoordeel.nl. This company does not have any physical stores and generates all of its sales online.

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 on online sales in the CBI Product Factsheet: Online sales of wine in Europe.

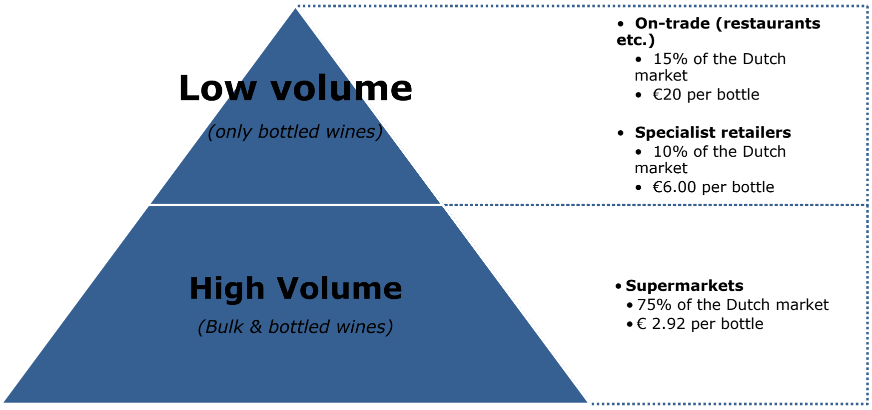
Tips:

- For niche products, online sales are important as consumers increasingly search online for unusual wine. 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

The segmentation of the Dutch 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 the Netherlands , including indication of share in sales per segment and average price per bottle



Source: ProFound 2015

Bulk wines are increasingly sourced from developing country exporters

In the last decade, Dutch buyers have increased their imports of bulk wine. Bulk wines are usually exported to a bottler abroad (e.g. Belgium or Germany) and then transported back to the Dutch buyer, as bottling capacity in the Netherlands is limited.

Lower availability of bulk wine is leading to changing trade flows. As the traditional Southwest-European countries are not able to produce sufficient bulk wines, Dutch importers are increasingly sourcing bulk wines from other regions. Exporters in developing countries, especially those at close geographical proximity to the Dutch market, can benefit from this development. However, developing country exporters need to prove their reliability and need to have a competitive price for their bulk wine.

Tips:

- Focus on long-term agreements with importers in order to spread the risks between the exporter and importer as opposed to targeting supermarkets directly.
- Prove that you are a reliable exporter. Make sure you can supply the required volumes at the agreed price.
- 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 Dutch retailers within a few years. Between 2004 and 2013, private label wine sales in the Netherlands increased from below 25% of volumes to more than 50% (IWSR 2015). Commonly, private labels refer to the name of the retailer, such as 'Albert Heijn Huiswijn'. 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.

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 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

		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	++	++	+++	+	+	--	-	++

CBI Market Intelligence

P.O. Box 93144
2509 AC The Hague
The Netherlands

www.cbi.eu/market-information

marketintel@cbi.eu

This survey was compiled for CBI by ProFound - Advisers In Development
in collaboration with CBI sector expert Theo Jansen and Cees van Casteren MW

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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 & carrier 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 Dutch 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 Dutch 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: 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%.

Sales by supermarkets are expected to increase in the coming years. However, 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.

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 Dutch 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 the Netherlands. 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. Note that branding is important in the middle to premium segments in the Netherlands.

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). In 2010, 9% of Dutch imports consisted of bulk wine imports.

The 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 small- and medium-sized exporters and producers of wines. Transportation is more expensive in this case, but value addition for developing countries is higher as well since bottling takes place in the producing country. In 2010, 91% of Dutch imports accounted for bottled wine imports.

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.

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 Dutch market. Restaurants mostly look for wines with a reputable image and of a good quality.

Online sales:

Although supermarkets have engaged in online sales, these sales only play a small role in the Netherlands yet. 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.