CBI
Ministry of Foreign Affairs

CBI Competition:

Wine in Austria

Introduction

Developing country exporters will meet most competition in the middle to premium market segment in Austria, as domestic producers are focusing on these segments. In the low segment, discounters are particularly powerful in the Austrian wine market. Although this segment is only interesting for exporters who are able to compete at low price points and high volume, this is a segment where foreign wines are accepted.

Market entry

Austrian consumers prefer domestic wines

Austrian consumers have a strong association with domestically produced wine, as Austrian wines comprise the majority of wine consumption. In 2014, Austrian households bought 54.3 million litres of domestic wine against 26.1 million litres of foreign wine. Between 2010 and 2014, domestic consumption of foreign wines increased by 5.5% annually. The increased interest in foreign wines is mostly visible in urban areas, such as Vienna.

Local production focuses on middle and premium segment

Austrian winemakers are increasingly focusing on quality and boosting the reputation of their wines. The average price of wines in Austria is also increasing, and overall value has increased even while consumption has decreased or remained stable. Therefore, more opportunities exist in the low-end and medium segments. This is reflected in the growth of bulk wine imports in recent years.

Tip:

- If you aim to export your wine to Austria, target the urban areas of the country.

Red wine market is most accessible

Red wines have more diverse origins than white wines. Imports account for around 39% of red wine sales, and this share has remained stable in recent years (Austrian Wine Marketing Board, 2014). However, the market share of imported white wine has increased by 12% since 2008, from 15% to 27% of white wine consumption. Therefore, while developing country producers have more opportunities with red wine, the opportunities for imported white wines are also increasing.

Tip:

- Take advantage of easy entry on Austrian supermarket shelves if you are producing red wine.

Product Competition

Small threat of substitution by other alcoholic drinks

Austria has a strong wine culture. Therefore, wine suppliers have little to fear from suppliers of other alcoholic drinks. In the period 2007-2011, alcohol consumption decreased by 1.2% annually. The decrease in alcohol consumption was the result of a sustained drop in beer consumption in the same period. Wine consumption showed a fluctuating trend in the same period, but did not change significantly.

Tip:

- The promotion of wine, as a better alternative to other alcoholic drinks, is not feasible for individual companies. Focus your promotion on unique selling points (USPs) compared to other wines.

Excise duties might change in the future

Currently, no excise duties are placed on still and sparkling wine. However, in the long term, measures taken by the government to reduce alcohol consumption may cause a shift to wine with a relatively low alcohol content.

Tip:

- Keep a close eye on government policies in order to align your product with new rules. Please find the latest information on Austrian excise duties here.

Company competition

Strong rivalry in middle to premium segments

Rivalry with Austrian wine producers is particularly high in the middle to premium market segment. Most domestic wines are sold at these higher price points and are popular with Austrian consumers. Moreover, wines sold directly from the point of production (farm-gate) are exempt from taxes. This advantage allows farm-gate sales to compete with supermarkets and discounters and offers an incentive for consumers to buy local wines.

In order to be competitive, suppliers need to show their unique selling points (USP), such as variety, origin or even Geographical Indication, stories about production (e.g. altitude), wine show medals, sustainability, packaging, etc. Due to the importance of fashion trends in the wine market, your USP can attract many new buyers at one moment and lose popularity at another. Private labels are increasingly gaining market share, enhancing rivalry in these segments.

Tips:

- Keep a close eye on the fashion trends in the Austrian wine market, in order to realign your products' USPs with the latest trends. Besides wine magazines, you can spot new fashion trends and forecasts at trade fairs, wine tastings and exhibitions.
- Participate in wine tasting events to gain recognition for your wine.
- If you have an interesting story to tell about your wine production, use it for branding.
- If there is a wine association in your country, convince them to invite wine writers and buyers.

Less rivalry in low-end segment

In the low-end segment of the Austrian wine market, rivalry with domestic production is less strong. Few suppliers can meet the high requirements of the discounters, which have a large market share in Austria of 31%. Exporters in developing countries who are able to produce large volumes of a consistent quality can profit from this market situation. South Africa has a particularly good reputation in this respect. Exporters in this country are able to supply bulk wine at low margins by saving on branding and packaging. As most Austrian discounters have centralised purchasing departments, most of these wines are imported via Germany and then distributed to Austria. CBI Market Channels and Segments for Wine in Austria provides more information on segmentation in the Austrian market and the implications for exporters in developing countries.

Tips:

- If you can supply at low costs, focus on the low-end segment.
- In order to protect the reputation of your country, business support organisations can lobby the government to secure the quality of national exports through a control panel.
- Business support organisations can also lobby the government to establish schemes for Geographical Indications (GIs) and obtain recognition for these GIs by the EU.

Increased global demand

Demand from upcoming markets, such as Brazil, Russia, India and China (BRIC countries) is increasing. This development is improving the position of wine suppliers around the world. Nevertheless, the expected emergence of China as a supplier within the next decade may outweigh the effect of the emergence of BRIC consumer markets.

Potential competition from Asia

Chinese and Indian wine is currently still too expensive (compared to its quality) for the Austrian market. This is likely to change in the medium to long term. However, it is unlikely that Chinese wine producers will be able to export large quantities of wine to Europe, as currently they are net importers, since their production is not sufficient to satisfy domestic demand. In 2013, Chinese and Indian wine imports amounted to 0.012% of total European imports. In addition, the Indian government will first have to settle the GATT dispute with the EU regarding the Indian import and sales measures on imported wine and spirits.

Tips:

- Keep a close eye on your Chinese and Indian competition through newsletters, trade fairs etc.
- Monitor developments in Chinese and Indian wine production by regularly checking the attaché reports at http://gain.fas.usda.gov

Blending for private labels

Supplies of bulk wine for private labels are particularly vulnerable to substitution. Austrian retailers often blend different wines for their private label. Blending of different wines allows them to switch more easily between suppliers and decreases their dependence on particular sources. The substitution offers opportunities for exporters in developing countries who still need to enter the market. At the same time, it poses a threat to existing suppliers of these bulk wines for private labels.

Tips:

- If you supply bulk wine for blends, live up to expectations of quality and consistency in quality and quantity.
- If you supply bulk wine for blends, spread your risks by supplying buyers in different countries.

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