CBI
Ministry of Foreign Affairs

CBI Competition:

Wine in Belgium

Introduction

The Belgian wine market is mature and saturated, making it harder for new entrants to enter this market. If you offer a decent wine at a competitive price or focus your marketing strategy on the price/quality ratio of your wine, you are still able to persuade consumers to buy your wine. Supplying to private labels could be an alternative option for market entry as this segment is gaining share in the Belgium market, but less demanding in terms of quality and origin.

Market entry

Supermarkets prefer existing suppliers

Belgian supermarkets generally prefer to expand trade relationships with their current suppliers instead of establishing trade relationships with new, unknown, suppliers. Expansion of trade with an existing supplier requires less investment and fortifies the existing trade relationship. Setting up a new trade relationship with an unknown supplier brings to the fore certain risks for buyers concerning the quality of the wine, the continuity of supply and the credibility of the supplier.

Tip:

- Lower risks for supermarkets to establish a new trade relationship:
    - Quickly respond to e-mails; always answer questions and only make promises which you can live up to.
    - Use certification of quality management to show that you can supply consistent high quality.
    - Make sure that you have technical documentation available on request.

High entry barriers

New entrants from New World countries face high barriers in supplying supermarkets:

- Limited shelf space: Supermarkets often reserve only very little shelf space for New World wines. Consumers in supermarkets tend to choose wines from traditional wine countries, which already have a strong reputation; this is the case particularly in Wallonia (French speaking region of Belgium), where consumers still have a rather traditional taste.
- Still red and white wines are sorted by country and consumers commonly choose wines from traditional wine countries, which are known for their wines, instead of New World wine countries. When wines are not sorted as is often the case for sparkling wine and rosé, consumers pay less attention to origin and tend to opt more often for New World wines.
- High listing fees: Supermarkets often have so many wine suppliers to choose from that they can charge high fees for the use of shelf space. These fees are relatively high for wines which do not sell rapidly in large numbers.
- Exclusivity: Supermarkets often demand the exclusive right to sell a wine brand in their country. Suppliers cannot sell that wine brand to another retailer.

Country of origin matters

Belgian consumers, like other European consumers, pay attention to the country of origin. Some countries, such as France, are often associated with high quality wines, while others, such as South Africa, are often perceived as suppliers of inferior quality wines. Consumers have a tendency to avoid wines from countries which they do not know at all, such as Georgia. This complicates market entry by suppliers in those countries. In 2014, only 8% of total Belgian wine imports came from New World countries.

Tips:

- If you are a new entrant, do not supply supermarkets or retailers directly; rather supply wine to importers. Importers can generally mitigate the risks of directly trading with supermarkets. Please refer to CBI Channels and Segments for Wine in Belgium for more information
- If you can supply rosé or sparkling wine, you can benefit from the fact that these wines are not sorted by country on the shelves.
- Improve demand for your wine by increasing recognition amongst consumers. Invite a Belgian wine writer to promotion events or even to your country. This can lead to media coverage and result in improved demand.
- Small companies with a supply capacity of 10 thousand to 30 thousand bottles annually of each wine can find smaller importers in Belgium who prefer to buy exclusive wines for which they are the only importer and distributor. Exclusivity motivates importers to work with you.

Product competition

Increase in excise duties

The recent increase in excise duties on wine by 12% in January 2013 and 8% in August 2013 is not expected to cause a shift to other alcoholic drinks. The current excise duties of €57.24/hectolitre on still wine and €195.88/hectolitre on sparkling wine are relatively low compared to other European countries. Belgium is a traditional wine drinking country, which means that consumers will keep on drinking wine despite the price increase. However, it is expected that consumers will search for more value for money. This may lead to increased competition on the Belgian wine market. While the larger part of the excise duty will be passed on to consumers through higher retail prices, profit margins for suppliers are also expected to become tighter.

Tip:

- If you offer a decent wine at a competitive price, focus your marketing strategy on the price/quality ratio of your wine in order to persuade consumers to buy your product. For example, if you supply a wine made of a grape variety that is often more expensive, make sure to highlight the fact that your wine is made from this particular grape variety.

Company competition

French competitors

Particularly in Wallonia, the southern part of Belgium, suppliers in developing countries will face fierce competition from French wine suppliers. The French hypermarkets, offering mostly French wines, are actively marketing their products in Southern Belgium. The prices of the France retailers are also low due to lower taxes for wine in France compared to Belgium.

France neighbours Belgium and the two countries show many similarities in terms of wine consumption patterns. Moreover, it is relatively easy and cheap for Belgian importers to import wine from France.

Consumers look for alternatives

Production of Cava, the popular sparkling wine, was affected by a bad harvest in 2012. The resulting shortage of grapes used for Cava production in Spain increased prices for Belgium's favourite bubbles by approximately 10% in 2013. Although this supply shortage may be short term, consumers are opening up to alternatives. This development offers opportunities for sparkling wine producers from other countries to enter the Belgian market and gain market share.

No competition from domestic suppliers

The scale of domestic production is insignificant compared to total Belgian wine consumption. In 2012, Belgium only produced 2,864 hectolitres (DeRedactie.be, 2013).

Private labels are increasing rivalry

Private labels are increasingly gaining share in the European off-trade segment.

Need for scale or USP

The bulk of the market comprises good quality wines from large-scale suppliers. Only those large-scale suppliers can compete on price, which is the main purchasing criterion for most consumers.

In the much smaller market for premium wines, suppliers need to produce not only exceptional quality, but also a strong Unique Selling Point. This USP can be related to origin or even Geographical Indication, stories about production (e.g. high altitude), wine show medals, sustainability, packaging, etc.

Tips:

- As an individual exporter, there are not many things you can do to increase your competitiveness other than improving quality and price. Another possibility would be storytelling or promotion via expert reviews. However, if your country is not yet an established wine supplier to Belgium, industry experts recommend introducing a premium wine first. This will lead to a more positive perception by consumers of your country as a supplier of wine.
- If you are a supplier of a quality sparkling wine and are able to deliver it at a competitive price, consider supplying your wine to Belgium. Consumers in this market are looking for sparkling wine, comparable to Cava, at a relatively low price.
- Expand your regional market until your production capacity, quality and market experience allows you to export successfully to Europe.

New World wines have fierce competition

It becomes increasingly difficult to prevent substitution by other wines from competitors. The wide variety of wines becoming available on the Belgium market confuses consumers who find it difficult to choose from such a wide variety. In response, they often choose wines from known origins instead of wines from the New World. The increase in global sourcing only adds to the diversity of wines on the Belgian market, making it harder to establish brand awareness. Finally, French wines are expected to remain dominant for some time.

Tips:

- Develop a Unique Selling Point (USP) to distinguish your wine from wines of other New World suppliers. Use characteristics about the wine, its origin and the production process in its USP.
- Promote your wine as being exclusive, for example, by producing limited editions of your wine.
- If you use reputable international grape varieties in the production process, mention these varieties prominently on the bottle to trigger familiarity.
- If you are supplying bottled wine, include labels describing the occasions and variety of dishes your wine would ideally accompany. Use this information to promote your wine.

Development of supporting industries

In the growing wine industries of New World wine countries, competition between suppliers of input materials (e.g. fertilizers) increases. Particularly in South Africa, Chile and Argentina, wineries can buy their input materials locally at very competitive prices. Whereas in some New World wine countries, such as Bolivia, wineries still need to import some of their supplies from other wine regions.

Economies of scale

Small-scale wine producers generally do not enjoy much power in the negotiation process; they can be considered to be price takers. The larger the wine estate, the stronger a company’s position in price negotiations with its suppliers.

Tips:

- It can be worthwhile to investigate price levels of input materials regularly to find out whether your current supplier still has the best offer. You can also use this knowledge to put some pressure on your supplier if necessary.
- If you produce wine on a small scale, consider buying supplies together with other wine producers from your area in order to create economies of scale and increase buyer power.

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