CBI
Ministry of Foreign Affairs

CBI Competition:

Wine in the Czech Republic

Introduction

The Czech wine market is focused mainly on wine produced domestically and in the traditional EU countries. Entry in the market can be hard and costly for producers of the New World. Significant budget for promotion and patience are needed if you wish to export to the Czech Republic.

Market entry

Supermarkets and hypermarkets focus on economic efficiency

Accessing the Czech market can be hard for new entrants from developing countries. In 2014, supplies from New World countries only accounted for approximately 12.8% of the total value of wine imports. This is a result of the limited shelf space available for new origins in supermarkets, hypermarkets and other retailers. Moreover, retailers are focusing mainly on economic efficiency as there is high price competition and it is costly for them to provide wines with low turnover rate. However, this does exclude table wines from mixed origins.

Czech consumers are not familiar with wine from new origins

On the one hand, the lack of a strong wine culture as compared to other western European countries lowers entry barriers for new entrants from less traditional wine sources. However, Czech wine consumption is mostly focused on wine that is produced domestically and wine from the EU. Czech consumers are not familiar with wine from new origins. This creates more opportunities for imports of wines from traditional origins since Czechs are more accustomed to them. Moreover, it is easier for Czechs to travel within Europe and see the vineyards and wine cellars of France, Italy and Germany which stimulates consumption of wines coming from these regions.

Listing fees remain high

It can be very costly to buy yourself into the market due to listing fees charged by supermarkets and hypermarkets. But even if you have the budget to enter the Czech market and get on the supermarket and hypermarket shelves, you must keep in mind that forecasts and calculations are very important to predict whether you will receive your investment back or not. Supermarkets and hypermarkets in the Czech Republic are quick to quit wines that have low turnover rate.

Tips:

- Although it is hard and costly to enter the Czech wine market, there are opportunities for developing country producers in the bulk wine segment where locally produced wine is mixed with wine of different origins to produce table wines.
- You need to have a large budget and be patient and willing to even lose part of your initial investment in the beginning if you wish to export to the Czech Republic.
- If you wish to penetrate the Czech market, consider supplying your wine to central warehouses in Germany or in The Netherlands as an entrance point instead of directly targeting the domestic market. Importers in the Czech Republic use these warehouses to import wine to the Czech Republic. Having wine stock available in central warehouses in other countries in Europe, and being ready to supply when the Czech market is ready could potentially be profitable and allows you to send samples throughout the EU without problems and at low costs.

Product competition

Substitute products

Half of the Czechs prefer drinking beer, a third wine and 4% distilled drinks. However, currently wine is the fastest growing market. Popularity of imported spirits brands such as cider, a fermented alcoholic beverage that is made from apple juice, also increased. In contrast, flavoured beer mixes have fallen in volume sales. Various beers and no or low alcoholic beer had a record decrease in total volume sales in 2013. The main competitor in the Czech Republic is beer. Czechs are not only known to have the highest beer consumption per capita, but also to produce some of the most famous beers in the world. Although wine is increasing in popularity due to the westernization of lifestyle, it is unlikely that wine will share the same popularity among Czechs as beer.

Company competition

Competition from domestic producers and traditional suppliers

Main competitors in volume are the Czech wine producers and suppliers from traditional wine making countries: Italy, France, Spain and Germany. In 2014, Italian wine imports accounted for 23.5% of the total imports, French for 18.7%, Spanish for 15.4% and German for 8.2%. In terms of competition on price, domestic producers, and East European suppliers like Hungary, Slovakia, Moldova and Bulgaria are the main competitors. Wine from Slovakia accounted for 6.5% of the Czech market in 2014. Southern Moravia is the main wine production region in the Czech Republic, which accounts for 96% of the country's vineyards. Bohemia accounts for the remaining production. Domestic production amounts to 4-6 million hectolitre annually and concerns mostly local grape varieties but lately there has been an increase in production of established international grape varieties such as Cabernet Sauvignon. Leading domestic players are Bohemian Sekt with a 10% of total volume share, Vinium, Znovín Znojmo, and Moravské vinarské Bzenec. Since the Czech wine market is a growing market, there is still room for new suppliers.

The most common grape varieties grown in the Czech Republic are presented in the table below (Table 1) along with the approximate percentage of vineyard planting for each variety.

Table 1 : Grape varieties grown in the Czech Republic

Czech name	International name	Percentage of vineyard planting
White grape varieties		
Müller-Thurgau	Müller-Thurgau	11.2%
Veltlínské zelené	Grüner Veltliner	11.0%
Ryzlink vlašský	Welschriesling	8.5%
Ryzlink rýnský	Riesling	7.0%
Sauvignon blanc	Sauvignon blanc	5.0%
Rulandské bílé	Pinot blanc	5.0%
Chardonnay	Chardonnay	4.0%
Rulandské šedé	Pinot gris	3.7%
Tramín červený	Gewürztraminer	3.0%
Black grape varieties		
Svatovavřinecké	Saint Laurent	9.0%
Frankovka	Blaufränkisch	5.6%
Zweigeltrebe	Zweigelt	4.7%
Rulandské modré	Pinot noir	4.0%
Modrý Portugal	Blauer Portugieser	3.9%
Cabernet Sauvignon	Cabernet Sauvignon	1.3%

Tip:

- If you produce wine from these types of grapes or wine similar in taste, the Czech Republic could potentially be a good export destination, as Czech consumers are familiar with this type of wine. Wines with a different taste will only be accepted by more experimental consumers and will require more promotion to gain market share.

Shift in origins

Bulgaria and Hungary, two other former communist countries, dominated supplies to the Czech Republic until the end of the communist era. Especially since the entry of the Czech Republic to the European Union, suppliers in France, Italy, Chile, the USA and Spain benefited from the internationalisation of the Czech wine market at the cost of traditional suppliers from Hungary and Bulgaria. In 2014, 91.6% of all wine imports came from European countries, while only 8.4% originated from New World countries. The latter have increased their market share slightly since 2012, when they accounted for 7.2% of Czech imports. Currently, East European countries account for approximately 28% of wine imports. Chile, Argentina and Australia are the most popular New World countries.

Less price sensitivity in the high-end market

In the high-end market, buyers are less price-sensitive and are mostly looking for a unique wine. Competition in the high-end market is mostly concentrated on certain qualities of wine such as the use of ripe grapes, its rich and full taste and the good balance between tannins and acidity.

Tip:

- Make sure that your product matches your target segment, and that you present your unique selling points compared to competitors.

Blending for private labels

Supplies of bulk wine for private labels are particularly vulnerable to substitution. Retailers often blend different wines for their private label. Blending of different wines allows them to switch between suppliers and decreases their dependability on particular sources. The substitution offers opportunities for exporters in developing countries who still need to enter the market. At the same time, it forms a threat to existing suppliers of these bulk wines for private labels. However, private labels are not an emerging trend in the Czech Republic as it is in the UK or in The Netherlands at the moment. It is mostly international supermarket chains such as Tesco and Spar that have their own private labels in the Czech Republic but this trend is not yet being adopted by other retailers.

Tips:

- If you supply bulk wine for blends, consistency of quality and quantities will be particularly important.
- If you supply bulk wine for blends, spread your risks by supplying multiple buyers in different countries.

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

January 2016