



CBI
Ministry of Foreign Affairs

CBI Competition:

Wine in Poland

Introduction

The growth of the Polish wine market attracts many new suppliers. However, buyer concentration in the high volume market is strong, complicating entry to this market. New entrants from developing countries generally have better opportunities in the higher price segments.

Market entry

Growing economic prosperity creates opportunities for new entrants

New entrants to the market are a particularly competitive factor in an emerging wine market like Poland, as well as growing (niche) markets. The high growth rate, 56% between 2004 and 2013, attracts many new suppliers who seek to benefit from the increased demand for wine. Strong market activity in terms of mergers and acquisitions confirms the high expectations for market growth in Poland.

High acceptance of wine from developing countries

The Polish wine market is currently dominated by European suppliers. Up to 75% of imported wine is brought to Poland from European countries, mainly from Italy. However, the lack of a strong wine culture lowers entry barriers for new entrants from less traditional wine sources, as consumers are less prejudiced towards wine qualities from traditional and New World origins. New World wine imports already play an important role. The dominant sources of New World wines are the United States and Chile.

Tips:

- Small companies with a supply capacity of 10 thousand to 30 thousand bottles annually of each wine are advised to search for smaller importers in the EU who prefer to buy exclusive wines for which they are the only importer and distributor. Exclusivity motivates importers to work with you.
- Hire a wine maker for advice on making the best possible wine with the available raw materials and technology which matches with requirements in European markets.

High listing fees complicate entry

Supermarkets in Poland charge relatively high listing fees. The payment of these fees can give suppliers access to supermarket shelves, which can be a profitable business. However, current listing fees in Poland are relatively high in comparison to the amount of sales.

Tips:

- If you aim for supermarkets, but your brand is not strong enough, find a buyer who already supplies supermarkets and partner up to sell your wine under their brand.
- Aim for long-term contracts and stable trade relationships to prevent your buyer from switching to a new entrant.
- Use branding and your reputation to ensure stable sales to regular buyers.

Product competition

Off-trade is the most important market channel

The majority of wine sales in Poland are made via the off-trade, which accounts for an estimated 96% of the wine sold (KPMG, 2014). Wine continues to struggle in the on-trade, in part because it is much more expensive than other options.

Declining popularity of fruit wines

Following the end of socialism, the market for alcoholic beverages opened up. At the time, fruit wine producers enjoyed a great deal of success. What before had been produced by families in traditional ways was now available commercially. However, in the past decade, most producers have gone bankrupt or been acquired by other companies due to a declining demand. In 2013, fruit wines accounted for only 1.6% of the alcoholic beverages market in Poland. Today fruit wines are largely exported to other countries and regions, such as Germany, Austria, Switzerland, Scandinavia and the Far East.

Wine over vodka

Although beer and vodka still account for the highest market shares in Poland, wine is the fastest growing category. The retail volume of wine was projected to grow by 14% between 2013 and 2015, beer by 4%, and vodka to decrease by 6% (KPMG 2014). Although vodka is cheap and remains important for many occasions, wine is increasing in popularity, something that should be considered success for the industry. According to KPMG (2014), companies predict that the market for grape wine will grow by nearly 7% annually in the coming years.

At the same time, beer consumption showed a strong increase due to investments by large multinational companies, such as SAB and Heineken. This change in preference can be attributed to the growing wealth of consumers. The growing popularity of wine may well open up the market to developing country producers. Developing country wine producers should keep in mind that wine is considered to be a more sophisticated drink associated with Western lifestyles. That is why Polish consumers are willing to pay higher prices for wine than for traditional Polish drinks, such as vodka. New entrants from developing countries have better opportunities in the higher price segments.

No threats from high excise duties

In comparison with other European markets, Poland does not impose high excise duties on wine. Currently the excise duty is at €37.79/hectolitre of wine. This does not inflict any threats for substitution of wine by other alcoholic beverages.

Exclusivity is key for low volumes

Developing country producers who aim for the middle to premium market can improve their supplier power by showing the exclusivity of their product. Promote, for example, the exclusivity of your exotic origin, grape variety, region (Geographical Indication) or production method.

No threat from innovative drinks

Innovative drinks are not very popular in Poland. In comparison to other Western European countries, wine cocktails or other alco-pops are not attractive to Polish consumers and do not pose any threat of competition against wine. The Polish market is expected eventually to adopt the trends seen in other countries, but this transition will be slow.

However, certain types of wine, such as white and rosé, are starting to gain popularity as Polish consumers are adopting a more Western lifestyle. The rosé wine category grew quickly last year and is expected to become more important. Sparkling wine sales have remained stable but still account for over 20% of total wine sales.

Tip:

- The promotion of wine, as a better alternative to other alcoholic drinks, is not feasible for individual companies. Promotion of wine in general requires a sector-wide effort. Instead, focus your promotion on unique selling points compared to other wines.

Company competition

Insignificance of local production

Although local production is increasingly promoted by Polish organisations (e.g. Polish Institute of Vine and Wine), local wine production remains insignificant in Poland. Local wines only offer some competition in the off-trade.

Increasing rivalry with existing suppliers

The development of the Polish wine market is still in its infancy stage. During communist reign, Sophia wine from Bulgaria and other wines from Eastern Europe, comprised nearly the entire wine market. Although the East European wines are still available, many other wines have gained market share since that period. Since the entry of Poland to the European Union, suppliers in France, Italy, Chile, the USA and Spain benefited from the internationalisation of the Polish wine market at the cost of traditional suppliers in Hungary and Bulgaria. The openness of the Polish market and the westernization in the way of living have started altering the preferences of Polish consumers when it comes to wine origins. The large multinational [Gallo](#) from the USA has become a particularly strong player. This company and other existing suppliers are in a good position to rapidly expand their business in Poland as the market grows. Exporters in developing countries have to deal with this competition by supplying products with Unique Selling Points (USPs).

Increasing diversity

During communism, closed borders with Western Europe impaired the availability of different wines in Poland. As a consequence, the offer of existing supplies is still limited in diversity. In the next few years, consumer demand for more unique products is expected to increase. This will affect all price segments. Although some existing suppliers will expand their current offer, there will be a particularly large increase in supplies from new entrants with unique wines. The latter development could be beneficial for developing country exporters if their products possess unique selling points.

Tips:

- Participate in wine tasting events to gain recognition for your wine which you can use for marketing purposes.
- Distinguish yourself from the competition by having fashionable packaging (e.g. special bottle or well-designed label). Consult your packaging supplier to find out whether production of special packaging is feasible or not.
- If you have an interesting story to tell about your wine production, use it for branding.
- Determine your USPs compared to existing supplies and use them in your marketing strategy.

A small group dictates the high volume market

Even though the wine market in Poland is a relatively young market, concentration of buyers is high and increasing. Due to the small size of the market, only a few players have been able to develop into major buyers. Especially in the high volume segment, only a few large players are involved in trade, such as Ambra, Bartex-Bartol, Domain Menada (Belvédère), Partner Center and CEDC (distributor of Gallo Vineyards). Many of these players operate on an international level.

In the *low-end segment*, these players will increasingly face competition from large West-European retail chains, such as Auchan. These retail chains are gaining ground in Poland and import large amounts of wine directly from origin. Retail chains can exercise a lot of power through their headquarters. However, the power of large buyers is affected by availability of wine for the low-end segment. After a high global wine production in 2013, production of bulk wine decreased in some countries in 2014 and 2015. Due to reduced availability of wine for the low-end segment, retail chains have fewer options to switch between suppliers. In the long term, more global sourcing is expected to improve the position of buyers again. For more information on segmentation, please read CBI's [Market Channels and Segments for Wine in Poland](#).

Tips:

- If you are able to supply large volumes of wine at low costs, focus on the high volume segment. Aim for long-term agreements with high volume buyers in order to split risks and profit more equally. Consider to supply the retail chains through an importer, as the latter are in a good position to meet the strict logistical requirements of retail chains, such as short notice deliveries.
- Be a reliable business partner; make sure that you supply the quality and volumes agreed upon. Especially retail chains need long-term trade partners. If they need to go elsewhere they usually do not come back.

BRIC markets cause shift in balance between supply and demand

The emergence of the BRIC markets (Brazil, Russia, India, China), where demand for wine is growing, increases supplier power. With more potential markets, the bargaining power of suppliers increases as the EU market will no longer be the only option for developing country producers and exporters of wine.

Use regional markets as stepping stone

The bargaining position of developing country producers and importers can be further improved by developing the regional market. It can serve as a good stepping stone for entering the European market as producers and exporters usually have better knowledge of these markets, allowing them to improve their quality and services.

Tips:

- Map the unique selling points of your wine and actively promote these characteristics through story-telling.
- Actively search for export destinations within your region. Contact Business Support Organisations with updated market information about trading opportunities within your region.
- Use your regional market to create export volume in order to enter the Polish market. Product and market trends will differ per region. Therefore, make a product that can work both for the European and your regional markets.



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

Disclaimer CBI market information tools: <http://www.cbi.eu/disclaimer>

January 2016