

# **CBI Product Factsheet:**

# **Premium wine in Poland**

#### Introduction

The Polish premium wine market is less developed compared to Western European wine markets. Polish wine consumers are less educated about wine and place great importance on a wine's image and status. If you target this premium wine market, you need to develop a strong desirable brand and focus on the young urban generation.

## **Product Description**

In Poland, premium wine is distinct from bulk wine in both quality and price. The next section on product specifications explains that high quality is subject to interpretation. Therefore, the price is a more suitable indicator to define whether a wine is considered a premium wine or not. In Poland, wine is regarded as premium when the retail price exceeds  $\in$  7.

Type of wine	HS Code
Sparkling wine	220410
Wine in containers < 2 litres	220429

## **Product Specification**

#### **Quality preferences**

The quality of a wine depends much on inputs used and actions taken by the producer during the production process.

#### **Grape variety**

Most of the wine traded internationally is made from international grape varieties, such as Chardonnay, Cabernet, Merlot, Sauvignon Blanc, and Pinot Grigio. However, Polish consumers do not have a strong preference for traditional grape varieties. They are also open to premium wines from indigenous grapes. Indigenous grape varieties are those varieties that are cultivated only in a particular area and have existed there for a long time.

#### Colour

Red wine accounts for 39% of the Polish wine market. In Poland, typical premium red wines include Brunellos, Super Tuscans, Riojas, and Bordeaux. White wines are generally not perceived as premium wines in Poland.

#### Still or sparkling

Exact specifications of sparkling wine and quality sparkling wine are laid down in EU legislation. The differences are related to the fermentation process, Actual Alcoholic Strength, and pressure. In 2013, sparkling wines accounted for 20.5% of total wine sales in Poland (KPMG 2013).

## **Taste intensity**

Compared to Western European markets, taste intensity is less important to position your wine in the premium segment in Poland. In Western European markets, only wines with an intense or full taste are perceived to be of premium quality. Taste intensity can be influenced by many factors including: leaf/grape ratio on vines, irrigation, and yeast selection.

#### Sugar/acid balance

A major aspect of the art of winemaking is to find a balance between sugar and acid. Bulk wine generally has a higher sugar/acid ratio, as most consumers who purchase this type of wine prefer a sweet taste. In contrast, most connoisseurs looking for premium wine prefer dry wine with a low sugar/acid ratio.

#### **Alcohol content**

Wines can have different alcohol content. Polish consumers are less interested in low alcohol wine than consumers in some Western European countries, as Polish legislation applies the same excise duty for wines with low and high alcohol levels. Moreover, reduced alcohol wines are generally regarded as lower quality wines than wines with unadjusted alcohol levels.

#### **Tannins**

Most consumers prefer soft tannins. The use of soft presses reduces seed damage and subsequent amounts of sharp tannins in the juice. The appropriate amount of tannins (natural minerals in the skin of black grapes) in wine depends on the style of the wine. Tannin content can be influenced during processing.

#### Sulphite

Although consumers generally prefer low sulphite levels (e.g. < 150 mg/l for white wine), few of them pay attention to sulphite content when purchasing wine. Moreover, sulphite is a very useful ingredient as a preservative. Lower sulphite levels may lead to off-tastes and reduce shelf life.

#### Off-tastes

Unripe and overripe grapes and contaminants can cause off-tastes in wine. Minimise off-tastes by: harvesting at the right time, sorting grapes during harvesting, proper handling of the grapes, and minimising time between harvesting and processing. If off-tastes cannot be prevented, clay or coal may be added to grape juice for removal of the off-tastes.

#### Labelling

The EU has set *compulsory labelling* particulars for wine:

- The name of the Protected Denomination of Origin (PDO)/ Protected geographical Indication (PGI) or Wine of 'producing country'/Produced in 'producing country'/Product of 'producing country'
- Actual Alcoholic strength (AAS)
- Nominal volume
- Lot number
- Importer details
- Allergenic ingredients:
  - All wines containing over 10 milligrams of sulphite per litre must be labelled with the indication "Contains sulphites". This information is crucial for individuals who are sensitive to sulphites and experience problems such as shortness of breath, coughing, and wheezing. If your wine contains only a few mg or no sulphites, you can mention this on the label to serve these consumers.
  - o Egg and milk derivatives must also be mentioned on the label.
- Sugar content (for sparkling wines)

Legislation does not require the exact composition of a blend on the label. However, rising interest of consumers in the composition of a wine increases the need to include such information on the label.

The Food Standards Agency of the United Kingdom provides useful <u>guidance on more detailed labelling requirements</u>, which is also applicable to Poland.

#### **Packaging**

#### **Bottled** wine

- In Poland, glass bottles are the most common type of wine packaging. Glass bottles are usually coloured to reduce the effect of UV light and typically contain 0.75 litres, but there is a growing trend in Poland toward sales of wine in 1-litre bottles.
- Bag-in-Box packaging is hardly used for premium wine in Poland, as consumers associate Bag-In-Box with bulk wine. Until now, the bag-in-box concept for premium wine has only had some success in the on-trade.
- In Poland, screw caps are still associated with cheap alcoholic beverages (e.g. Vodka) and therefore not preferred by most Polish wine consumers. Traditional corked bottles are most common, especially in the premium wine segment.
- Bottles for sparkling wines need to be strong enough to withstand the pressure resulting from the high CO<sub>2</sub> level.

There is also premium wine being transported to Poland in bulk. Please refer to the <u>CBI Product Fact Sheet on bulk wine in Europe</u> for more information on this issue.

## What is the demand for premium wine in Poland?

Poland is still an emerging market in terms of economic prosperity. It is a new wine drinking country; therefore the market is still rather immature. Alcohol consumption is still shifting from spirits towards wine consumption, leaving much potential for growth on the Polish wine market.

#### **Production**

Although domestic production is increasing, there is currently no need to take account of it when entering the Polish wine market. The amount of wine produced in Poland remains negligible compared to the amount being imported. Most of the estimated 500 Polish vineyards, whose total vine area amounts to approximately 700 hectares, are non-commercial. In 2014 only 49 wineries were officially registered, accounting for less than 100 hectares of vine area.

#### Consumption

In 2013, Poland consumed almost 84 million litres of wine (Eurostat, 2014). Wine consumption in Poland has increased tremendously over the past decades, as consumption moved away from spirits, particularly vodka, towards wine. Recently, this consumption growth has somewhat stagnated as a result of the economic crisis, but consumption growth rates still present positive figures. Since 2009, consumption has increased at an average annual rate of 2.3%. In the next few years, as Europe is recovering from the crisis, growth is expected to accelerate again.

Per capita wine consumption in Poland has remained considerably lower than in (south-) west Europe. In 2013, total per capita consumption of wine in Poland amounts to a little more than 2.2 litres annually (Eurostat, 2014). Despite its low per capita level relative to other European countries, Polish per capita consumption has consistently increased, relative to previous years. This shows that per capita consumption is on the rise and should be expected to further increase in the coming years, as many consumers are switching from vodka and other spirits to wine, which is considered to be more fashionable.

#### Tip:

Closely monitor the recovery of the crisis in Poland, because market entry is advised at the moment
when the effects of the crisis start to fade and disposable incomes begin to rise.

Premium wines constitute 4.0% of total wine sales in Poland (Winologica). The Polish premium wine market is tight and difficult to enter for new exporters. However, the premium segment is expected to become more important in the short term (KPMG 2014). Growing popularity of premium wine is driven by young urban professionals, who have sufficient income and interest. Young urban professionals in Poland are extremely focused on status and image. This is also visible in their wine choices. In the long term, premium wine consumption is expected to spread to more consumer groups throughout the country.

#### Tip:

• Target your premium wine to young urban professionals, as they have the disposable income and desire to buy premium wine. In order to gain the attention of this consumer group you need to deliver a premium wine with a luxurious image.

#### **Import and Export**

The relationship between Poland and other former communist countries in Eastern Europe has caused a strong prevalence of wines from countries such as Macedonia, Moldova and Georgia on the Polish markets. However, only Moldova belongs to the four major developing country suppliers in terms of volume. Besides Eastern European countries, Chile, Georgia, and South Africa are the largest developing country suppliers for Poland.

200.000

150.000

South Africa
Georgia
Chile
Moldova
Other DC suppliers
Other Suppliers

Figure 1: Wine imports into Poland (in € 1,000), 2010-2014

Source: Eurostat, 2015

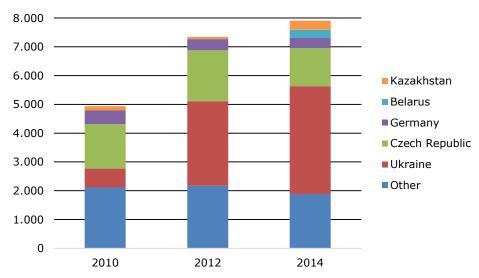
2010

0

Figure 2: Main destinations of wine (re-)exports from Poland (in € 1,000), 2010-2014

2014

2012



Source: Eurostat, 2015

#### Tips:

- If you are based in a former communist country (e.g. Georgia), use the historic ties between Poland and your country as a Unique Selling Point (USP) in your marketing campaign. Emphasise the good relations between your countries and the premium quality of your wine.
- If you are based in another country, avoid direct competition with wines from former communist countries by offering different quality wines and developing your own USPs. Avoid using possible ties of your country with Poland, as your ties will probably be less strong than former communist countries' ties with Poland.

## **Re-exports from Germany**

Based on geographic proximity and the strong presence of German discounters in the Polish market, it is estimated that supplies from Germany comprise a considerable part of New World wine re-exports. Poland's exports are small and mainly sold in the geographic area around Poland, namely Eastern Europe. The 2014 export level was 2,960 tonnes, which is less than 3.0% of the amount of wine imported by Poland. Wine imports into Poland have decreased by 2.3% yearly on

average since 2010. Furthermore, the top destinations of Poland's re-exports have changed frequently in recent years. Re-exports to the Russian Federation decreased by almost 200% in the period 2012-2014, while re-exports to Belarus climbed from zero to 95 tonnes in the same period.

Please refer to 'CBI Trade Statistics for Wine' for statistics on the entire European wine market.

## What trends offer opportunities on the Polish market for premium wine?

#### Polish consumers are followers

The Polish market is expected to increasingly resemble north-west European markets. Wine consumption is relatively new to many Polish consumers, who were more used to drinking other alcoholic beverages. The popularity of semi-dry and semi-sweet wines is an indication that the Polish wine market is still a less developed wine market than the Western European markets, as a preference for sweeter wines is often linked to novice wine drinkers. In the latter, sweetness is often perceived as an indication of inferior quality.

Polish consumers used to relate premium wines primarily to France. However, this is changing due to the low quality of wine imports from France. New World producers can benefit from an increased demand for premium wines in Poland if they target the market right.

#### Tips:

- As Polish consumers are not very interested in wine origins, find other unique selling points for your wines.
- If you produce a semi-sweet or semi-dry premium wine, focus your exports on the Polish market. Polish consumers differ from other Europeans. The latter tend to classify sweet wine automatically as a non-premium wine, while Polish consumers appreciate sweeter wines, even in the premium segment.
- Monitor the trends on the wine market in Western Europe. Polish consumers are expected to slowly
  adopt many of these trends. Use this knowledge to anticipate these trends in Poland.

#### Slow movement towards lighter wines

There is a slight increase in consumption of wines other than red wine. As many Polish consumers want a lifestyle similar to that of Western Europeans and the latter are increasingly drinking white wine, rosé, and innovative wine drinks, Polish consumption patterns are expected to change accordingly.

## Tip:

The segment for high quality lighter wines is not yet developed in Poland; this creates an opportunity
for developing country exporters to be the first to serve this market. This approach brings the need to
monitor ongoing trends in Western Europe carefully. Enter the Polish market at the right moment, e.g.
when Western European lifestyles become more visible. You can use the help of importers for the
necessary promotional activities.

#### Poles want to identify with wine brands

For many Polish consumers, a wine brand's image is of more importance than the origin of the wine in their purchase decision. Gallo Winery, a New World wine supplier, has been particularly successful in Poland at increasing sales through promotion of its brand 'Carlo Rossi'.

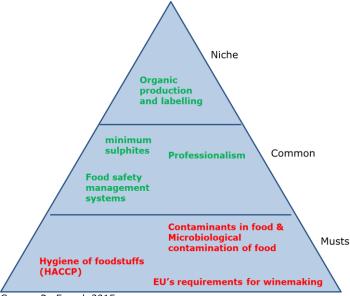
#### Tip:

Explore the possibilities to create a positive image of your brand either via wine critics and journalists
or via the creation of a Unique Selling Point not based on place of origin, but on quality, image, and
status.

Please refer to 'CBI Trends for Wine in Poland' for more trends in the Polish wine market.

## What requirements should premium wine comply with to be allowed in the European market?

Figure 3: Polish buyer requirements pyramid



Source: ProFound, 2015

#### Requirements you must meet

#### **Oenological practices**

The EU stipulates what oenological practices can be used for winemaking, including the making of sparkling wine, sweetening, and addition of sulphites.

For example, the maximum sulphite addition:

Red wine: 150 mg /l
White wine: 200 mg /l
Sweet red wine: 200 mg /l
Sweet white/rosé wine: 250 mg /l

Sulphite levels may be higher for certain wines from a specific origin.

### Tip:

• Check whether your current practices comply with the <u>EU's requirements for winemaking</u>. Producers of wine destined for the European market must present a certificate (VI1) (<u>example</u>) and an analysis report for their wine to show that they comply with the oenological requirements.

## Hygiene of foodstuffs

Food business operators shall put in place, implement, and maintain a permanent procedure, or procedures, based on Hazard Analysis Critical Control Points (HACCP). This also applies to the import of food to the EU and export from the EU.

#### Tip:

• Ensure compliance with EU legislation on Hygiene of foodstuffs (HACCP).

#### **Contaminants in food**

The EU has laid down maximum levels of contaminants, pesticides, and criteria for microbiological contamination of food.

#### Tip:

 Only use healthy grapes and ensure hygienic processing conditions to comply with EU legislation regarding <u>Contaminants in food</u>.

#### **Common requirements**

#### Low sulphite levels

The requirements of many European buyers concerning sulphites are stricter than EU legislative requirements. For example, buyers often set a maximum of 150 mg/l for white wine, compared to the legislative requirement of 200 mg/l.

#### Tip:

• Reduce the need to add sulphites and only add the minimum quantity of sulphites required to preserve the quality of your wine.

#### Minimise use of chemicals

Use of fertilizers can improve soil quality. However, wineries should minimise the use of chemical fertilizers, as Polish consumers are concerned about effects of agriculture on the environment and the use of chemicals in particular.

#### Tip:

• Promote the use of Integrated Pest Management or equivalent production systems aimed at minimising the use of chemicals by your producers.

#### Food safety management

Buyers commonly require their suppliers to have a quality/food safety management system in place. These systems require companies to demonstrate their ability to control food safety hazards in order to ensure that food is safe at the time of human consumption.

#### Tip:

Suppliers can apply a basic HACCP system. However, many buyers appreciate certified food safety
management systems recognised by the Global Food Safety Initiative, such as ISO22000, BRC or IFS:
Food Safety Management Systems.

#### **Professionalism**

Particularly big buyers in Europe indicate that producers of wine can improve their chances of successful market entry by showing professionalism. Communication and sampling are areas in which producers in developing countries in particular can improve.

#### Tips:

- When you approach a potential buyer for the first time, provide a complete introduction of your company and products. Include a unique and passionate story about your company and your wines.
- Only send clean and representative samples with clear labels that include the price and volume available in addition to contact details.

## **Niche requirements**

## **Organic wine**

Having your products labelled 'organic' is voluntary, but if you do so your production methods will have to comply with EU Regulation (EC) 834/2007 and your production methods have to be audited by an accredited auditor. You can learn more about organic wine in the <u>CBI product factsheet on sustainable wine in Europe</u>.

#### Tip:

• Although sustainability has become a niche market in Western Europe, Polish consumers do not attach much value to organic production or Fairtrade. If you export premium organic wine, there is little use in exploiting the fact that your wine is organic as a unique selling point. Instead, brand your wine as a sophisticated product; Polish consumers are sensitive to status symbols.



## What competition do I face on the Polish premium wine market?

#### **Branding** is crucial

Consumers in Poland attach great value to brands. As the level of common knowledge about wines is relatively low compared to Western European countries, many consumers rely on brands to determine the value of a wine. This also explains why New World wines are more competitive in Poland than in many other European countries. Uneducated consumers attach more value to the brand than to the origin.

#### Tips:

- Create a strong brand image by associating the brand itself with the desired image of young urban professionals in Poland.
- In Poland, it is extremely hard to change the image of a wine with a specific origin. This makes it of utmost importance for developing country exporters to create a positive and desirable image for their brand. Once Polish consumers see a wine as inferior, this image is almost impossible to change.
- Success on the premium market requires promotion by opinion leaders, such as influential journalists. You can organise events (e.g. wine tastings) and invite journalists in order to persuade them to write about your brand, for example Wojciech Bońkowski, Poland's leading wine writer.

## Story-telling for product distinction

Although the on-trade is also a competitive market, it offers more opportunities for suppliers with an interesting story to tell. A good story can set your company apart from the competition when the price/quality ratio is the same. For example, an Armenian supplier uses its location for a story; its winery was built on the oldest winery in the world.

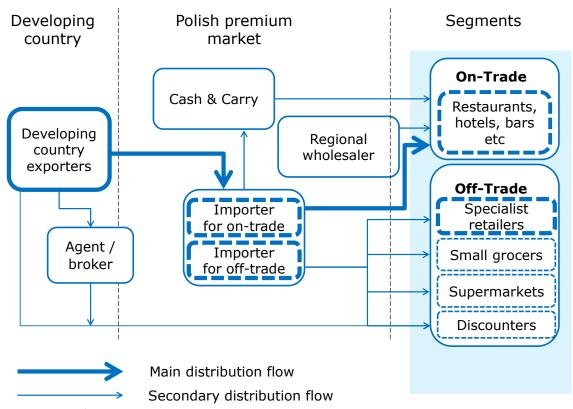
#### Tip:

• Story-telling requires strong marketing support from an importer. Generally, smaller importers are more willing and have more time to provide such support to their suppliers than big importers. They can organise tastings and introduce the wines to different potential buyers. However, they have less money to do this than the big importers.

Please refer to 'CBI Competition for Wine in Poland' for more information.

## What do the trade channels and interesting segments look like in Poland for premium wine?

#### **Market Channels**



Source: ProFound, 2015

#### Re-emergence of small importers

Although the Polish wine market is dominated by a few large importers, it is also highly fragmented, with an estimated 800-1,000 importers. In recent years, there has been a re-emergence of small importing companies with a much smaller share in the market. There are currently as many as 100 premium importers in Poland, which often have their own specialty retail stores or wine bars (KPMG 2014). They focus on importing quality wine and are competitors to the large importers in the premium segment.

#### Tips:

- Use small importers to deliver your wine to the Polish market; they are generally more interested in providing marketing support for wines from unknown origins than big importers.
- Check (online) magazines, such as <u>Wino</u>, to find out which importers are active in Poland and which segment they focus on.

#### **Emergence of discounters**

Discounters such as Lidl, Eurocash, and Biedronka have been rapidly gaining market share for the last 3 years. They contribute to the total wine consumption in Poland by offering affordable wines, but they also offer premium wines priced at  $\in$  20- $\in$  47 next to the cheap bulk wine on their shelves. Specialty stores suffer from the competition by the discounters like Lidl.

#### Tip:

 Make an assessment of the consequences for your company should you decide to supply discounters, in order to find out whether this is a profitable solution for you or not. Since discounters have enormous buying power, they are only interesting for large-scale suppliers that can offer very good quality at the (mostly low) price requested by discounters.

#### Premium wines for special occasions

The on-trade, which accounts for 23% of total wine sales in Poland, offers particularly good opportunities for premium wine suppliers. Restaurants mostly look for wines with a reputable image and good quality, as their customers often want to spend more for such a special occasion.

#### Tips:

- The on-trade (specialised restaurants, bars, and hotels) and specialist retailers are the most suitable channels for developing country exporters to introduce a new premium wine. Consumers are most open to new premium wines when a knowledgeable and reliable person recommends it.
- If you target the on-trade sector, find an importer which focuses on restaurants, such as importers with Cash & Carrys.
- Focus on importers that specialise in premium wines and have gained a strong reputation, as they
  have a strong network in the on-trade and can use their reputation to convince their buyers to try
  something new.

## **Specialist retailers**

Specialist shops carry more premium wines in their assortment than other retailers. In Poland, such shops usually work with small importers who specialise in premium wines.

## Tip:

• If you supply a premium wine for a niche market, target specialist retailers as well as the on-trade. These channels only require small volumes; they offer a wider variety of wines instead of large volumes of few varieties.

#### **Internet sales**

Online wine sales in Poland are very limited due to legal issues. The current law, the Act on Upbringing in Sobriety and Counteracting Alcoholism, was adopted in 1982 and therefore did not mention online sales. However, the common legal interpretation is that online alcohol sales are prohibited. According to the law, alcohol can only be sold on the premises of a seller with a valid licence. There is disagreement in Poland about how this applies to online sellers. There are also ongoing concerns about verifying the age of buyers. While the Polish Ministry of Economy has recently made statements about updating the law, no concrete progress has been made.

In Poland, online wine shops are primarily used for promotion and marketing instead of as significant sales channels. The future of online wine sales in Poland depends on how the current legal issues are resolved. However, it could be a very interesting sales channel for premium wine, especially for people living in rural areas who have to choose from a very limited range of premium wines.

#### Tip:

Although the online channel is currently very limited, this could change in the future. Growth in online
sales would be particularly interesting for suppliers of premium wines. Read more on online sales in
the <u>CBI Product Factsheet: Online sales of wine in Europe</u>.

#### **Market Segments**

#### Traditional red wine

Polish consumers of premium wine favour red wine. In 2013, 38.9% of wine sales in Poland comprised red wine, 34% comprised still white wine, and 24.9% comprised sparkling wine and champagne. Rosé accounted for only 2.2% (KPMG 2014). As Polish consumption patterns are traditional, red wine has a stronger association with premium wine than white wine.

#### Tip:

• Currently, developing country exporters of premium red wine enjoy better chances to secure sales on the Polish wine market than premium white wine exporters.

#### Polarisation of the wine market

Next to the rise of discount sellers, the premium segment has been growing at the expense of the middle market, which has lost market share over the last years. As purchasing power and knowledge of wine increase, consumers turn towards high-end offerings. Amidst the concerns associated with the economic slowdown, small indulgences, such as premium sparkling wine, are in demand.

#### Tip:

• If you export premium (sparkling) wine, this is the moment to enter the Polish market, since the select group of educated consumers are moving towards more sophisticated and high quality wines.

Please refer to 'CBI Channels and Segments for Wine in Poland' for more information.

## What are the end market prices for premium wine?

#### Polish prices are higher compared to Western Europe

Despite lower per capita income, average prices for table wine on the Polish market are relatively high ( $\in$  4) compared to other European markets. The price of 0.5 litres of vodka ( $\in$  4) remains the reference point for wine prices.

#### Poles pay more for wine

Premium wine sales increase, as consumers want higher quality and have more purchasing power. This is mostly related to red wine; Polish consumers are not (yet) willing to pay higher prices for white wine.

## Tip:

• As a supplier of premium wine, consider entering the Polish market, since this market offers opportunities for suppliers of premium red wines.

#### Excise duties not based on AAS

In Poland, a 158.00 PLN (€37.50) excise duty is added per hectolitre of wine. As Polish consumers used to drink more spirits with higher alcohol content than wine, the government does not tax strong wines more than light wines.

#### Tip:

Since Excise Duties in Poland are not based on the Absolute Alcohol Strength (AAS) level, there is no
price advantage for reduced alcohol wine.

#### **Useful sources**

- Rynki Magazine about the Polish alcohol industry
- <u>Wino</u> Magazine about the Polish wine market

Use an online translation tool to translate the above websites to your preferred language.

- Meininger's Wine Business International International magazine on international wine trade
- GAIN Product Briefs The Foreign Agricultural Service of the United States Department of Agriculture publishes
  product briefs on the Polish wine market

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