



CBI  
*Ministry of Foreign Affairs*

## **CBI Trends:**

# **Wine in the Czech Republic**

## Introduction

The Czech Republic is an emerging wine market in Europe. Young urban professionals and economic recovery drive growth in the wine market. This creates opportunities for many different suppliers, including suppliers in developing countries, as long as the products are not too trendy.

## Young urban professionals driving the market growth

- **Wine is more widely available:** Although the Czech Republic has the highest beer consumption per capita in the world, 150 litres annually, wine is increasing in popularity. During the communist era, wine was scarce in the Czech Republic because of closed borders with major European wine producing countries. However, after the dissolution of the Soviet Union and the entrance of the Czech Republic to the European Union in 2004, wine availability improved.
- **Young consumers driving wine consumption:** Increase in tourism to wine drinking countries and westernization in the way of living are the main reasons behind this increase in demand. The group of young urban professionals drives most of this increase in consumption. This consumer group has adopted the western lifestyle and associates wine with social events and wellness. Drinking wine has become a fashionable trend. Czech wine consumption is approximately 20 litres of wine per capita per year.
- **Continued market growth:** The young urban professional class in the Czech Republic is growing and leads market developments in the future. It is expected that in the long-term wine consumption will become popular amongst other consumer groups as well.

### Tips:

- Aim for young urban professionals by aligning your marketing strategy to the needs of this consumer group.
- Cooperate with an importer to develop a strong brand, as young urban professionals are relatively sensitive to branding. Importers can provide information on appropriate responses to the needs of these young urban professionals through branding.

## Diversified origins

- **Openness to new sources:** Although the Czech Republic imports most of its wine from France and Italy, there is also a substantial amount of imports coming from Central and East European countries due to close historic ties. In 2014, 18% of wine imports came from Central and East European countries. Major suppliers in Eastern Europe are: Slovakia, Hungary, Moldova, Bulgaria and Macedonia. The most popular countries of the New World are Argentina, Chile and Australia, but their shares are relatively small.

### Tips:

- If you are an East European supplier, benefit from historic ties by referring to these ties in your product's story.
- If you are a Business Support Organisation outside Eastern Europe, use the unique qualities of your country to brand the country and establish it as an interesting origin.

## White and rosé are preferred over red

- **White wines are most popular:** White wine is generally more popular than red wine in the Czech Republic. Although domestic production in the Czech Republic is mostly focused on white wine, it satisfies less than 50% of the demand. Red wine is mostly imported.
- **Rosé and sparkling are becoming more popular:** During 2013, particularly rosé wine increased in popularity. Demand for sparkling wine is also increasing, although still wine is consumed in greater quantities.

### Tip:

- If you supply white wine, you will face most competition from domestic producers. Therefore, focus on red wine as a starting exporter to the Czech wine market.

## Draught wine remains popular

- **Wine on tap:** Draught or kegged wine is wine from the tap. This type of packaging wine can be used in restaurants, bars and wine shops. Wine shops in the Czech Republic offer a wide range of draught grape wine and are very popular as they offer a good price/quality ratio. These specialty shops offer specialty wine produced either domestically or imported from Hungary, Slovakia and Moldavia.
- **Environmental and cost-saving benefits:** Draught wine is considered to be eco-friendly as it reduces packaging and the kegs can be reusable or recyclable. Moreover, wine on tap is economical as it can reduce transport costs for imported wine.

### Tip:

- If you have difficulties establishing a name for your own, you could supply bulk wine in shops that can then sell it as wine from the tap.

## Following innovation trends

- **Slow acceptance of new trends:** There is a time lag between developments in the Czech Republic and developments in West-European markets. Fashion trends, such as many aromatic wines and wine cocktails, are not expected to have a significant effect on the Czech market yet. The time lag and the small size of the market prevent the rapid adoption of new products. Therefore, wine drinks in cans or PET bottles remain absent. Until now, the bag-in-box concept has only had some success in the on-trade.
- **Screw caps not yet accepted:** Screw caps are not yet widely accepted in the Czech Republic, whereas other European countries have adopted screw caps. In the Czech Republic, screw caps are still associated with cheaper alcoholic beverages (e.g. vodka). Traditional corked bottles will remain most common in the next few years. In the long-term, screw caps are expected to enter the Czech market too.

### Tips:

- Use traditional packaging (i.e. classic bottle, labelling and cork) for promotion as they are preferred by the Czech consumer.
- Supply traditional corked wine bottles or strongly promote the benefits of the screw caps to the off-trade.
- Look for trends in Western Europe market: it will provide you a preview of new trends that might be adopted by the Czech wine market.

## Impact of the economic crisis and long-term economic development

- **Wine sales are improving:** The wine market was negatively affected by the financial crisis in 2008 mostly due to the decreased purchasing power of Czech consumers. During economic adversity, consumers' demand for luxury goods such as wine decreases. However, as the Czech Republic is recovering from the financial crisis, wine sales have started picking up again.
- **Czech economy is recovering quickly:** The annual GDP growth rate of the Czech Republic has increased steadily since 2013 after a record long recession. The Czech economy is currently the fastest-growing in the EU (Bloomberg, 2015). GDP grew by 2% in 2014 and is projected to grow by 2.5% in 2015 and 2.6% in 2016 (European Commission, 2015).
- **Consumer spending power is increasing:** Business Monitor International predicted that the household income will increase more than 28% throughout the course of the five-year projection period from € 15,186 in 2014 to € 21,287 in 2018. This will increase consumers' spending power which can expand the demand in the wine market. Moreover, the overall population size of the country is forecasted to increase at a modest 0.3% per year from 2015-2018, creating growth in the market size as well as the per-capita buying power.
- **Wine market is expected to grow:** It is predicted that total volume sales of wine will increase by 1% per annum in the coming years. There is a lot of potential for development in the wine market, as demand for wine has not been yet saturated.

### Tip:

- The positive economic prospects for the Czech Republic increase the feasibility of market entry for exporters from developing countries.

## Organic wines are slowly becoming popular

- **Limited consumer awareness:** Organic wine is a relatively new concept in the Czech market. Consumers can find organic wines in the supermarkets, in specialized organic food stores or in specialized wine shops but the market is still small. This is mostly because of the low public awareness on organic food. Although organic farming started in the Czech Republic only after 1989, there was 978 ha of organic agriculture grape area in 2012.
- **Low sales of organic products:** Czech consumers spent approximately € 70 million on organic food in 2012 and prices of organic food are 100- 120% higher than those of conventional food. The market for organic products is quite small when compared with that of Germany, which had € 7,550 million of retail sales on organic products in 2013, or France, with a figure of € 4,380 million. Weak marketing, lack of uniformity and good business policies, as well as low public awareness on organic food obstruct the market from growing.

### Tips:

- Do not invest yet in the production of organic wine if you wish to export to the Czech Republic. Developments in the market for organic wine and wine with Fairtrade certification are in an early phase.
- If you wish to export organic wine ensure that the product is not of lower quality. Consumers do not accept organic wines of a lower quality than conventional wines at the same price point.

## Counterfeiting problems

- **Demand for high quality wine:** Czech consumers show a great interest in high quality wines especially after the tragic incidents of methyl-tainted alcohol which killed almost 50 people in the years 2012 and 2013. When trading with the Czech Republic, it is important to offer familiar and licensed products.
- **Illegal wine:** The Czech Grape and Wine Producers Association warned that there is a lot of illegal alcohol in the Czech wine market as well. In 2014 the association reported that a fifth of the wine sold in the Czech Republic is unlicensed and may have been adulterated. That is why the Ministry of Agriculture wants to tighten supervision of all wine produced domestically or imported. At the same time the Ministry is preparing stricter penalties and better cooperation between customs and the State Agricultural and Food Inspection Authority.

### Tips:

- Imported brands can benefit from the demand for safe and high quality alcohol by offering licensed products.
- Ask for a copy of the import licence of your potential client to avoid problems with counterfeiting.

## Excise taxes provide opportunities for developing country producers

- **No excise duty on still wine:** In comparison to other European countries, the government of the Czech Republic does little to discourage alcohol consumption through taxation. Low excise taxes on wine can allow for a lower price in the market which can increase demand for wines.
- **Low excise duty on sparkling:** Excise duty on sparkling wine is € 85.08 per hectolitre. This is relatively low compared to other European countries.

### Tip:

- Benefit from the absence of excise duties when supplying still wine to the Czech Republic.

## Promotion of alcoholic beverages is not restricted:

- **Advertising of alcohol is allowed:** Although alcohol promotion is heavily regulated in some EU countries, promotion of wine is relatively easy in the Czech Republic. There are limited restrictions and promoting and advertising alcoholic beverages is allowed in all media types. However, wine promotion is mostly centred around special tastings and press.
- **Promotion is focused on Prague:** Most wine is consumed in the capital, and consequently most promotional activities take place in Prague. The 5 million international tourists which visit Prague annually also stimulate wine consumption, as many of them bring their wine drinking culture to the Czech capital.

**Tips:**

- Local media channels in Prague could potentially be a good starting point to introduce your wine.
- Find an importer who is interested in organising wine tastings and other types of promotion. Small importers are usually more interested in this than big wine importers who tend to put more effort in promoting big brands instead of new brands.



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