



CBI
Ministry of Foreign Affairs

CBI Trends:

Wine in Germany

Introduction

German wine consumers are open to new products. Bottles are increasingly closed with screw caps and light wines such as aromatic wines are currently in fashion. Moreover, a taxation scheme has to prevent overconsumption of these drinks. Still, discounters limit possibilities for value addition by keeping average prices low. Exporters of bulk white wine are in the best position to cope with these German market characteristics.

French paradox has lost momentum

- **Shift to red wine consumption:** The belief that red wine consumption is beneficial for your health, stimulated red wine consumption until 2008. The relation between red wine consumption and a decreased risk of heart diseases was already discovered in the nineties and was called the French paradox. Internationalisation of the German wine market, which had traditionally been primarily a white wine market, added to the shift from white to red.
- **And back to white wine:** Since 2008, a change in diets caused an increase of the market share of white wine again. More awareness of the relation between diets and health led to increased consumption of light food. Consequently, consumers choose more often for white wine and rosé, which match better with light food.
- **Light food dictates wine choice:** In the short-term, consumption of white wine and rosé is expected to remain strong. Consumers will continue to eat more light food. Moreover, aromatic wines are currently in fashion. This fashion trend is discussed in the next paragraph. In the long-term, new fashion trends will determine how the market develops.

Tips:

- If you can supply a light wine, emphasise the match with light food to promote the association with healthy diets.
- Monitor fashion trends to anticipate developments in wine consumption. You can tap into fashion trends by changing your production process or change labels.

Aromatic wines are in fashion

- **Fashion trends:** Fashion trends play a major role in the German wine market and aromatic wines are currently in fashion. In the past, light wines, including aromatic wine, sweet white wine and rosé were not considered to be 'cool' by young wine drinkers. Currently, these consumers are more self-confident and choose more often for light wines. These wines often have a low alcohol content and aromatic wines are often packed in cans. They are particularly popular among young women who are generally more sensitive to new fashion trends.
- **Aromatic wine exports:** This trend offers interesting opportunities to developing country exporters. They can supply the bulk wine for these aromatic wines. This requires stable low-cost production of large quantities of wine with a consistent quality. High costs of cans production in developing countries is expected to form a barrier for production of the end-products in those countries.

Tips:

- If you aim to supply wine for aromatic wines, it is not necessary to supply sparkling wine, as European bottlers will often carbonate the wine.
- If you aim to supply bulk wine, ensure low-cost production and consistent quality.

Weak Fairtrade market in Germany

- **Weak Fairtrade market:** Despite strong growth of Fairtrade wine sales worldwide, Fairtrade certification only offers limited benefits to exporters. In 2013, German Fairtrade wine sales amounted to only 810 thousand litres, which is less than 1% of the market. Moreover, this tiny market segment mainly offers opportunities to South African exporters which account for 90% of Fairtrade wine imports. Several large-scale South African exporters are in a particularly good position to supply bulk wine for retail chains, which have most interest in Fairtrade wine.
- **Limited awareness:** In Germany, consumers are not fully aware of the benefits of Fairtrade wine. Therefore, consumer demand is not the main growth driver. Currently, Fairtrade certification is mainly a safety insurance for retailers that reduces the chance for any backlash on bad labour conditions at their suppliers. However, certification can be an expensive process and the return on investment will not be high under current market conditions.

Tips:

- Discuss potential benefits of Fairtrade certification with your buyer before investing in the process.
- Show buyers what you do to offer your employees fair labour conditions.

German consumers accept new world wines

- **Open to new world wines:** German consumers are also relatively open to trying wines from new world countries. The promotion of wine selection by consumers based on occasion will further enhance the position of New World wines in the market. Consumers will give less priority to the origin of the wine, which would otherwise lead them to purchase more wines from traditional wine countries.

Tip:

- Describe the taste profile of your wine, preferably based on expert opinions, and match this with suitable occasions or food. Use this information to promote your wine on, for example, your website, at trade fairs and on your label.

Discounters push prices downwards

- **Low prices:** The dominant position of discounters on the German market has a strong effect on the price points for the low-end and middle price segments. For example, average wine prices at German discounters are 60% lower than average prices in British discounters and 40% lower than in Dutch low-end supermarkets.

Tip:

- If you are considering supplying discounters at the low end of the market, make a calculated estimate of whether you can make sufficient profit on small margins. This will be crucial when choosing the German market or another market in the EU.

Online sales grow slowly

- **Slow online sales:** In the short-term, online sales of wine to consumers remain small. Large internet retailers such as Amazon have not succeeded to enter the wine market in a meaningful way. Nevertheless, in the long-term, online sales have the potential to become a significant market channel. In most of Europe, existing wine retailers with an offline presence lead the development. They use the same distribution infrastructure for both their offline and online sales.
- **Discounters trail in online market:** In Germany, most mainstream consumers are not willing to pay the price premium of online sales. Therefore, instead of the discounters, other companies such as [Hawesko](#) lead online market development. This market development is particularly interesting for new market entrants from developing countries, as they can use the online space to provide more information on their products. This serves as an instrument to convince consumers of the value of their products. Without the additional information, consumers are more likely to purchase products which have already gained a good reputation.

Tip:

- Cooperate with your buyer to develop attractive website texts for online sales, for example [Spier](#).

More screw caps

- **Increase in screw caps:** Most wine bottles traditionally have a cork closure. However, the acceptance of screw caps has grown significantly in the past years. A lot of local German wine producers already use alternatives to natural cork, especially long screw caps (so-called 'Stelcaps') and plastic corks, but sometimes also more exclusive glass closures.
- **Premium market:** Particularly in the higher quality segment, the new closures are being marketed as quality improvements to prevent cork taint. Screw caps are not as common in Germany as in for example the UK, but are growing rapidly in popularity. They are mostly used for white wine.

Tips:

- If you export bottled wine, offer several types of closures to suit individual buyers' needs.
- Analyse the effect of different closures on the qualities of your wine and inform buyers accordingly.

German on-trade barely affected by the economic crisis

- **On-trade:** The German wine market did not suffer as much from the economic crisis as many other European markets. Consumers remained confident about the economy and continued to consume approximately 21% out-of-home instead of switching to the cheaper alternative of drinking at home. Therefore, on-trade (i.e. sales to restaurants, hotels, bars) remained relatively strong.
- **Off-trade:** Although the on-trade segment performed well, the success of discounters and private label offerings in the off-trade came partly at the expense of the on-trade segment. The module [CBI Market channels and segments for Wine in Germany](#) provides more information on the developments in off-trade.

Tip:

- If you aim to cater to the on-trade channels, Germany has remained an interesting country since the on-trade channel did not lose a lot of market share during the economic crisis compared to other European countries.

Sustainable supplies

- **Environmental sustainability:** Suppliers to the European wine market must increasingly ensure the environmental sustainability of production systems. Particularly in Germany, consumers are concerned about the impact of food and drink production on the environment. For example, they expect that producers minimise the use of chemicals, water and energy. Wholesalers and retailers in Germany are not only concerned about the environment. They also want to prevent any damage to their reputation, because of association with unsustainable production. Therefore, they become much more involved in the sustainable management of natural resources by their suppliers.
- **Practise what you preach:** As an exporter in a developing country, you will have to take measures to ensure sustainability of your production and other business operations, such as transport. For example, buyers appreciate measures to reduce CO₂ emissions during transport. Moreover, you will have to be able to show to your buyer that you have taken these measures. In this respect, certification can serve as a valuable tool. Although organic or biodynamic certification will be a very strong tool to convince your buyers of the sustainability of your production system, demand for organic and biodynamic wine is still low. Most of your buyers will require less demanding measures.

Tips:

- Implement a quality and resource management system.
- Reduce chemicals, energy and water use and report on your efforts to improve the sustainability of your production.
- Only opt for organic or biodynamic certification if conversion costs are low.

Still wine remains exempt from excise duties

- **Taxation:** Germany discourages alcohol consumption through taxation of consumption. Nevertheless, Germany does not discourage wine consumption as strongly as consumption of alcopop. Alcopop is a popular term to describe blends of non-alcoholic beverages with alcoholic beverages, such as rum and coke, which are particularly popular under young drinkers. Consumption of still wine is even exempt from excise duties. However, sparkling wine-based drinks with an alcohol percentage below 6% are subject to an excise duty of € 51 /hectolitre and sparkling wines with an alcohol percentage above 6% are subject to an excise duty of € 136 /hectolitre. Sparkling wine is considered to be a luxury good and is therefore taxed more.

Tips:

- If the alcohol percentage of your sparkling wine slightly exceeds 6%, lower the alcohol content to benefit from a lower excise duty.
- Show your concerns over excessive alcohol consumption to disassociate your company from problems related to that matter.



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