



CBI
Ministry of Foreign Affairs

CBI Product Factsheet:

Online market channels for wine in Europe

Introduction

Online sales in Europe are growing rapidly. The Internet's possibilities for retailing products are enormous. However, the exploration of online sales opportunities has resulted in both success stories and failures. Not everything works. You need to carefully consider your options for successful promotion of your wine through this new and exciting online market channel.

Definition of online market channels

In this CBI Product Factsheet, you can read about the online market channels for promotion and wine sales by Businesses to Consumers (i.e. B2C sales). Online wine sales to consumers require a website where consumers can buy wines: the so-called web shop. This factsheet does not discuss e-marketplaces such as Alibaba for online sales from one business to another business (i.e. B2B sales).

Online market channels allow consumers to order wine from many different sources, including the wine producers, with just a few mouse-clicks. However, physical distribution of wines to consumers still requires intermediaries. This factsheet discusses both physical distribution channels for:

- Wines sold online by European retailers to consumers
- Wines sold online by wine producers to consumers

What is the demand in online sales?

E-commerce

E-commerce has been increasingly popular the past years and is expected to grow more over the next few years. In Europe, online sales are expected to grow by 12% annually in the period between 2013 and 2018. This will result in an online retail market amounting to almost € 234 billion in 2018. The United Kingdom is the frontrunner of online sales in Europe, accounting for 12% of total sales in 2013 and expected to reach 15% by 2018. In France, the share of online shopping is expected to grow from 6% in 2013 to 10% in 2018 and in Germany the prediction is an increase of 3% (from 7% to 10%) (Ecommerce News, 2014).

Such a development is not surprising, since e-commerce seems to fulfil consumers' growing and diverse shopping needs. Availability and accessibility are very important factors in the development of e-commerce. Consumers increasingly expect to be able to buy a product at any given time, in any given place. This is a downside for physical stores, which are limited in number and only open during specific hours. On the other hand, web shops are always open and available in any place with an internet connection. The convenience of delivery is another factor that promotes the use of web shops.

Online wine sales

In 2014, the global online market for wine was estimated at almost € 5.3 billion (The Drinks Business, 2014). In Europe, the size and share of online wine sales in total wine sales differs strongly between European countries. The United Kingdom is the leading market for online wine sales. Online sales account for an estimated 11% of total wine sales in the UK.

The share of wine sold online differs per segment as well. For example, in the Netherlands, wines from supermarkets are hardly sold online, whereas online sales of premium and super premium wine are strongly increasing in popularity.

Table 1 Estimated shares of online sales in selected European countries

Share of online sales	
United Kingdom	11%
Switzerland	<5%
Germany	3%
Netherlands	3%
Belgium	3%
Austria	3%
Sweden	1.7%

Poland	Illegal
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Source: ProFound, 2015

Online wine sales are growing at a similar pace as total e-commerce. The drivers behind this growth are also similar: convenience, availability, and accessibility.

- Convenience: Wine, especially bottled wine, is a relatively heavy product for consumers to take home with them. They appreciate the convenience of home delivery by web shops. Since delivery is often free when the order exceeds a certain amount, costs of delivery are not a barrier anymore.
- Accessibility of web shops compared to physical shops is another driver of online sales. In some regions, such as the rural areas of Poland, physical wine shops are scarce. Web shops offer a welcome solution to consumers in these regions, although it is disputable whether web shops are within the Polish law.
- Availability: Even when there are physical wine stores nearby, they are open for only a few hours during the day. Web shops overcome this obstacle, offering their services at any time of the day.

Experts in the European wine industry expect that online sales have the potential to grow to 30% of total sales in the long term. The UK will lead this development and may reach 30% already in 20 years. In a country like Poland, where e-commerce is illegal at the moment, it may take much longer.

Tip:

- Target online wine retailers to benefit from growth of sales through this channel.

[CBI Trade Statistics for wine in Europe](#) provides more trade statistics.

What trends offer opportunities in online sales of wine in Europe?

Emergence of online price fighters

In the Netherlands, Belgium and Germany, price-sensitive markets, aggressive marketing by the new online price-fighter [Wijnvoordeel.nl](#) (or [weinvoorteil.de](#) or [wijnvoodeel.be](#)) has had a significant impact on wine retailing. The company claims to offer wines, from budget to premium, at half or even less than half the 'normal' price. Although experts expect [Wijnvoordeel.nl](#) to inflate normal prices, their marketing strategy proves to be very successful. For example, the company acquired some 89,000 e-mail addresses in a weeks' time after a tv-commercial with a special offer and is bombarding consumers with e-mails to sell wine. Especially price-sensitive consumers looking for value for money respond well to the online offerings of the company.

Online price fighters may gain considerable market share in the next few years. They will mostly buy their wines from importers with an available surplus of wine that they can offer at a low price. They also cooperate with importers to create new wines for which they can set the price themselves.

Tip:

- Consider an aggressive marketing strategy when you target price fighters or price-sensitive consumers.

Only few companies successful with social media

Since the introduction of Facebook, social media have been put in the spotlight as a new channel for promotion. Opportunities for promotion are not only limited to advertising by social media owners (e.g. Facebook) on the pages of users. Companies can also build their own pages and communities to get in direct contact with consumers of their products. Many companies have actually done this. They built company pages with information about their company and products much like they already had on their website. The effects of these initiatives have been very limited, because only few of them search for companies on their own initiative.

Consumer engagement requires a much more active approach from the company. Consumers must be triggered by something special that catches their attention. For example, the company [Naked Wines](#) uses 'angels' to promote their wines on social media. These angels are consumers who are enthusiastic about the wines and like to share their ideas about these wines with other people. In general, consumers are more inclined to believe such testimonials from other consumers than promotional messages from companies whose sole aim is to sell their wines. The app for mobile phones [Vivino](#) is a good example of the power of personal testimonials combined with the power of social media. Globally, the app had 5.8 million users at the time of writing.

Promotion of wine tastings is another promising use of social media. Wine tastings are among the most useful promotional events for engaging directly with consumers, getting feedback on products, and convincing consumers of the value of your wine. Social media can serve as a very effective instrument to promote wine tastings.

Recently, [Wotwines](#) has entered the online market with a very specific [method](#) of valuing wines. The company defines "value" as a measure of both quality and price. First, the wines receive a score in a blind tasting and are compared to similar types of wine. Next, the tasting team discusses what would be a fair value in the context of the wine's category. Finally, the actual value of the wine is compared with the value perceived by the tasting team. If the perceived value is higher than the actual value, the wine gets a certain percentage of extra value on the website.

Tips:

- Only use social media for promotion if you have the resources to build your audience and engage with them.
- Cooperate with your importer or retail outlets to organise wine tastings. Your closest trade partners are most likely to be interested in such cooperation. Use social media to promote the tastings and to obtain feedback.

What requirements should online wine sales comply with to be allowed on the European market?

Legislative requirements restrict online sales

In several European countries (including Belgium, Czech Republic, Denmark, Germany, Norway, Poland, Sweden, and the UK), sales of alcoholic beverages are restricted to adult consumers. In most of these countries, retailers are obligated by law to check the age of buyers before they can sell alcoholic beverages to them. Online retailers cannot perform this age check through their website. They can only check the age of the buyer on delivery. In the USA, this practice results in around 5% of wine being undeliverable, as consumers are not always at home to receive the wine. In Sweden, many consumers order their wine online, but pick up their wine in monopoly shops, because of the age-check requirement.

Currently, many European countries still allow online sales without age check. However, some of these countries, such as the United Kingdom, are considering age verification at delivery. If this happens, it will slow down the growth of online sales.

Value Added Tax on online sales

Consumers in the EU pay Value Added Tax on wine in both offline and online retail channels. When a company sells wine to a consumer in another EU country through a web shop, this company has to charge VAT for either the tax authority in the consumer's or company's country. In which of the two countries the company charges VAT depends on the value of total sales of the company in the consumer's country where the wine is sold. In some countries, companies have to pay VAT to the tax authority of the consumer's country when sales exceed € 35,000. In other countries the threshold is € 100,000. You can find an overview of these thresholds on [VATlive](#). When sales remain below the thresholds, the company can pay VAT in its own country.

Tips:

- Read more about [VAT rules in the EU](#).
- Find an importer with a web shop in a country with no or low excise duties, a low VAT rate, and located in the centre of Europe. This can improve your price competitiveness. Use the following links to find [excise duties](#) and [VAT rates](#).
- If you target an online wine retailer with international sales, you can also benefit from access to multiple countries.

Online sales restricted to monopolies

In Finland, Sweden and Norway, only the monopolies are allowed to sell wine to consumers. However, the on-trade is an open market. In the past few years, an online Swedish caterer has attempted to sell its food with wine and bypass legislation on retail wine sales. Unfortunately for this caterer, the government prosecuted and won. This is expected to put a halt to online sales by other companies other than monopolies.

Tips:

- Direct sales from producers to consumers in Norway and Sweden are illegal.
- Do not target online sales channels other than those of the monopolies.

Refer to [CBI Buyer Requirements for Wine in Europe](#) for more information on legislative and non-legislative requirements for wine in the European market.

What do online sales mean for my competitive position in the European market?

Online channels improve competitiveness of New World wines

Whether consumers buy wine offline or online, they make their purchasing decision based on previous experiences and information from other people. Many European consumers have little experience with wines from developing countries (except for South Africa and Chile). Instead, they rely on information from other people. In supermarkets, wine labels are their only source of information about the wines and those labels offer very little information. QR-codes are not yet very common and in practice consumers rarely scan them. In specialist shops, consumers can get additional information from sales people. However, in web shops, consumers can find a lot more information. Web shops offer the opportunity to tell stories and provide detailed product information. This is very helpful for consumers who want to know more about the wine and especially for those who want to try something new.

Retailers can also help consumers to find a suitable wine in their web shop or explore their product range. Intelligent software can advise consumers about alternative options based on their previous choices. This can further reduce the competitive advantage of wine in traditional wine countries.

Tip:

- Develop a passionate story about your company and your wine. Use this story to promote your wine in web shops. You can also invite influential wine journalists (e.g. bloggers) to your winery and write about you.

For more information on competition in the European wine market, refer to the [CBI market information on wine](#).

Online sales threaten exclusivity agreements

Importers of wine regularly demand exclusivity in their country. Exclusivity agreements prevent price fighting with competitors, which can cost them a lot of money. As cross-border online sales can threaten such exclusivity agreements, suppliers must evaluate the impact of online sales of their wines on existing exclusivity agreements and take appropriate action.

Tip:

- Consider your existing exclusivity agreements when supplying an importer with an international web shop. You may have to cancel exclusivity agreements when online cross-border sales become big.

What do the trade channels and interesting segments look like in the online market channels for wine in Europe?

Market channels

For visual overviews of the offline market channels for wine, please refer to information provided in the [CBI Market Channels for various EU countries](#).

Indirect

Leading retailers with physical shops (i.e. supermarkets) account for most online sales in Europe. The knowledge of consumers about these retailers and their trust in online offerings of those same retailers are advantages compared to web shops without an offline presence. The leading retailers such as [Tesco](#) have been very successful at exploiting this advantage and further increasing their sales through their web shop.

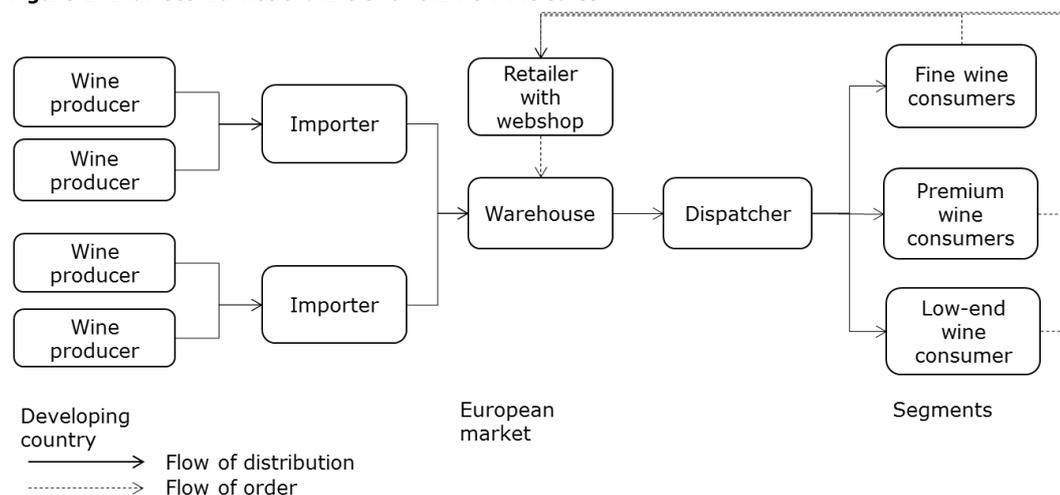
In Germany, the strong history of catalogue sales has resulted in less suspicion of companies without physical stores and this supports the fast adoption of online market channels by wine consumers. Nonetheless, leading retailers Aldi and Lidl do not have web shops. [Edeka](#) is one of the leading retailers in Germany with a web shop.

In Finland, Sweden and Norway, the monopolies Alko, [Systembolaget](#) and [Vinmonopolet](#) are the only companies allowed to sell wine to consumers. They both have a web shop, but online sales have so far remained small due to legislative barriers.

In addition to the trust advantage, another major strength of leading retailers is their wide product range. The range available in their web shops is generally bigger than the range available in their physical shops where they have limited shelf space. In terms of sourcing and warehousing, they can easily expand their existing capacity to accommodate for a broader range of wines. This makes their web shops an attractive one-stop shop for consumers who can be sure to find the type of wine they are looking for among the many wines available.

Consumers can also find wide ranges of wine in the web shops of European importers such as [Direct Wine Shipments](#) in the UK and [Hawesko](#) in Germany. These importers lack the benefit of a retail presence, but offer the same kind of one-stop shops as leading retailers.

Figure 1: Indirect market channels for online wine sales



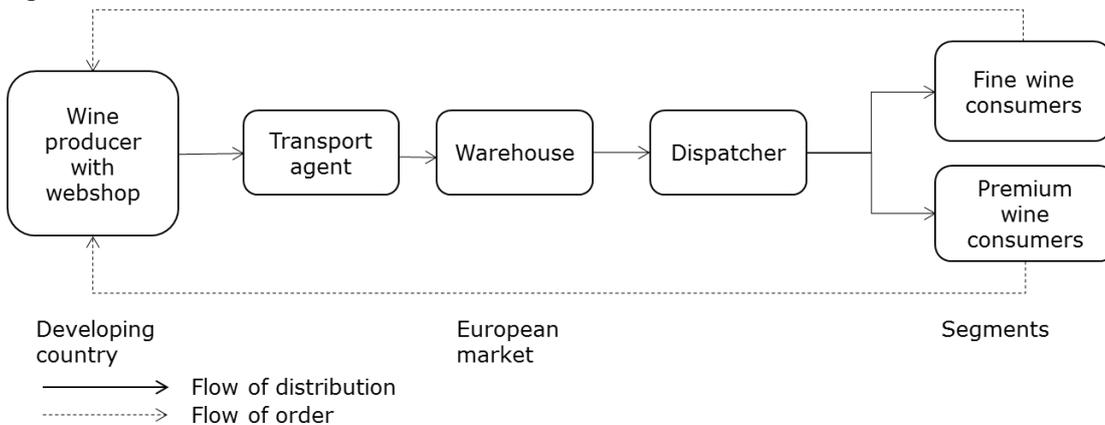
Source: ProFound, 2015

The above figure clarifies how retailers with a web shop can achieve economies of scale by purchasing from different suppliers (e.g. importers) and selling to many different consumers. The economies of scale allow them to offer prices that are very competitive with prices in physical stores, despite extra costs of distribution to consumers.

Tip:

- Find out which leading retailers in your target market have web shops and if your wine fits in their online product range. Then, focus your promotion on these retailers to get access to their online sales channel.

Figure 2: Direct market channels for online wine sales



Source: ProFound, 2015

Direct

Direct sales from wine producers to consumers are estimated to be very small (<0.5% of total sales) and are not expected to grow much in the next 5 years (<1% annual growth). High costs of distribution are the main bottleneck for the development of direct sales. Direct sales require a warehouse from where to dispatch the wines to consumers. Wineries in Europe can dispatch from their own storage, but wineries in developing countries need a warehouse (account) in Europe and a distributor. There must be a stock of wines in the warehouse to dispatch orders quickly and supply the wines within days to the consumer. Speed of delivery is one of the main success factors for online sales. This also requires a very efficient logistical system to manage stocks, handle orders, dispatch the wines through a distributor, and allow consumers to return the wine. Without a significant scale to reduce the margins of the warehouse and distribution partners, costs are high and negatively affect price competitiveness. This makes direct trade in low-end wines virtually impossible.

The small range of wines offered by single producers is another drawback of direct sales. Unless producers collaborate, they can only offer wines from their own wineries. European consumers generally prefer to have more choice and opt to buy in web shops with wider wine ranges.

Tip:

- Only consider direct sales to European consumers if you have excellent brand recognition and if you can be sure that consumers are willing to buy directly from your web shop. You will also need to do consumer research to find out what they require in terms of a web shop (e.g. design, compatibility with tablets and mobile phones, and user-friendliness) and delivery (e.g. time, packaging). In general, consumers accept longer delivery times for more unique wines.

Market segments

Consumers buy all types of wine online

Many of the leading retailers with web shops offer the entire product range online, from low-end wines to fine wines. Actually, as consumers also buy their groceries on these web shops, many of them are looking for table wines and other low-end options to accompany their everyday meals.

However, online product ranges are often wider than in the physical shops, particularly at the high-end of the range. In those physical shops, high rates of turnover of low-end wine sales result in more profit for the retailer than premium and fine wine sales. This difference in turnover is far less important for online sales, which even enables leading retailers to offer premium and fine wines for niche markets.

Tip:

- The online sales channel offers opportunities for suppliers of all types of wine.

Enthusiasts buy from origin

The group of consumers interested in buying directly from producers is limited to consumers who place a relatively high value on the origin and authenticity of a wine and who are willing to put some more time into finding and buying a wine

with such properties. This group of enthusiasts is growing, but remains a very small group. It offers the most opportunities for suppliers of unique premium and fine wines and none for suppliers of low-end budget options.

Tip:

- You must have a premium or fine wine to sell directly to European consumers online. These wines will attract their attention. You can use your low-end wines to offer consumers the opportunity to order a full case at a relatively affordable price, which you can deliver cost-efficiently.

Useful sources

Websites:

- [Ecommerce Europe](#): Association of Ecommerce companies
- [Wine Merchant Directory](#): Directory of independent wine retailers in the UK including many online retailers
- [CBI E-learning module](#): Online training about E-business



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