CBI Trends:

Wine in Europe
Introduction

Global sourcing becomes increasingly important for the European wine market as European production is decreasing, especially in the high volume segment. In the low volume segment, many ‘sophisticated’ European wine consumers are searching for authentic wines: they demand sustainability and exclusivity.

Drive for authenticity:

- **Different types of authenticity**: The flipside of the increased global sourcing is the drive for authenticity among consumers and buyers, especially in the premium segment.
- **Less-known varieties and origins, local production**: It is only the more discerning consumers that will find this important. Producers from developing countries will need to overcome feelings of doubts among consumers about the origin, new varieties, exotic image and fair labour conditions of the product.
- **Traceable, verifiable and clear origins and no falsification in terms of origin**: Bulk-wine is increasingly a commodity-traded good with brands staying the same at the consumer level, but with different blends behind it. This trend is moving from the low-end wine segment increasingly up to more expensive segments. For developing country exporters, this trend means that they will have to prove the origin of their goods in the future.
- **Less is more**: Full-bodied red wines are out of fashion, while elegance and drinkability is revived. Lighter-style reds, which are increasingly served cool in restaurants, and lower-alcohol wines are also enjoying increased popularity.

Tips:
- If you do not have your own brand to show your authenticity, you could target the private label market.
- Make clear arrangements with your buyer on long term contracts that arrange the division of costs, profit and risks between the producer and buyer.

Aging population

- **A growing niche market**: An aging population is leading to a growing niche in the European wine market. In general, consumers in this niche drink wine less often, but buy higher value (premium) wine. The wine industry is also tapping into this development by selling wine in smaller packages or in packages which preserve wine better and longer.

Tips:
- If you want to profit from this new niche market of elder people, aim for the premium segment and show exclusivity.
- Consult your European importer on the possibilities to supply your premium wines in smaller packages.

Country-hopping in wine fashion

- **Trend cycles**: Most ‘fashion’ trends in wine tend to be cyclic in Europe. Currently, sparkling wine is gaining momentum in most European countries, whereas rosé wine seems to have lost its popularity in many European markets. Other fashion trends seem to ‘hop’ from country to country. If a particular wine product is successful in one European market, the same company will introduce this product also on other European markets. This is for example the case with aromatic wines and wine cocktails which are currently fashionable in Germany and the UK but expected to spread to other West-European countries with a good outdoor culture in the coming years.

Tips:
- Read the [country-specific CBI market intelligence for wine](#) to learn which markets are best for your product.
- Consult your European buyer(s) to determine which market is best for your product.
Changing wine categories

- **Responding to consumer needs:** According to a survey commissioned by Prowein and published in 2014: "The wine industry will need to be more responsive to consumer needs". This implies: "more emphasis on experiential and emotional engagement with consumers in communications".
- **New shelf navigation:** Drinking moments and taste will become much more central in the marketing strategies of wine suppliers. Some retailers, such as Grape District and Albert Heijn in the Netherlands, have even re-organised their shelves to make it easier for consumers to find the right wine for their occasion. These retailers no longer sort their wines by country.
- **Benefits for New World wines:** Sorting wines by taste and occasion might benefit New World wine countries, as consumers are expected to pay less attention to wine origin. Wine shelves organised by origin stimulate purchases of wine from traditional origins.

**Tip:**
- Emphasise the taste and drinking moment of your wine on the your label and to importers in order to make sure that your wine is well presented on the shelves in the supermarkets.

Packaging innovations

- **Innovations more popular in Western Europe:** The acceptance of technological innovations in packaging, such as the use of screw caps or bag-in-box differs from country to country. Whereas North- and West-European countries seem to have embraced these technologies in packaging for the high volume segment, East-European consumers seem to have more difficulties to accept these innovations. More specific information on packaging innovations can be found in the CBI Trends documents for the selected countries.

**Tips:**
- Inform yourself about the different options for packaging in the different European markets.
- Consult with your local importer about packaging options.

Online sales are becoming more important

- **Online sales are expected to grow:** In the short-term, online sales of wine to consumers will remain small in Europe except for the UK which has an online share of 11% of total sales. For the moment, large internet retailers have not yet 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.
- **Online sales led by existing retailers:** In most of Europe, existing wine retailers with an offline presence lead the development. They use the same warehouse for both their offline and online sales. This market development can be interesting for new market entrants from developing countries, as you 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. More information about online sales can be found in the CBI Product Factsheet: Online sales of wine in Europe.

**Tips:**
- Small online retailers are a good option if you want to aim for premium, low volume segment.
- If you aim for high volume, existing retailers with an online sales channel may be a good option.

Global sourcing

- **Open to new sources:** Global sourcing is becoming more important. Whereas European buyers used to source most of its supplies from the traditional Southwest-European wine producing countries (e.g. France, Spain or Italy), buyers are increasingly buying on a global level as they are less concerned about wine origins. This is providing opportunities for all developing country producers.

**Tips:**
- First sell your country then the wine: link up with promotional activities in the tourism sector.
- Show that you are able to supply the required volumes and consistency in quality.
Economic conditions beginning to improve

- **Shift to the off-trade**: The global economic crisis led to an overall shift from on-trade sales to off-trade sales in Europe. In general, during times of economic instability, many consumers search for value for money. In practice, this has implied a decrease in wine consumption, as wine is a luxury product. Moreover, wine consumption shifted from restaurants and bars to the homes of consumers. European consumers saved money on dining out by eating in. Some retailers were able to benefit from the crisis by selling more volume at a higher price.
- **And back to the on-trade**: Currently, economic conditions are improving and more consumers are willing to buy wine in bars and restaurants. This is leading to a return to growth in the on-trade channel.

**Tip:**
- In the entry level and middle segments in the off-trade channel, price competitively to retain interest from consumers looking for value for money.

Sustainable supplies

- **Environmental and social concerns**: European consumers are increasingly concerned about the sustainability of the products they buy. Sustainability refers to a range of practices that are not only ecologically sound, but also economically viable and socially responsible. Sustainable wine production may be organic or biodynamic production. Both production systems avoid reliance on synthetic fertilisers and chemical-synthetic plant protection.
- **Certifications**: Suppliers using these production systems can obtain certificates from third parties to demonstrate their sustainable practices to potential buyers. This increases their opportunities on the European market, as demand for organic and biodynamic wines is growing. Please refer to [CBI Organic Wine in Europe](#) for more information on the small, but growing market for organic wine.
- **Environmental sustainability**: Sustainable wine production is not limited to organic and biodynamic production. Sustainability can also refer to energy and water conservation, use of renewable resources and reduction of CO₂ emissions during transport. For example, the use of lightweight bottles reduces CO₂ emissions during transport. This not only saves costs on weight-based packaging taxes, it also provides opportunities for promotion of sustainable practices to buyers. These kinds of sustainable practices are increasingly required in mainstream markets.

**Tips:**
- Show your buyers what sustainable practices you apply in your business operations. Consider all business aspects, including grape growing, harvesting, wine-making, bottling, storage and transport. Generally, it is a good practice to start with identification of sustainable practices that have already been implemented. You may use this information immediately to report to buyers through documentation or promotional materials.
- After that, identify opportunities to further improve the sustainability of your business. Buyers often appreciate plans to implement sustainable practices. Obviously, they appreciate reports on achievements with regard to sustainability even more.
- Consider whether organic or biodynamic wine production is suitable for your specific farm or not. Also consider if you will be able to earn back the investments of time and money. If these production systems are not suitable, apply other practices to address sustainability.

EU uprooting scheme

- **Planting restrictions**: Political measures on the EU level have contributed to the decrease in European production. In 2008, the Council introduced a reform of the common organisation of the market in wine aimed essentially at improving the competitiveness of EU wine producers by improving the quality of the wine and balancing supply and demand in the wine sector. This was done in a context of persistent structural surplus of supply and falling demand. The main instruments of this reform included a temporary uprooting scheme and the setting up of national support programmes. This rebalancing of the market allows for sustainable pricing, with changes in what is grown (better qualities, less hybrids) and what it is used for.
- **Policy will change in 2016**: The current planting rules are scheduled to be replaced in 2016, enabling production to increase. The [new policy](#) will give EU member states more flexibility to determine limits on new wine production areas. However, safeguards in the new policy make it unlikely that production will increase rapidly.
**Tip:**
- Due to decreasing European production, there is an increasing demand for entry level wines. As a developing country exporter, you can tap into this development.

### High vs. low alcohol

- **Preferences and legislation differ by country:** Preferences for high or low alcohol percentages per country is often subject to traditional differences. However, legislation and the excise level in the specific European countries are becoming more important. In countries where wine with low alcohol percentages get lower excise rates, this type of wine seems to be more popular than high alcohol percentages as is the case in for example the Scandinavian countries or the UK.

**Tip:**
- Check which countries are more interesting for high or low alcohol percentages when making a country-product strategy.

### Opportunities of geographical indications remain underutilised

- **Geographical Indication (GI):** "A Geographical Indication identifies a good as originating in a delimited territory or region where a noted quality, reputation or other characteristic of the good is essentially attributable to its geographical origin and/or the human or natural factors there."
- **Protected Designation of Origin (PDO):**
  - Product must be produced AND processed in the geographical area
  - Registration based on qualities of geographical area
- **Protected Geographical Indication (PGI):**
  - Product must be produced OR processed in the geographical area
  - Registration based on reputation of product
- **A valuable marketing tool:** Geographical indications are recognised in bi-lateral agreements with the EU. Currently, very few developing countries have applied for PDO and PGI, which can potentially lead to more sustained demand, higher prices and other benefits. A GI can serve as a valuable instrument to distinguish your product from the competition. As a marketing tool, it can be a more powerful than a brand, because a GI is a recognised region guarantee which can only be issued by governments. Especially producers without a strong reputation or means to build up a brand may benefit from GIs.
- **GIs open up new market channels:** Many high-quality wines from developing countries without a GI are directed at the high-volume market channel and end up in supermarkets. Prices in this market segment and margins for producers are low. With a GI, there is a good chance that the market will stress region in their promotions and enable low-volume trade directed at on-trade, specialist retailers and online sales. Prices in this segment and margins for producers are significantly higher.

**Tip:**
- Support your business support organisations to apply for a GI, as they can initiate the process through lobbying (only governmental bodies are eligible to apply for a GI).
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

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