Internationale Fachmesse
Weine und Spirituosen

PROWEIN BUSINESS REPORT 2017

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Background

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What is the aim of the ProWein Business Report?

The wine industry undergoes continuous internationalisation and the global landscape of wine markets changes. Traditional markets decrease in importance and new markets become interesting for wine exporters. Which are currently the most attractive wine markets in the world? Which markets will increase or decrease in importance by 2020 and what is the risk associated with this development? How do wine marketers source their products, how will these distribution channels change in the future and what are currently the most sought after country of origins? How will wines be marketed in the future – through a brand, by communicating the origin of wine or through the personality of the wine maker?

The ProWein Business report taps into the knowledge of international wine producers and wine marketers to answer these question. By combining and contrasting opinions both from wine producers and wine marketers it provides a unique economic market barometer.

ProWein and Geisenheim University will form a long-term collaboration to provide the wine industry with annual insights on global wine market trends.

ProWein

Starting in 1994 with 321 exhibitors and approx. 1,500 visitors, ProWein has developed into what is the leading trade fair for the international wine and spirits industry today. At its latest edition in March 2016 to the tune of 6,200 exhibitors from some 50 countries met in Düsseldorf with 55,000 trade visitors from throughout the world. Since 2013 ProWine China has been held yearly in Shanghai and from April 2016 the ProWein family of events extended to include ProWine Asia, alternating between Hong Kong (2017) and Singapore (2018).

Geisenheim University

Founded in 1872 as a state research institute Geisenheim University today is one of the leading wine research and education centres in the world. It hosts more than 1,350 students studying various German and English bachelor and master degrees in viticulture and enology, international wine business and beverage technology among others. Applied and fundamental research is at the heart of Geisenheim's research activities. Following a multi-disciplinary approach research in Geisenheim involves the whole supply chain from grape breeding to wine marketing. Geisenheim is well known for its extensive global research network and international collaborations.

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Chapter 1

WHO PARTICIPATED?

Participants

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2 surveys
January 2017; 5 languages

Producers (n=578)

Type of company

- Small wineries
- Cooperatives
- Large wineries
- Importers, exporters, distributors

Company location

3 out of 4 producers were located in either

- France
- Italy
- Germany
- Spain

20 different producer countries

Marketers (n=909)

Type of company

- Specialty retailers focused on wine
- Wholesalers focused on wine
- Importers, exporters, distributors
- Hospitality
- Gastronomy

Company location

Main countries of company location

- Germany (53%)
- Netherlands (18%)
- Belgium (13%)
- Other countries

international marketers

46 different marketer countries

For detailed information on methodology and participants, please see chapter 8.

Producers

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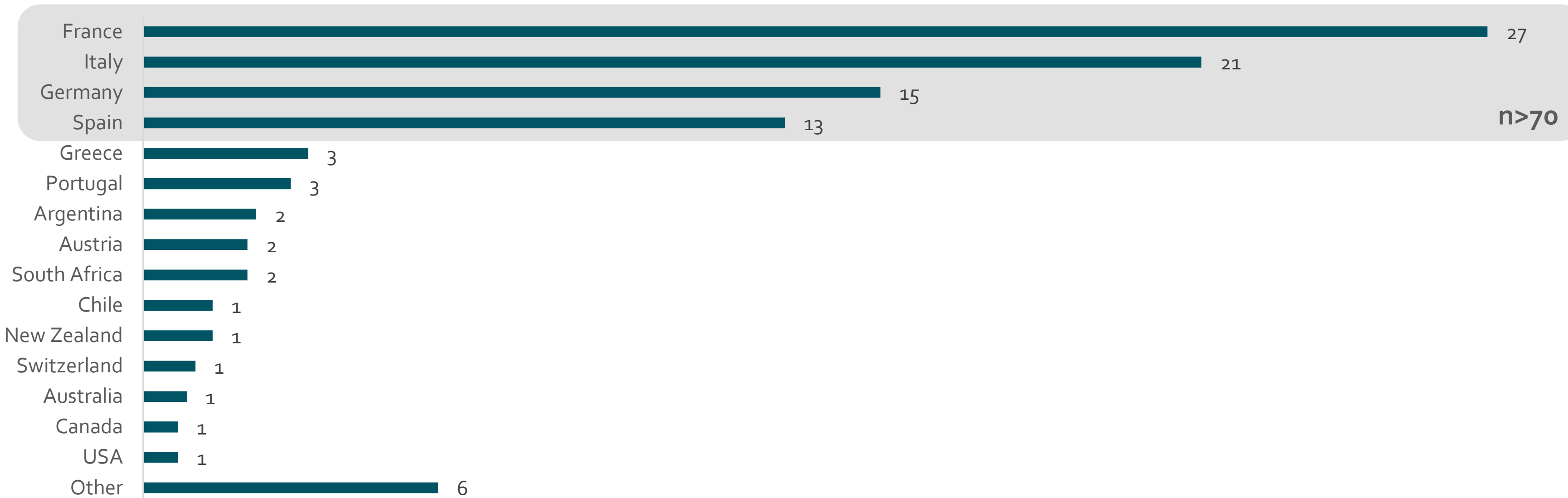
Company location

% have their company located in one of the following countries

Base: All producers (n=578)



- Almost 3 out of 4 participants have their company located in France, Italy, Germany or Spain. This is representative for ProWein participants.
- Only countries with a sample size >70 are eligible for further in-depth analysis.

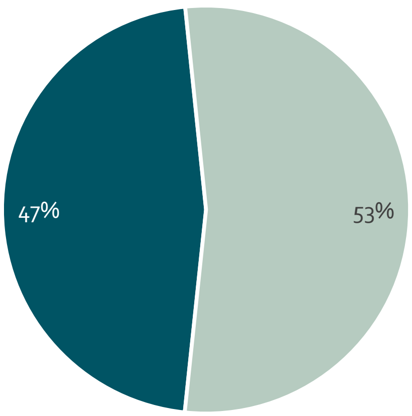
Marketers

Company location

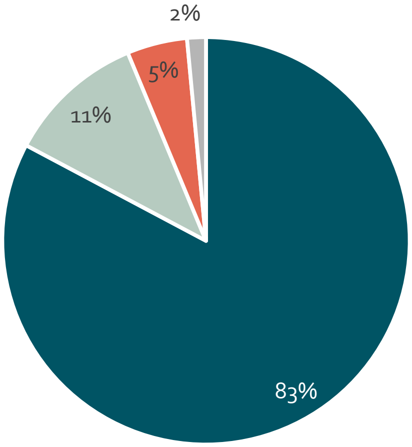
% have their company located in one of the following countries

Base: All marketers (n=906)

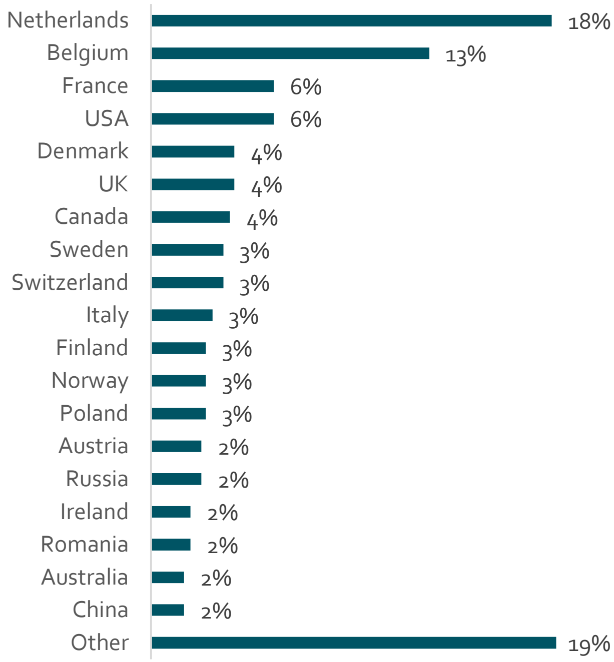
International vs. German



By continent



By country



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Chapter 2

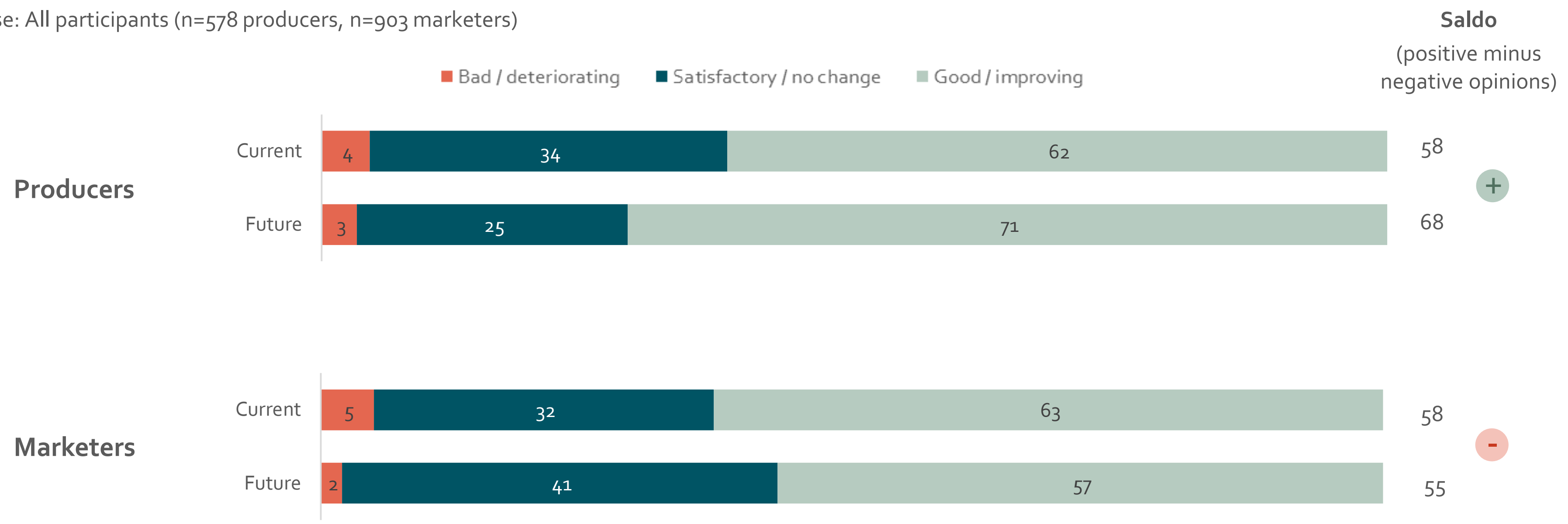
Economic Condition

Overall economic condition

Current and future economic condition within the company

% asses the current and the future economic condition within their company as follows

Base: All participants (n=578 producers, n=903 marketers)



- Both for producers and marketers there is a positive saldo of 58% who are positive about the current economic condition over those that are negative.
- In tendency, producers are more positive about their future economic condition than marketers.

Detailed overview

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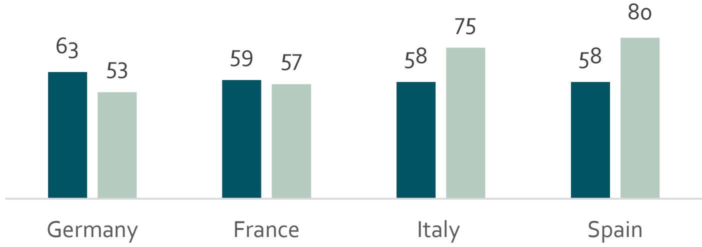
Current and future economic condition within the company

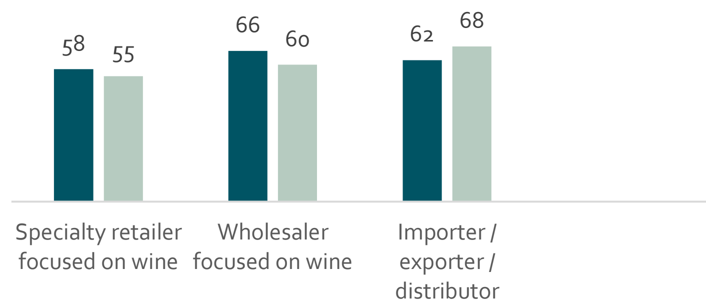
% asses the current and the future economic condition within their company as follows

Base: All participants (n=578 producers, n=903 marketers)

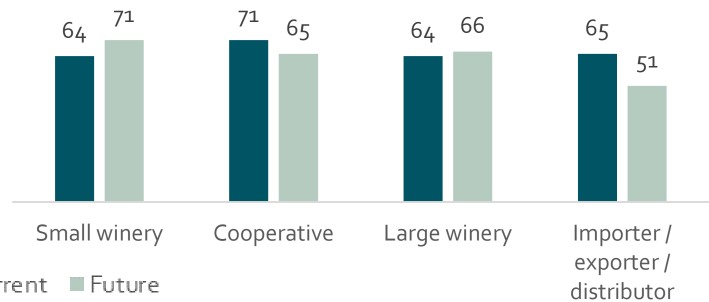
Producers by country



International marketers by company type



Producers by company type



German marketers by company type

Current Future

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Key findings – Economic condition

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Positive overall economic climate

- Industry leaders are positive about the present and future economic condition.
- Both for producers and marketers there is a positive saldo of companies who are positive about the current economic condition over those that are negative.

Producers more optimistic than marketers

- Producers are in tendency more positive about their future economic condition than marketers.

German producers currently most satisfied

Italian and Spanish producers most optimistic about future

- German producers are more satisfied with their current economic condition. Spanish and Italian producers are most optimistic about their future economic condition.

Small wineries most positive about the future

- Cooperatives are most satisfied with their current economic situation. Small wineries (mainly producing wine) are most positive about their future economic condition. Cooperatives and importers/exporters are least optimistic about their economic future.

International marketers are more optimistic than Germans

- German marketers are less satisfied with their current economic condition and are less optimistic about their future than international marketers.

International wholesalers most optimistic

- Out of the international marketers wholesalers are most and specialty wine retailers are least satisfied with their current economic condition.
- Importer/exporter/distributors are most optimistic about their future while specialty retailers are least optimistic.

German gastronomy optimistic about their future

- Out of the German marketers distributors and wholesalers are most satisfied with their current economic condition. German gastronomy and specialty retailers are less satisfied.
- Gastronomy is most optimistic about their future while wholesalers and specialty retailers are less optimistic.

Specialty retail generally least optimistic

- Both internationally and nationally specialty wine retailers are least satisfied and least optimistic.

Chapter 3

Sales Market attractiveness

Top sales markets for producers

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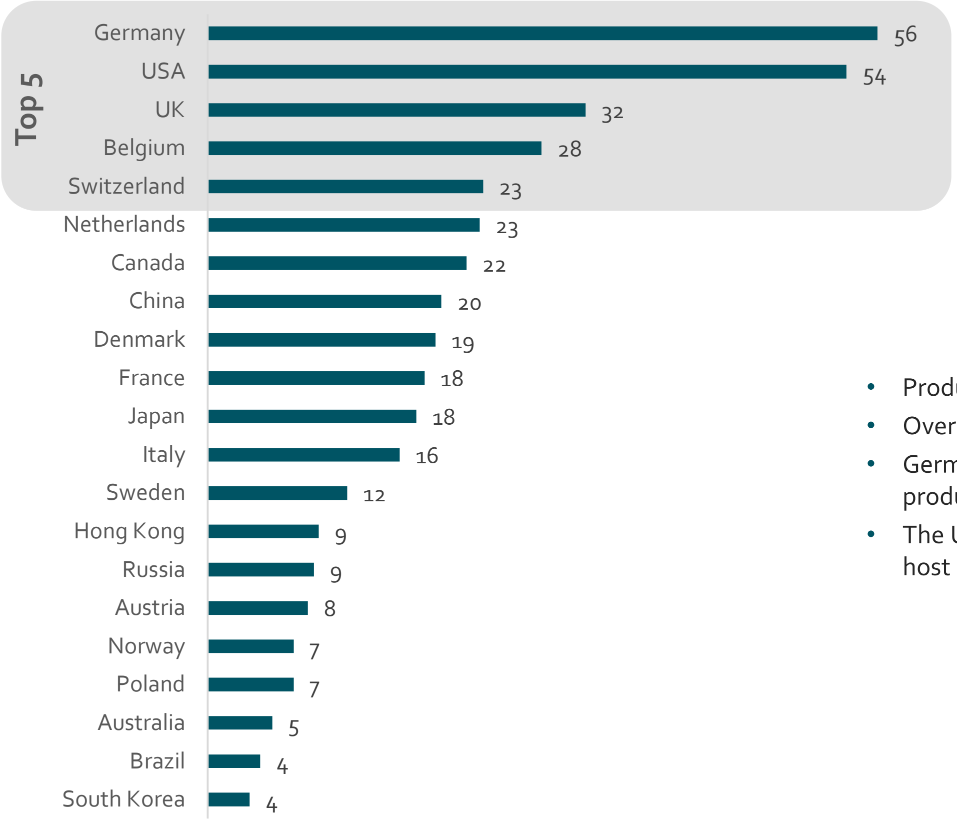
Current sales markets

% currently distribute wine in the following markets (top 5)

Base: All producers (n=429)



- Producers were asked about their top 5 sales markets.
- Overall producers named 40 different sales markets to belong to their top 5.
- Germany and the USA are by far distance the most important sales markets for wine producers followed by UK, Belgium and Switzerland.
- The USA are the most important international wine sales market if one considers the host country effect of ProWein for Germany.

Market attractiveness

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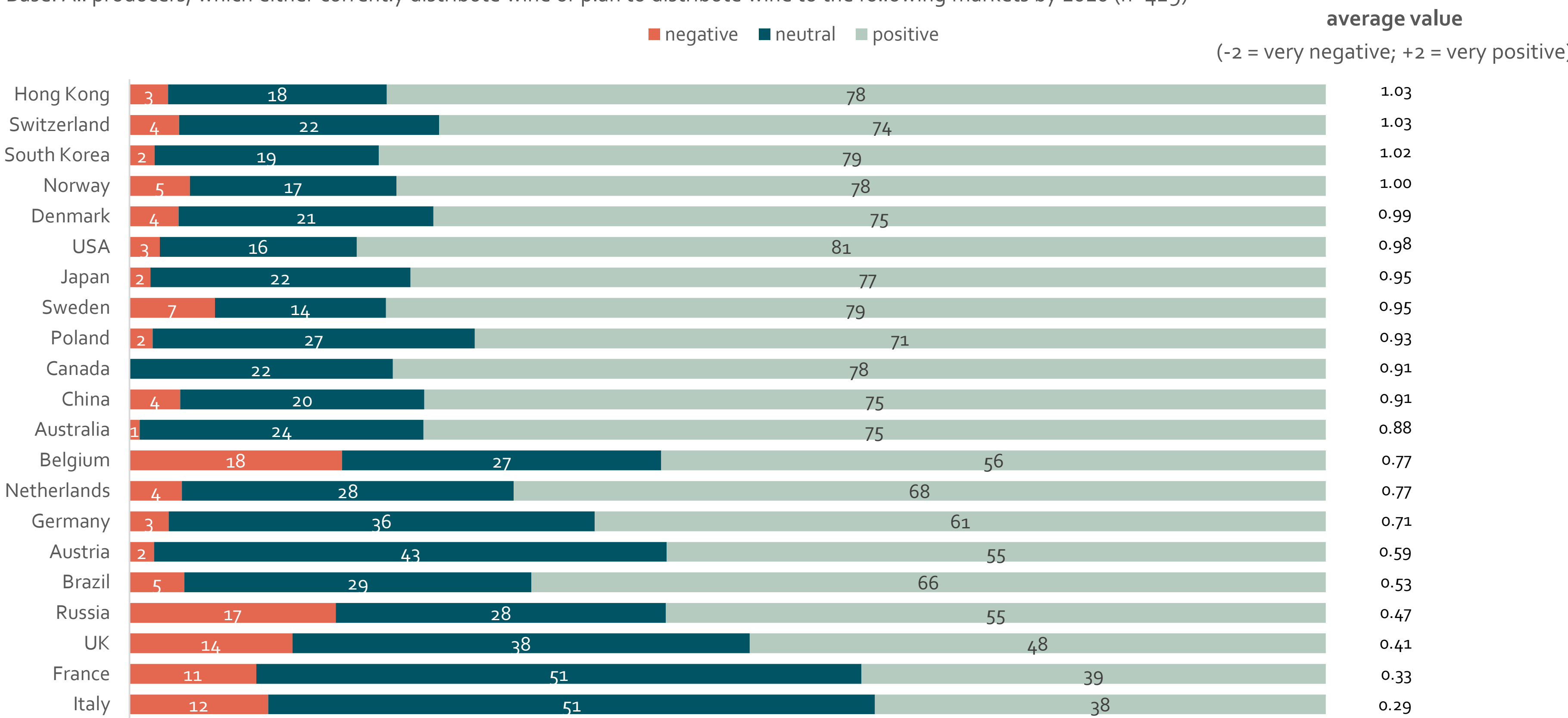
Current market attractiveness of specific markets

% assess the current economic attractiveness of the following markets as follows

Base: All producers, which either currently distribute wine or plan to distribute wine to the following markets by 2020 (n=429)



Expected change in economic attractiveness

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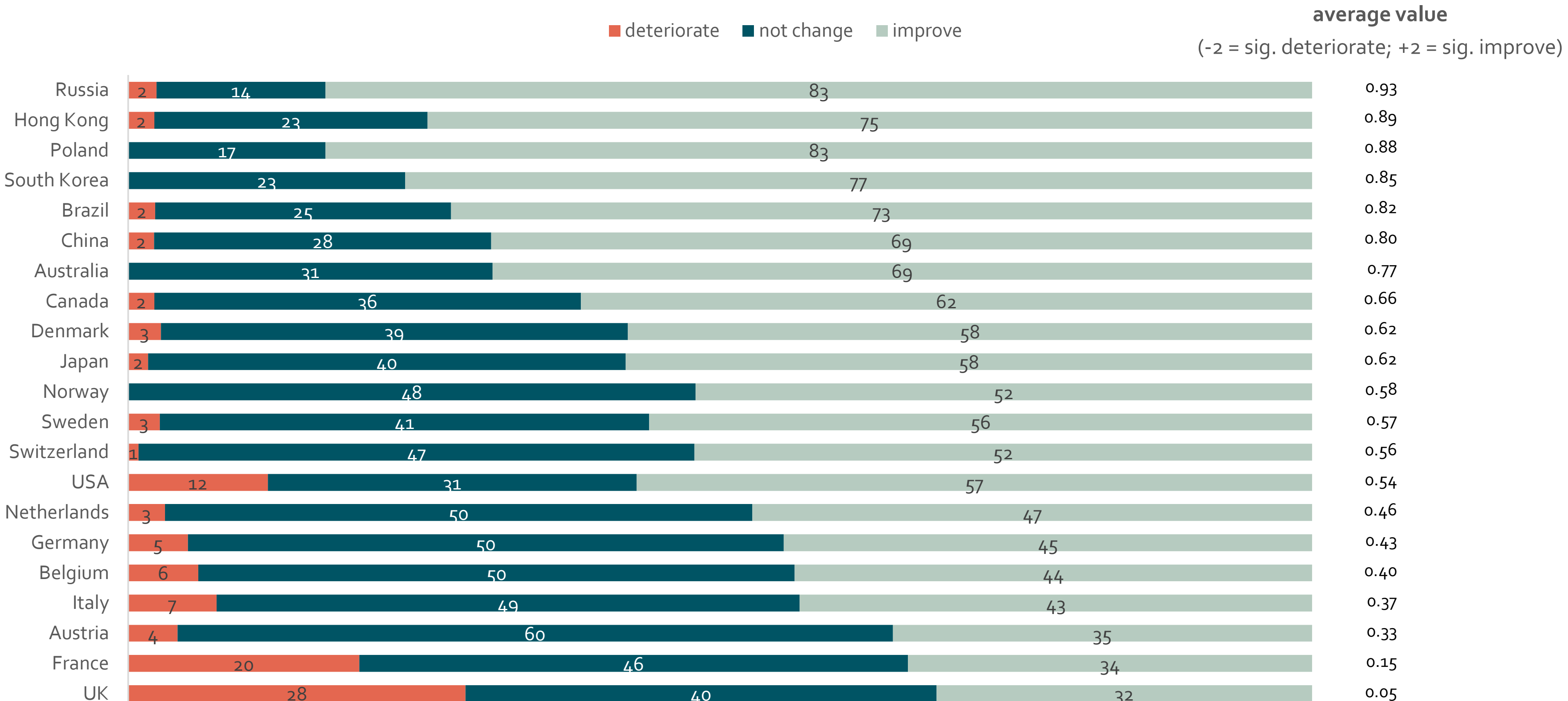
Expected change in economic attractiveness of specific markets

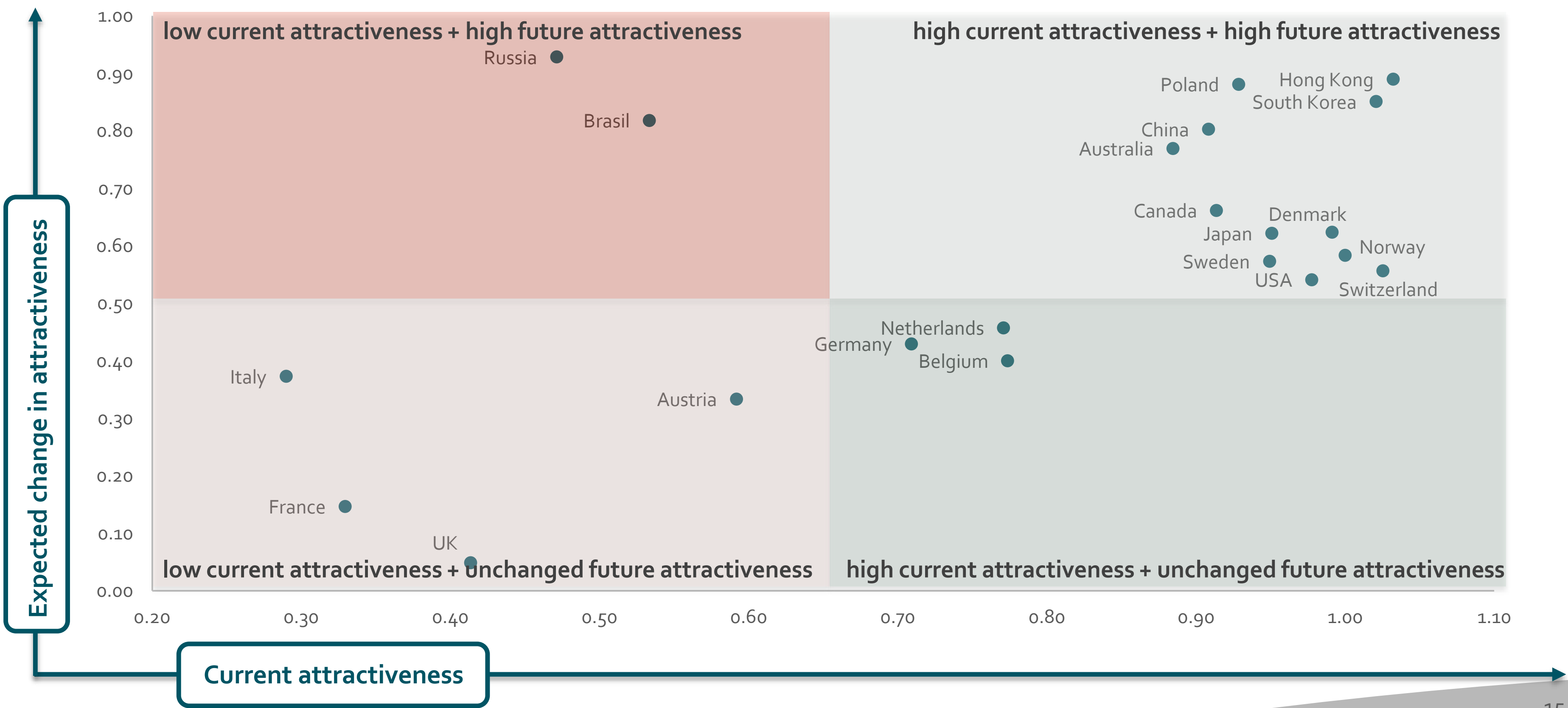
% assess the change in economic attractiveness of the following markets by 2020 as follows

Base: All producers, which either currently distribute wine or plan to distribute wine to the following markets by 2020 (n=429)



Current and future attractiveness

Current market attractiveness vs. expected change in market attractiveness

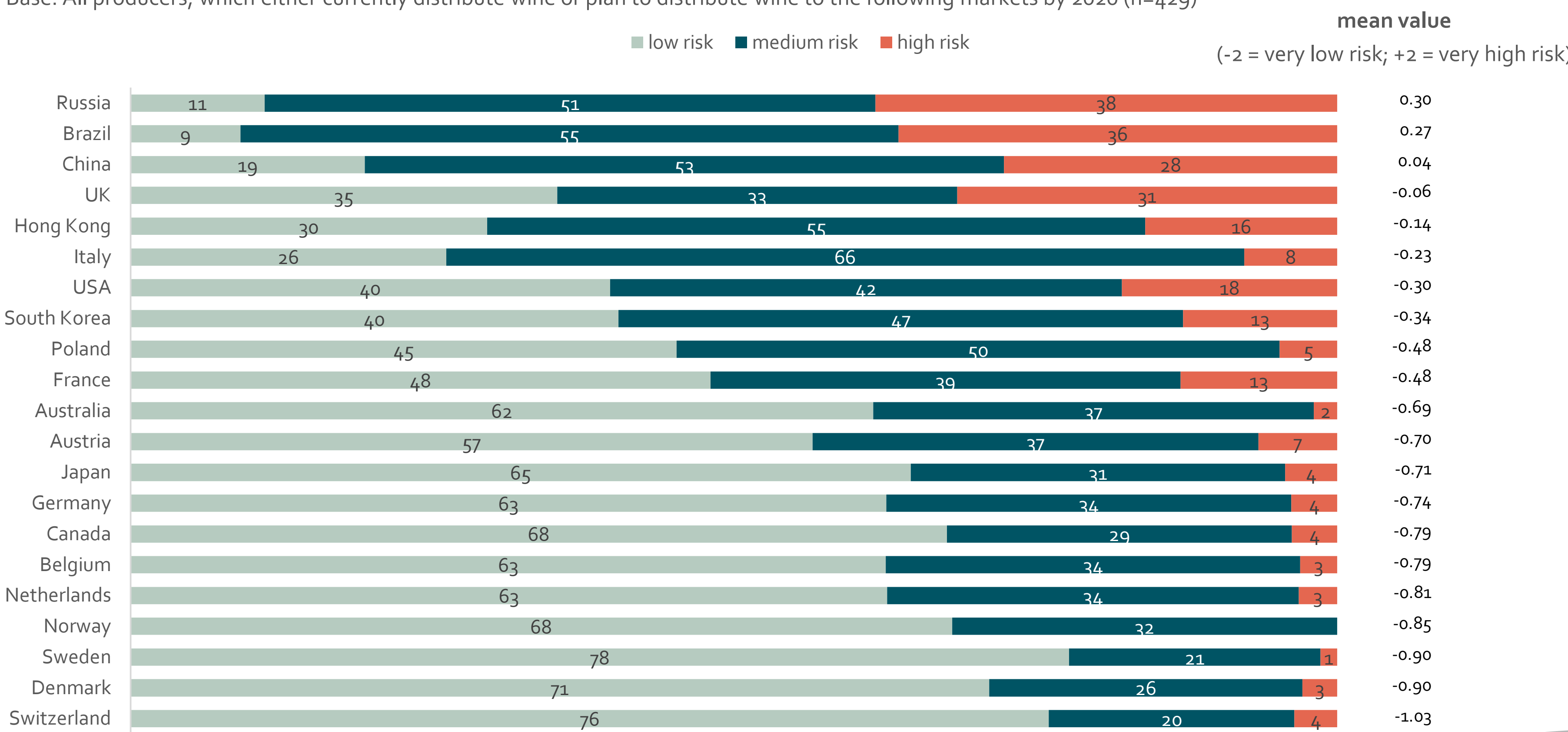


Risk perception

Risk of market development by 2020

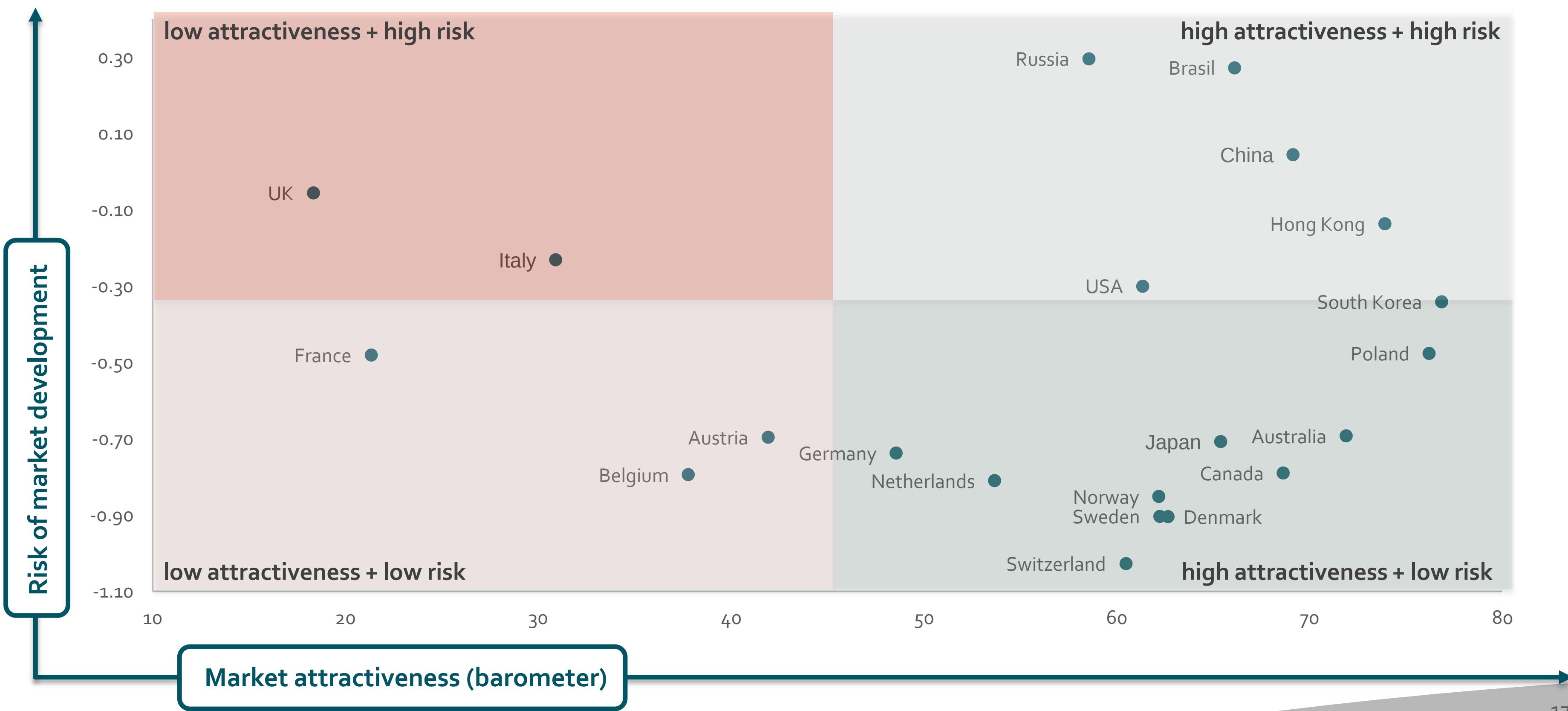
% asses the risk of market development of the following market by 2020 as follows

Base: All producers, which either currently distribute wine or plan to distribute wine to the following markets by 2020 (n=429)



Risk and market attractiveness

Market attractiveness (barometer) vs. risk of market development



Key findings – sales markets attractiveness

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Wine marketing is of global importance

- Overall producers have 40 different countries belonging to their top 5 sales markets.
- European and North American wine markets are most frequently named as top 5 sales markets followed by Asian and other countries.

Germany and the US dominate as sales markets

- Germany and the USA are by far the most important sales markets for wine producers followed by UK, Belgium and Switzerland.
- The USA are the most important international wine sales market if one considers the host country effect for Germany.

Asian and Scandinavian markets economically most attractive

- Hong Kong, Switzerland, South Korea and the Scandinavian country are those markets that currently have the highest economic attractiveness for producers.
- Italy, France, UK, Russia and Brazil are currently seen as economically least attractive.
- Germany ranks in the lower third when it comes to current economic attractiveness, which is mainly related to the high degree of competition on the German wine market.

Entrants underestimate the current market attractiveness

- Market attractiveness differs between companies with market experience that currently sell wine in a market (incumbents) and entrants, who plan selling wine on a market by 2020.
- Entrants underestimate the attractiveness of several markets.

Underestimated markets

- South Korea, Switzerland, USA, Japan and Brazil are more positive evaluated by incumbents than by entrants.

Overestimated markets

- France, Italy Belgium and Poland are markets that are rated more attractive by entrants than by incumbents.

Comparable evaluation

- Incumbents and entrants perceive the Scandinavian countries, Canada, Netherlands and the UK as about equally attractive.

Key findings – sales markets attractiveness

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Russia's market attractiveness is improving the most

- In general, all markets are expected to have a rather positive change in their economic attractiveness.
- East European, Asian markets and Brazil are expected to increase strongest in attractiveness by 2020.
- The majority of Middle European markets see small changes in attractiveness.

UK faces the least improving market attractiveness

- Of all markets analysed, the UK faces the least improving market attractiveness.
- Other markets with an unchanged future attractiveness are Italy, Austria and France.

Entrants tend to overrate future market attractiveness

- Several markets are overrated by entrants, especially UK, France, Italy and Hong Kong.
- Only very few markets are underrated by entrants (USA, Poland).

Changes in future attractiveness come with great risk

- In general, most markets are expected to have a rather low risk of market development.
- While Russia has the highest risk in market development, it is also expected to have the strongest increasing market attractiveness.
- Probably due to Brexit, the UK is listed within the top 5 markets of high risk in market development.
- Other markets with high expected risk are Asian markets and Brazil.

Entrants expect higher risk for certain markets than incumbents

Markets where entrants perceive higher risk than incumbents

- USA, South Korea, Japan, Austria, Germany, Switzerland, Denmark

Markets where entrants perceive lower risk than incumbents

- Brazil, Italy, France, Norway

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Chapter 4

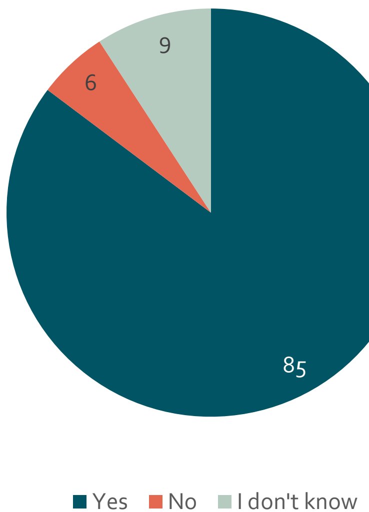
Future Sales Markets

Export expansion to new markets

Expansion in export activities

% plan to expand their export activities to new markets by 2020

Base: All producers (n=414)



- Most companies plan to expand their export activities to new markets by 2020.

Current and new wine sales markets

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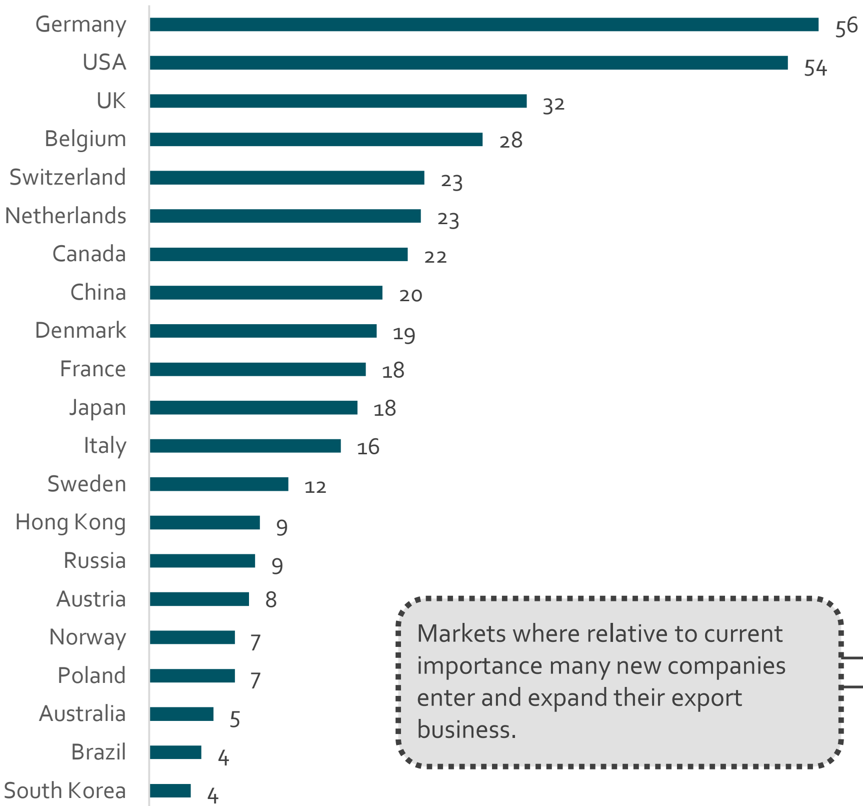
Current sales markets

% currently distribute wine in the following markets (top 5)

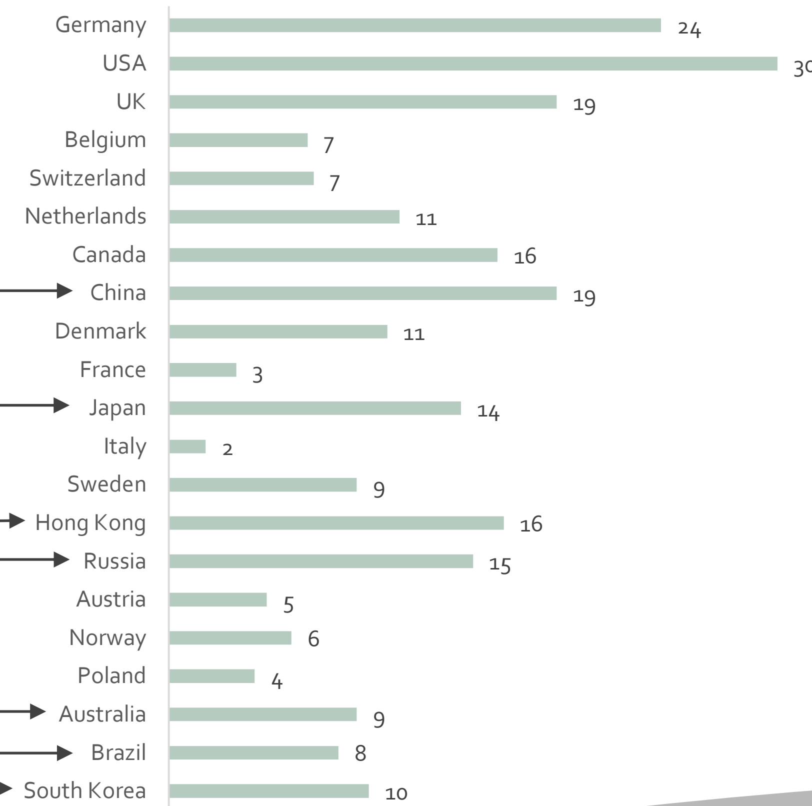
Base: All producers (n=429)



New sales markets by 2020

% plan to expand their export activities to the following markets (top 3)

Base: All producers, which plan to expand their export activities (n=336)



Markets where relative to current importance many new companies enter and expand their export business.

Key findings – Future sales markets

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New markets for wine producers

- By 2020 85% of ProWein exhibitors want to extent their exports to new markets.

Germany is less export-orientated than other countries

- The share of producers who want to extent their exports to new markets is at nearly 100% for wine exporters from the big European wine countries France, Italy and Spain.
- For the less wine export-orientated Germany this share is at only 55%.

Top 3 current sales markets stay important

- The top 3 current sales markets US, Germany and the UK are also the most frequently named export markets where companies want to extend their exports to.

Asian markets on the rise

- The currently less important sales markets China and Hong Kong are the most frequently named new export markets.

Shift in sales markets

- There are many more markets where relative to current importance many new companies plan to enter and expand their export business: Russia, Japan, Australia, Brazil, South Korea.

Future sales markets are not linked to attractiveness

- The amount of producers who want to extent their exports to a specific market is not linked to the market attractiveness of those markets but to other factors.

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Chapter 5

Wine Origins

Willingness to expand wine range

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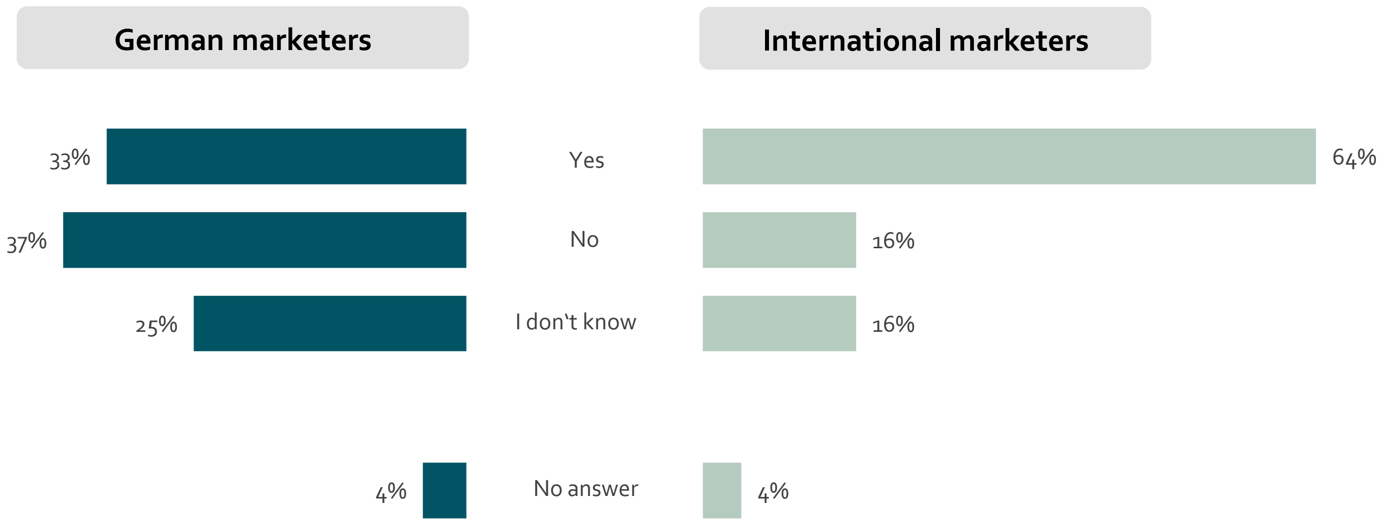
Expansion in wine range to new countries of origin

% of marketers, which plan to expand their wine range to new countries of origin by 2020

Base: All marketers (n=481 German marketers, n=422 international marketers)



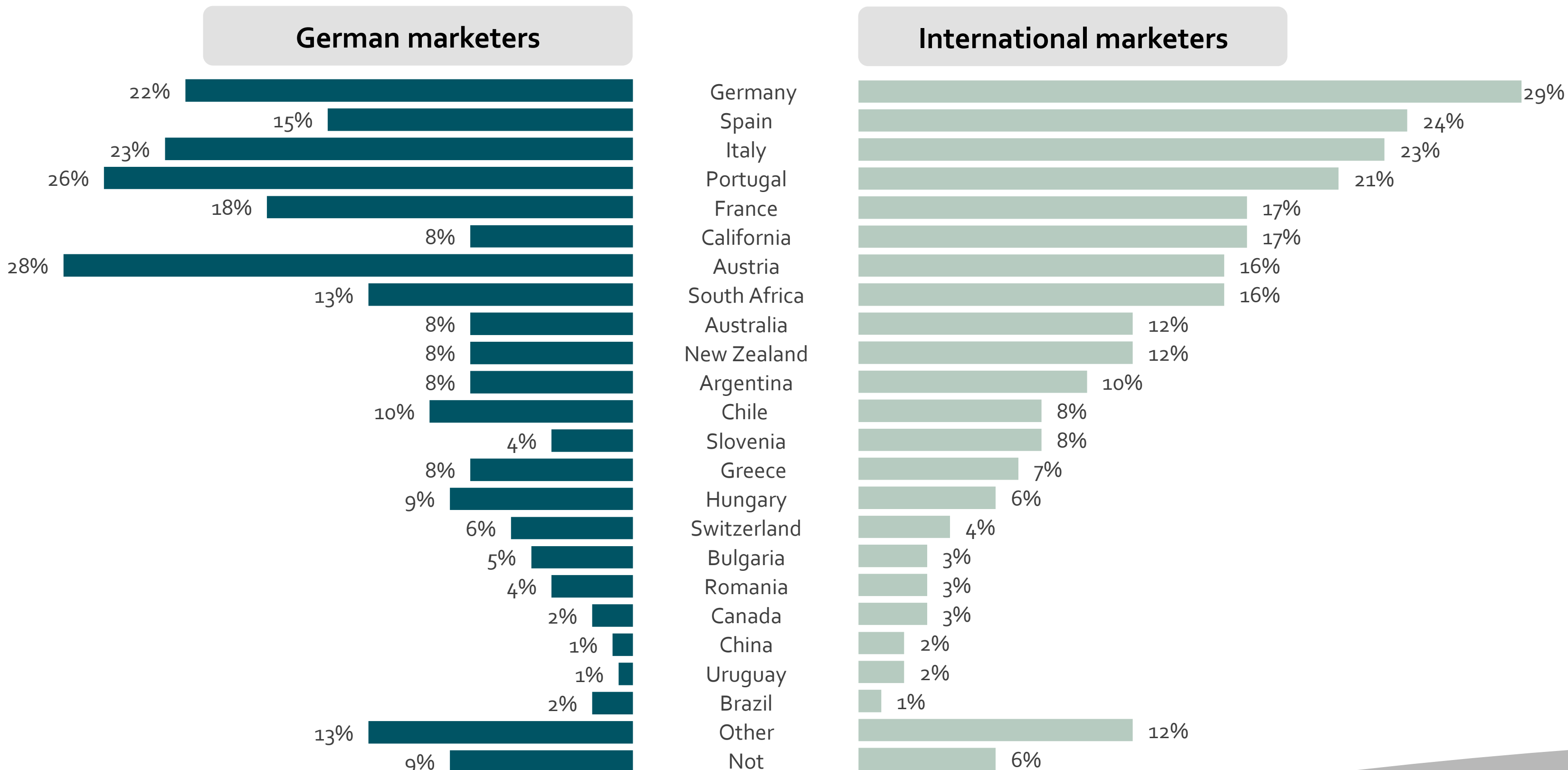
- Only 1 out of 3 visiting German marketers plan to expand their wine range to new countries of origin by 2020, on the other hand almost 2 out of 3 visiting international marketers plan to expand their wine range.
- Results reflect the fact that ProWein serves as a domestic trade fair for Germany. Export orientated marketers from abroad are therefore overrepresented compared to German marketers.

Sought after wine origins

Expansion in wine range to new countries of origin

% of marketers plan to expand their wine range to the following countries of origin by 2020

Base: All marketers, which plan to expand their wine range by 2020 (n=159 German marketers, n=270 international marketers)



Key findings – sought after wine origins

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One in two marketers look for new wine origins

- Almost every second marketer plans to expand his wine range to new countries.

Two in three international marketers plan to expand

- This willingness is particularly strong for international marketers where two in three plan to take up new origins into their range.

German marketers are less interested in new origins

- Only one in three German marketer plans to extend his product range.
- Results reflect that ProWein serves as a domestic trade fair for Germany. Import orientated marketers from abroad are therefore overrepresented compared to German marketers.

International marketers visit ProWein to look for German wine

- Germany, Spain, Italy and Portugal are most sought after wine origins by international marketers followed by France and California.

Portugal is sought after both by international and German marketers

Large European producer countries Italy, Spain and France are still sought after by marketers

German marketers look for their neighbor and domestic wines

- Austria, Portugal, Italy and Germany are most frequently demanded wine origins that German visitors plan to include into their range.

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Chapter 6

SOURCING AND SALES CHANNELS

Sourcing channels from marketer perspective

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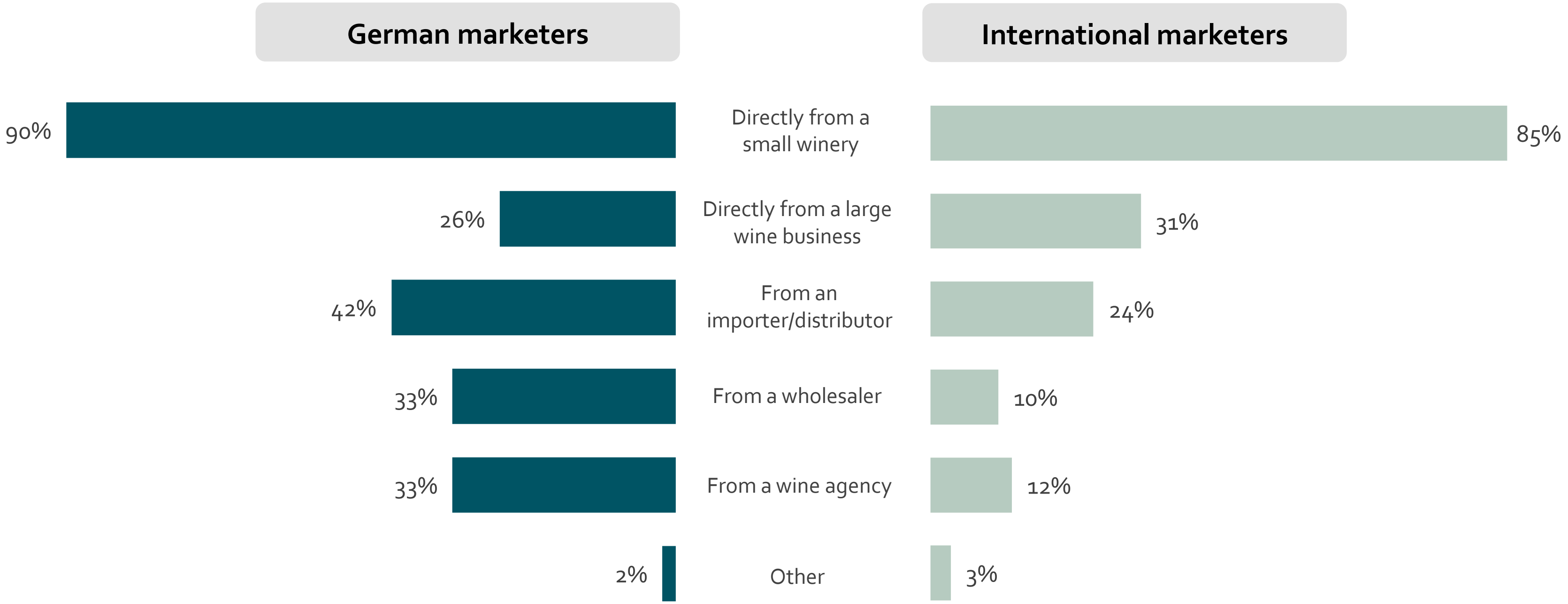
Use of purchase channels

% of marketers generally use the following purchase channels

Base: All marketers (n=481 German marketers, n=422 international marketers)



- Directly from small wineries is the main sourcing channel used both by German and international marketers.

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Sourcing channels from marketer perspective

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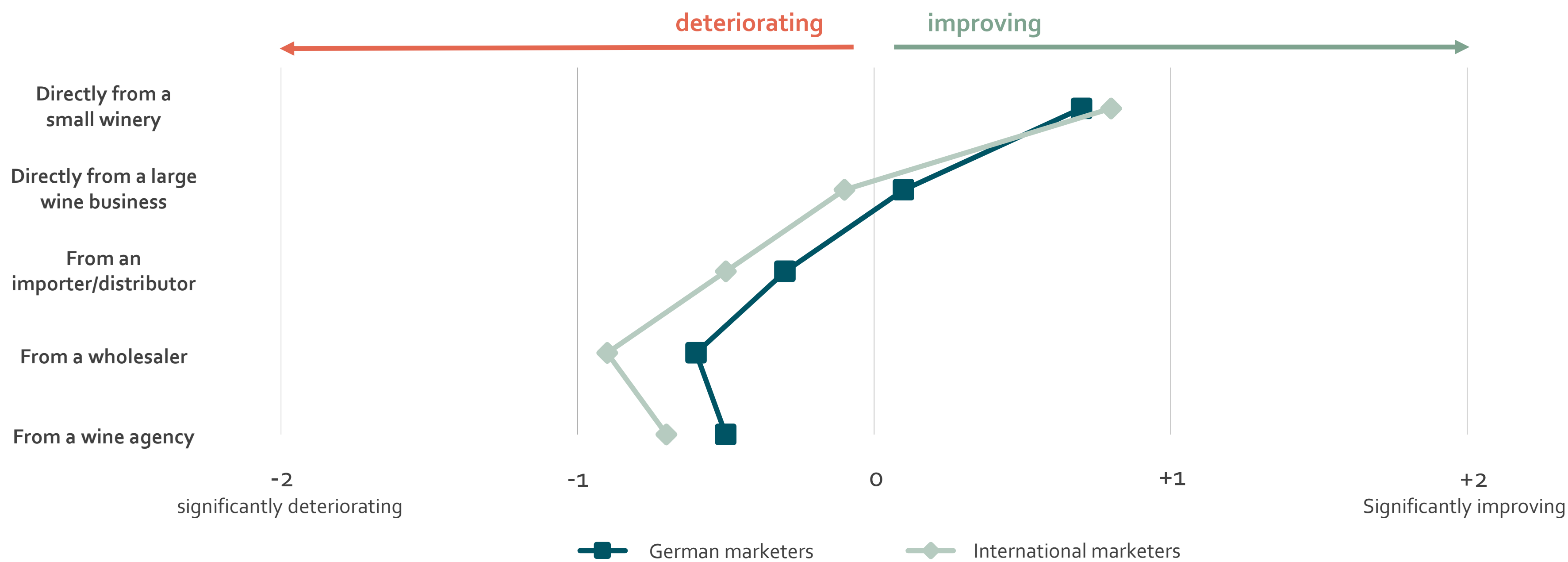
Development of importance of purchase channels

% of marketers are of the opinion, that the importance of the following purchase channels will change as follows for their company by 2020

Base: All marketers (n=481 German marketers, n=422 international marketers)



- Direct channels (directly from a small winery, directly from a large wine business) will increase in importance or stay unchanged.
- Indirect wine sourcing channels are expected to decrease in importance by 2020.

Sales channels in Germany from producer perspective

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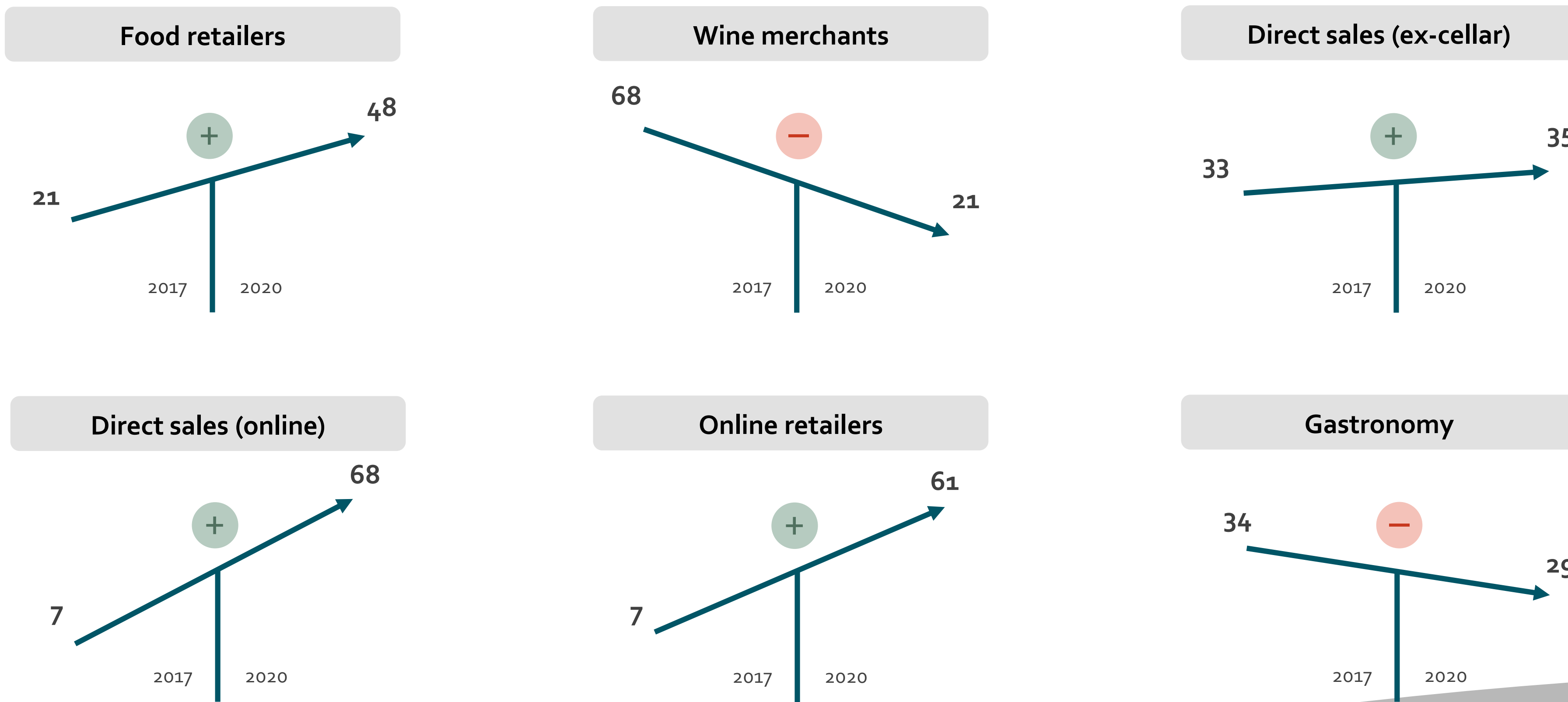
Current and future importance of different sales channels in Germany

% assess the current and future importance of the following sales channels for their main sales market Germany as follows

Base: All producers, which have their main sales market in Germany (n=107)

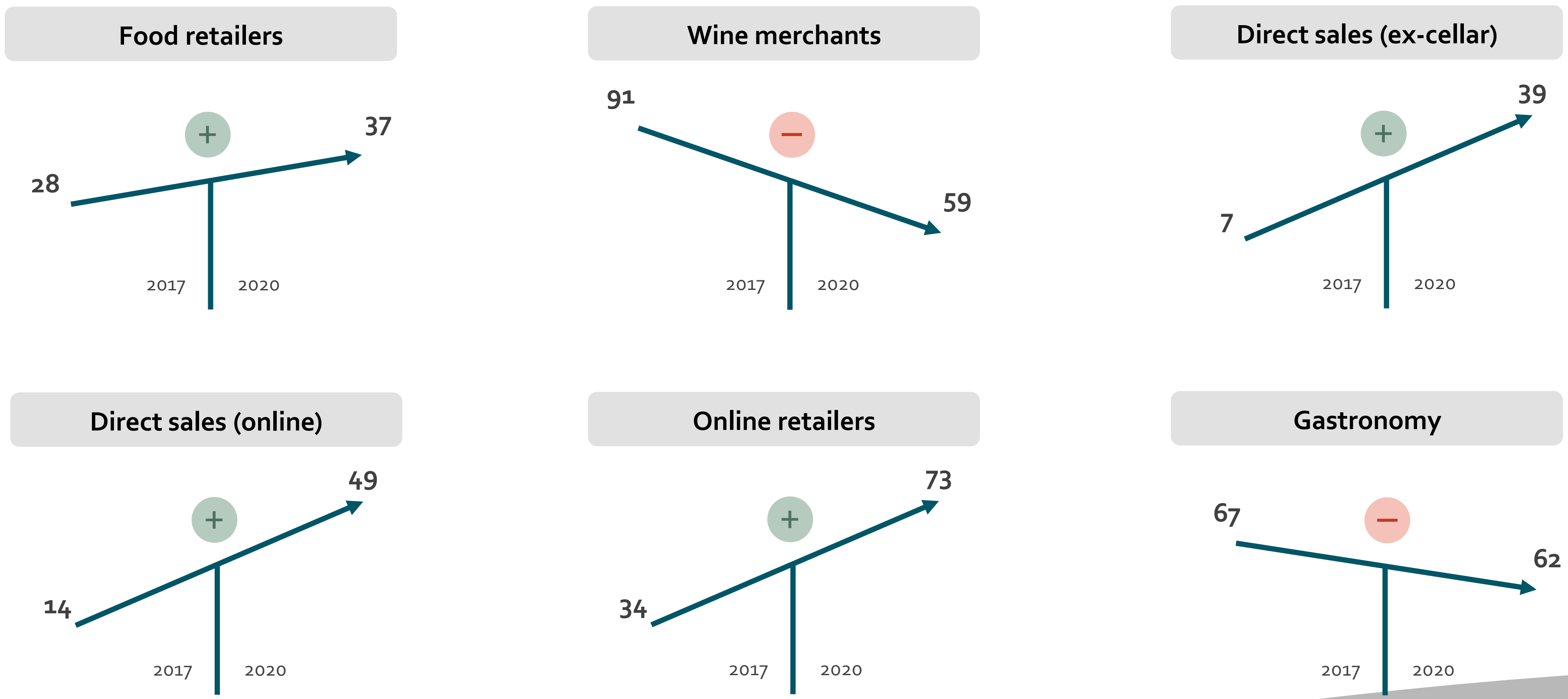


Sales channels in the US from producer perspective

Current importance of different sales channels in the US

% assess the current and future importance of the following sales channels for their main sales market USA as follows

Base: All producers, which have their main sales market in the US (n=76)



Key findings – sales channels

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Sales channels from producers' perspective

Online and food retail are the sales channels of the future

- The importance of sales channels was analysed for the two most important sales markets Germany and the US.
- In both markets online and food retails are seen as the biggest winners.
- Sales through online retailers or direct online sales by the producer are currently least important but will most strongly increase in importance by 2020.
- The increase of wine sales over food retailers is more pronounced in Germany that is related to wine market regulations in the US.

Specialty wine retails and gastronomy will further decline

- Wine merchants and gastronomy will decline in importance both in the US and in Germany.
- Direct sales in the US are expected to increase strongly while they are forecasted to be largely unchanged in Germany.
- In Germany at present specialty wine retailers, gastronomy and direct sales are of highest importance for wine producers (unweighted by volume).

Sourcing channels from marketers' perspective

Direct sourcing from the producer will be the future

- "producers be aware the marketers come knocking at your door"
- Both for international and for German wine marketers sourcing from a small winery will strongly increase in importance. Directly sourcing from large wine business will also improve but to a lesser extent.
- International and German marketers agree that mediators between producers and marketers will decrease in importance for sourcing wine.
- Particularly wholesalers, wine agencies and to a smaller extend exporters/importers/distributers will decrease in importance.

Differences between international and German wine marketers

- Sourcing from a large wine business is second most important for international wine marketers but least important for German companies.
- Importer/Distributers and wine agencies are sourcing channels used by more than a third of German wine marketers but less important for international companies.
- Sourcing wine from a small winery is the most frequently named sourcing channel for wine marketers both internationally and nationally.

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Chapter 7

MARKETING PHILOSOPHY

Key findings – how to market wine

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Majority sees bright future for marketing by origin and terroir

- The majority of producers and marketers see wine marketing with focus on region/origin/terroir as most successful in the future.

Marketing by brand more important for producers

- There are few differences between producers and marketers. Less marketers perceive brand as successful for marketing compared to producers.

Small producers see better future for marketing by personality

Large producers have higher hopes in brand

- Wine marketing with focus on the personality of the winery owner or winemaker is most popular among small wineries.
- Wine marketing with a brand is most popular among large wineries.

Strong wine cultural differences

German producers build on personality of wine maker

Romanic producers trust in origin

- For German wine producers wine marketing with focus on the personality of the winery owner or winemaker is perceived to be the most successful marketing concept for wine in the future.
- Contrary in France, Italy and Spain wine marketing with focus on region/origin/terroir is ranked first.
- Marketing with a brand is stronger favoured by producers in France, Spain and Germany than in Spain.

German marketers have low hopes for brand

International marketers see brand about equal with personality

- German marketers believe stronger in origin and personality of the winemaker than international marketers.
- International marketers have a stronger belief in brands as the future marketing concept. This difference is strongest for importers/exporters/distributers.

How to market wine?

Future marketing concepts

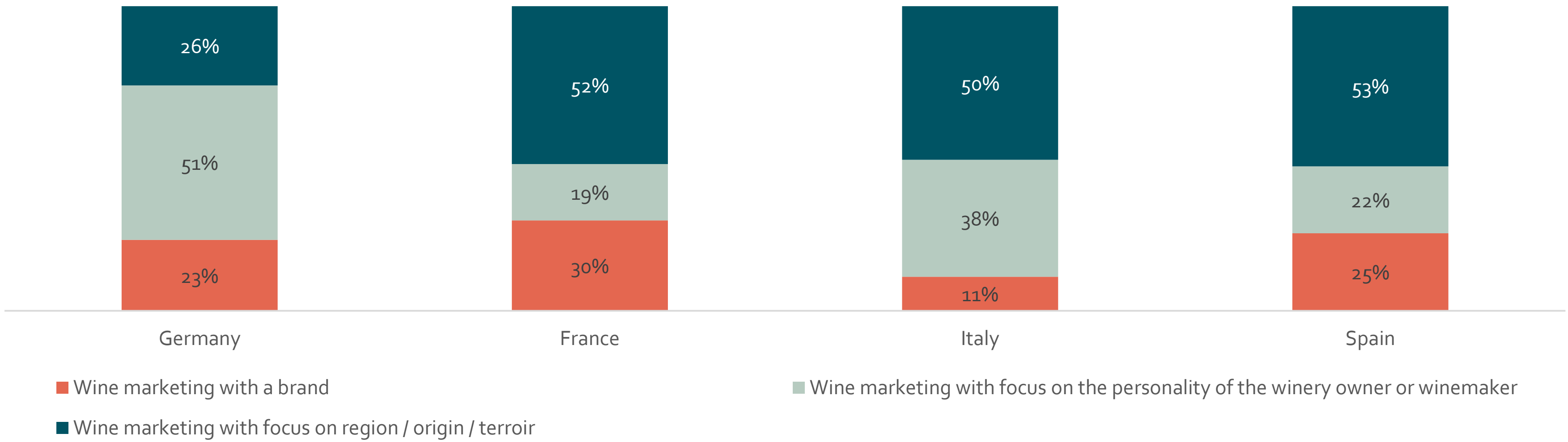
% are of the opinion, that the following marketing concept for wine will be the most successful in the future
Base: All participants (n=494 producers, n=903 marketers)

- About 1 out of 2 companies regard wine marketing with focus on region / origin / terroir as the most successful marketing concept for wine in the future.
- There are few differences between producers and marketers. Only half as many marketers perceive brand as successful for marketing wine compared to producers.

Future marketing concepts by company location

% are of the opinion, that the following marketing concept for wine will be the most successful in the future

Base: All producers, which have their company located in one of the following countries (n=374)



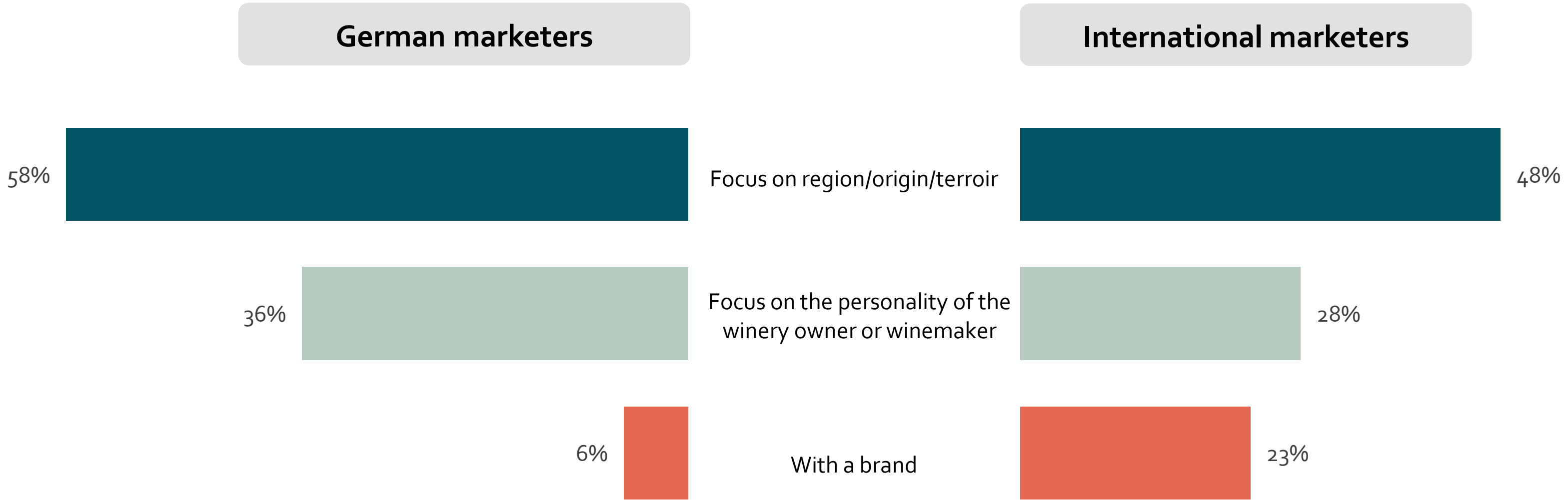
- While in Germany wine marketing with focus on the personality of the winery owner or winemaker is perceived to be the most successful marketing concept for wine in the future, wine marketing with focus on region/origin/terroir is perceived to be the most successful wine marketing concept in France, Italy and Spain.
- The result reflect the difference in wine classification systems between Germany, where wine quality is mostly based on the level of sweetness, and other countries such as France, Italy and Spain, where wine quality is mostly based on origin.

Marketers by origin

Future marketing concepts

% of marketers are of the opinion, that the following marketing concept for wine will be the most successful in the future

Base: All marketers (n=481 German marketers, n=422 international marketers)



- Both German marketers and international marketers expect wine marketing with focus on region/origin/terroir to be the most successful future marketing concept for wine.

Future ProWein Business Reports

ProWein and Geisenheim will continue ProWein Business Report over the next years

- Future reports will be able to analyse to what extend current expectations become reality
- Long term time series will be established about market attractiveness and market entries
- Special topics will be covered on annual basis

We thank all participants of the 2017 surveys. We look forward to strong industry participation in the coming years.

Your suggestions and comments are very welcome!

European Wine Business Summer School
Dijon 2017

Hochschule Geisenheim University

ProWein
Internationale Fachmesse Weine und Spirituosen

ProWein supports executive education for European Wine Business

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Details can be found at home page of EWBSS.

Internationale Fachmesse
Weine und Spirituosen

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