



# CBI Trends for Wine in the Netherlands

## 'Insights and foresights on key European market dynamics'

Dutch consumers are becoming increasingly interested in wine, resulting in a more refined taste and willingness to spend more on wine. Nevertheless, pricing remains a decisive factor in the Dutch consumer's purchasing decisions. Sustainability and branding are also important factors for success, though the latter can be very costly depending on your target sales channel.



## Social market drivers

**Consumer preferences:** In 2012, red wines (54%) had the largest share in sales in the Dutch market for still wines, followed by white wines (34%) and rose (12%) (Productschap Wijn, 2012). In the short term, it is expected that sales of red and white still wine will remain stable, whereas sales of sparkling wines are expected to increase at the expense of rose wine. Particularly *frizzante* wines (slightly sparkling) sell well, as they benefit from low excise tariffs.

Most occasional wine drinkers prefer a round, not totally dry wine (e.g. less than 4 grams of residual sugar).

### Considerations for action:

Profit from the increased interest by sending your wine to blogs, wine clubs and wine tastings.

Make sure to have a buyer before you contact Dutch wine journalists. They only accept wines that will be available on the Dutch market.

**Fairtrade:** In 2012, sales of Fairtrade alcoholic beverages increased by 13% to 1.3 million litres. Fairtrade wine is estimated to account for less than 1% of the total wine market. In the Netherlands, 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 Dutch retailers that reduces the chance for any backlash on bad labour conditions at their suppliers. This could be especially relevant for South African producers, as there have been issues with fair labour practices in the past. Producers from developing countries (DCs) must be aware that certification can be an expensive process and the return on investment will not be high under current market conditions. Despite a growth in Fairtrade wine sales in the Netherlands, Fairtrade certification currently offers limited benefits to most exporters.

### Considerations for action:

Profit from the large promotional budget that is mobilised for Fairtrade wines in the coming years.

Your buyers will increasingly demand that you can prove the sustainability of your products. This can be done by using Fairtrade certification.

Through storytelling you can also show the sustainable aspects of your product. However, do not make any exaggerated or unrealistic claims about your product.

### Changing wine categories

In the Netherlands, some leading retailers, such as Grape District and Albert Heijn, have been among the first in Europe to follow retailers in the United Kingdom in sorting their wines by taste profile. This makes it easier for consumers to find the right wine for their occasion. The Netherlands is one of the first countries to categorise by taste instead of country, as Dutch consumers are early adopters of trends coming from the trendsetting British market. They are also relatively open to trying wines from New World countries.

**Considerations for action:** 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.

## Technological market drivers

**Acceptance of screw caps and PET bottles:** Screw caps are commonly accepted in the Netherlands, even for more expensive wines. Consumers are now sufficiently educated that it does not affect quality. Only in the premium segment, Dutch consumers commonly expect a traditional cork. PET bottles are also becoming more popular on the Dutch market as it is more often used for outdoor use (e.g. festivals, camping, leisure events, etc.) especially in the lower price class and used for events and festivals.

On the other hand, Bag-in-box is still not much appreciated by the Dutch consumers as the common volume of a bag-in-box (3 litres) is too high for most Dutch consumers (approximately 1.8 litres per month). Another obstacle is the high price per unit compared to a bottle of wine. Wines in Tetra packaging or in cans are only accepted on the Dutch market for the low entry market level as it is perceived to be low quality wine. In addition, canned wines are not popular as consumers cannot see the colour of the wine.



**Considerations for action:** Consult your Dutch buyer how he prefers his packaging and labelling.

**Online sales will increase:** In the short-term, online sales of wine to consumers will remain small. Online sales currently add up to only 1% of the Dutch wine market. 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. Existing wine retailers, such as Ahold or Mitra, with an offline presence lead the development. They use the same warehouse for both their offline and online sales. In the low volume segment, smaller internet retailers have a larger significance in online sales.

This market development is 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. However, direct online sales are usually difficult to realise for DC producers as they do not have a warehouse in Europe.

**Considerations for action:**

Build up a clear background story for your wines, highlighting your unique selling points, which can be used by your customers for their online sales.

Do not invest in online sales yourself, as distribution and customer service from your own country can be very difficult.

To start with sales to the specialist retailer or on-trade importer in the EU, it is necessary to have an EU warehouse.

## Economic market drivers

**Pricing is an important driver:** Within the Dutch market, pricing remains the most important market driver. Dutch consumers not only prefer off-trade market channels because prices are lower and have sharply priced offers; they also demand low prices in the on-trade market channel. Prices for wine are currently on a tipping point where it is no longer sustainable to continue the low pricing. In the future,

**'Pay-Bas is Prix-Bas as the French say'**

**- Industry sources on pricing in the Netherlands**

they will have to go up in order to sustain sufficient margins for all players in the supply chain.

**Considerations for action:** Make sure to sell your wine at the right price points within its segment.

**Branding is difficult:** Within the middle and premium market, competition is fierce. Therefore, branding can be an important instrument to let your wine stand out from the rest. However, it is very difficult in the Netherlands to build a brand. As listing fees in supermarkets are high, it can be very costly to buy yourself into the market.

Most large supermarkets do not want to see "their" brands in other channels, which makes you dependent on only one sales channel, leading to higher risks of your business's sustainability. Moreover, supermarkets are more often offering private label wines.

**Considerations for action:**

Consult Dutch importers about your product. If they think the price points of your wines are right, they will think along with you to maximise exposure without having to pay the high listing fees.

Directly sourcing to supermarkets is only possible if you can supply a high volume at low price points. This is even stronger for private label wines.

Be aware that sourcing only one supermarket makes you vulnerable as you only can supply one retailer.

## Environmental market drivers

**Sustainable supplies:** Although the organic niche market showed a strong growth in the last years, organic certification only offers limited benefits to exporters. In 2010, wine made from organic grapes amounted to 3.5 thousand hectolitres, which is less than 1% of total sales. In the Netherlands, many consumers are not fully aware of the characteristics of organic wine or have doubts about the claim. Therefore, DC producers must be aware that certification can be an expensive process and the return on investment might not be high under current market conditions.

Nonetheless, buyers in the Netherlands expect suppliers to apply sustainable practices. 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.

## Political market drivers

**Tax and excise increases:** As a measure to increase governmental income, the Dutch government has decided to increase taxes and excises on wine. The VAT on wine increased from 19% to 21% per 1 October 2012. In addition the excise on wine increased by 18% as of January 2013 (see table 1). In 2014, excises were increased by another 5.75%. According to the Association of Dutch Wine Traders, the policy measure led to an 8% reduction in Dutch wine sales in the first half of 2013 after 20 years of growth. The measure also stimulated consumer purchases over the border where excises are lower. Finally, the Dutch wine sector also estimates that the increased excises will influence brand loyalty and price points, but is unsure to what extent.

**Considerations for action:** Low alcohol wines can be an interesting option for Dutch buyers: 1) the excise tariff is lower, 2) consumers drink more as they are less inclined to hold back due to the low alcohol percentage.

	<b>Tariff 2012</b>	<b>Tariff 2013</b>	<b>Tariff 2014</b>
<b>Still wine</b>			
≤8.5% vol alc.	€ 35.28	€ 41.78	€44.18
8.5 – 15% vol alc.	€ 70.56	€ 83.56	€88.36
>15%vol alc.	€ 122.75	€ 122.75	€129.81
<b>Sparkling wine</b>			
≤8.5% vol alc.	€ 45.63	€ 45.63	€48.25
>8.5%vol alc.	€ 240.58	€ 240.58	€254.41

**Dutch Wine Board will end its activities:** As a result of political decisions at the national level, the Dutch Wine Board, a semi-governmental organisation for the Dutch wine sector, must discontinue its activities in 2015. This could hamper Dutch retailers and on-trade sales channels in terms of product knowledge and promotional campaigns. Part of the promotional activities by the Dutch Wine Board will be taken up by the Royal Dutch Association for Wine Traders (<http://www.kvnw.nl>; Dutch only). Some of the other activities will be taken over by two new foundations.

**Considerations for action:** It might be beneficial if you first sell the 'country' and then the wine. See if your national wine association or tourism board has a promotional programme in the Netherlands.

This survey was compiled for CBI by ProFound – Advisers In Development in collaboration with CBI expert Theo Jansen

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