

# PRICE CONSCIOUS BUT OPEN MINDED

French wines lost the top spot in the Dutch market to South Africa a decade ago. Today, Holland's market is wide open, observe Ronald de Groot and René van Heusden. While good value still rules, consumers are showing more willingness to dig deeper into their pockets – as long as the product is right.

Dutch consumers have always had a reputation for being extremely price conscious, dating back to the seventeenth century, when the Dutch wine trade played an active role in western France. Given the fact that even today three quarters of all table wine is sold through supermarkets at an average consumer price of only €2.62 per bottle, including 19% value added tax, this assumption has a hint of truth in it. The good news, though, is that after several years of decline that price level has at least stabilised.

There are also other positive developments. Alongside the supermarkets, there is now a higher profile part of the market. Hence, the Netherlands boasts a wide choice of fine wines, distributed by several hundred small to medium sized importers specialised in quality. The import database of the National Wine Information Centre lists, excluding those stocked by supermarkets, runs to about 38,000 different wines on offer. The traditional outlets, called *slijterijen* in Dutch, are typically mom and pop stores that sell wine as well as hard liquor, and have been in steady decline for many years. Meanwhile, specialised wine stores that appeal to both novices and more experienced wine drinkers are flourishing. Wine lists in restaurants also show a developed wine culture.

## Steady growth

Each year, the Dutch purchase and drink almost 300m bottles of wine. The official figures of the *Productschap Wijn* – the government agency responsible for wine at the Ministry of Agriculture – show that per head consumption in 2006

stood at 21.5 litres, up from 17.1 in 1996, and much higher than the 14.9 of 1986. Analysts expect this steady growth will continue over the next few years.

According to ACNielsen, red wines commanded a market share of 49.1% in 2006, white wines of 37.4%, and rosé wines of 13.5%. Though these figures are

1	Benchmark Data	www.nl
Inhabitants:	16.6m	
GDP nominal:	\$625b (€426b)	
Currency:	€	
Legal drinking age:	16	
Per head annual consumption:	21.5 litres	
Total imports:	412.6m litres	
Annual volume sold:	261m bottles	



for supermarkets only, it is safe to regard them as representative of the entire market. Since 2000, the popularity of rosé wines has risen to a record high. Insiders like Birthe van Meergeren, the category manager wine for the country's leading high street chain Gall&Gall, which has over 500 outlets nationwide, don't expect much further growth in market share. However, volume may continue to rise as a result of the general

increase in wine consumption. A more recent trend is the growth of sparkling wines, especially Italian Prosecco.

Still in a niche position, but rapidly gaining attention from health conscious consumers and importers alike, are organic wines. Some larger players in the market, like the Baarsma Wine Group Holding and Coenecoop Wine Traders, are anticipating further serious category growth in the near future and have already taken over specialised importers in order to be prepared. Another noticeable shift in preferences among Dutch wine drinkers is that towards lighter and more elegant wines, both in terms of alcohol and flavour. Oaky fruit bombs are on their way out.

## Who is successful?

Traditionally, the trade focused almost exclusively on French wines. Today, the market is more open, with wines from all corners of the world well represented. Although France no longer has a virtual monopoly on wine sales, it is still by far the most important country of origin. After a steady decline in market share, though not necessarily in volume, there are signs that this evolution has come to an end. What remains is an image problem. France's serious loss in ground for struggling generic appellations like Bordeaux, Beaujolais or Muscadet has mainly been compensated for by varietal wines from the Pays d'Oc. Promotional money has been spent in supermarkets to bolster sales of those older regions, but with little success. However, the consumer's shifting preference towards fresher, more classical wines should help France's recovery.

MARKET WATCH

Germany, of the other major European countries, is again doing well after many years in the doldrums. Their new generation Classic wine has proven to be very successful in supermarkets, while top dry Rieslings have reappeared on the wine lists in first class restaurants. Value, however, lags far behind volume.

Spain comes in third place. Thanks to continuous promotion by Vinos de España, a whiff of New World wine-making and value-for-money offerings, Spanish wines have been doing well for several years now – and not only at low prices. On the other hand, the extra campaign efforts for sherry have clearly been less successful, as sales continue to fall. Italy is not visible in promotion at all, but its wines are garnering more attention. As is the case with those of France, they are perceived as more classical and food friendly.

*New World challenge?*

A few years ago, there was serious speculation among trend watchers that

QUOTE UNQUOTE

» We are now selling more French wines to supermarkets, with demand for Rhône appellations like Gigondas and Châteauneuf-du-Pape, as well as Cru Bourgeois, strong. «



Joris Snelten is the CEO and senior wine buyer with DGS, one of the top five importers in the Netherlands. He sees a comeback of Old World wines.

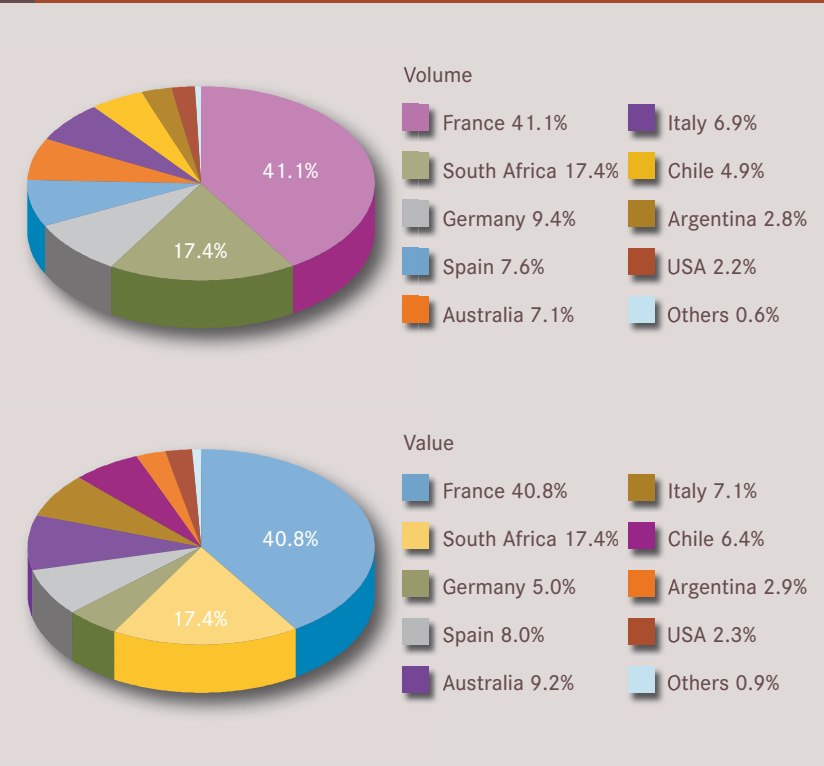
New World wines might, in volume at least, overtake those from Europe in the long run. Recent developments, however, point in the other direction.

Due to its Dutch connection, South Africa has always been by far the most important player from the New World. It experienced a decade of unprecedented success until last year, when plummeted. Despite renewed promotional activities, South Africa is still suffering. The Cape's weak point has been that its image was too heavily based on, and consequently undermined by, cheap brands like

Kaapse Pracht, sold through the hard discounter Aldi. The challenge, given its current reputation, will be to convince the public that real quality also comes from South Africa, albeit at a higher price point.

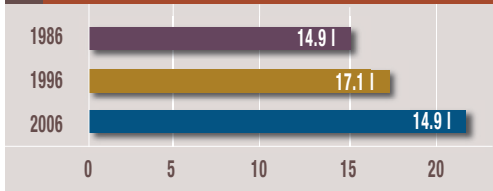
Of the New World countries that perform well, Chile is now an established household name for the Dutch consumer – and despite their low profile promotional activities and rising prices, relative newcomers like Australia and Argentina appear to be on the verge of a true breakthrough into the market.

1 Imports by country



France and South Africa are the undisputed market leaders. Some countries like Germany move considerable volume at low prices, others like Australia punch above their weight in value....

2 Increase in per head annual consumption



In just twenty years wine consumption has grown by 44%.

3 Off license sales per channel

Total sales in volume:	2006: 261m bottles, 2005: 254 m bottles
Total sales in value:	2006: € 684m, 2005: € 667m
Red in volume:	2006: 129m bottles, 2005: 132m bottles
Red in value:	2006: € 348m, 2005: € 357m
White in volume:	2006: 98m bottles, 2005: 95m bottles
White in value:	2006: € 242m, 2005: € 234m
Rosé in volume:	2006: 34m bottles, 2005: 27m bottles
Rosé in value:	2006: € 94m, 2005: € 76m

Although total wine consumption has grown, red wines have lost ground for the first time in recent history. White wine consumption increased slightly, but it is rosé that has skyrocketed, from 9m bottles in 2003 to 34m bottles in 2006. Moving annual totals to October 2006 compared to October 2005.

Brands in the Netherlands are a topic of their own. It's difficult to list a 'top ten' as is seen in other markets. Whether they be commercial brands or appellations, all are to some extent struggling. The strongest position is held by appellational brands that have a solid position based on the history of their region: Bordeaux, Champagne and Sherry.

On the other hand, is nearly impossible to create a strong wine brand in the Netherlands. Examples of the inherent difficulties are easy to find, with JP Chenet - still one of the most important brands in the market - and E&J Gallo being the most well known. JP Chenet was for a time well positioned until it became the subject of a price war between supermarkets. When discounters offered it at rock bottom prices, every other retailer lowered prices - and margins crumbled. As a result few are happy to promote it; but because of the perceived demand it is still on the shelves.

E&J Gallo failed in a different way. About ten years ago, it moved into the

## QUOTE UNQUOTE

» Supermarkets see that some customers are now prepared to pay more for quality. The price wars are more or less over, so there is room for margins, which is good for the trade. «



*Jaap Sonnemans is marketing manager at LFE, part of the Castel Group.*

market aggressively with large marketing budgets, which made its offerings relatively expensive compared to those of their competitors. With price points perceived as inflated for the quality delivered, turnover was lower than expected. Predictably, due to their poor profitability per facing, the supermarkets took the wines off the shelves. Gallo has lost a lot of shelf space - and their Dutch offices are practically dismantled.

True believers in wine branding are thus no longer so sure about the Dutch market. There is a general tendency

towards buyers' own brands with higher margins and assured exclusivity. Also, the fact that a number of brands such as Hardys, Penfolds, Mondavi and others changed importers recently tells a story. Brands tend to be demanding, as they dictate prices, quantities and promotions. Instead, the market is moving more towards soft branding. Big producers that listen to their customers and adapt their wines and labels to their wishes are doing well. The Plaimont cooperative in southwestern France works that way and reports rising sales. ■