

AUSTRIA: SMALL AND SEDUCTIVE



Austria's stunning success in markets like the United States, Germany, Switzerland and the Netherlands is all the more remarkable if one considers the small size and fragmented structure of this Alpine country. For the first time in history, exports exceeded the mark of €100m. Such success, though, is no accident. Grüner Veltliner and company have been being skilfully positioned as niche products: new, sexy and full of character, but by no means too fancy. Austria's wines are perfect for innovative wine merchants, trendy wine bars and ambitious sommeliers from Tokyo to Los Angeles. In times of global production and interchangeable profiles, this is a clever strategy that promises great payoffs in the long term.

“When speaking of the growth of Austrian wine in Norway, I believe ‘booming’ is the right word to use.”

Arne Ronold, Journalist and MW, Norway

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2007 was a watershed year for Austrian wine exports. Not only did value surpass the magical €100m barrier for the first time in history, but the majority all Grüner Veltiner, Zweigelt and Blaufränkisch leaving the alpine country now does so in bottle, not bulk. Since the Millenium, the volume of bottle wine in the export mix has risen 147%, value by 161% and the average price per litre by 168%. A finely focused strategy on quality is obviously now beginning to bear fruit.

Even the Austrian Wine Marketing Board, better known as ÖWM in the wine world, was visibly surprised by the final statistics. In early January, general director Willi Klinger and his staff were still expecting total exports to remain slightly below the €100m mark. Even that would have been a new record, but it turned out much better. Owing to a remarkably strong December, value soared to €105m, of which €92m stemmed from bottled wine exports. In order to correctly interpret these numbers, a survey of past results is of use here. Exports in 2000 came to the modest sum of €40m, with an average price per litre of only €1.12. Even if you deduct the inexpensive bulk wines, bottled wines still weighed in at only €2.24. Today the average price is €1.88. For bottled wine exports, that number has risen €2.57 per litre or €3.42 per 0.75 litre bottle.

In other words: Austria has increased exports by 56% since 2000, pushing up bottled volume by 147% and value by 161%. The average price per litre rose by 168%. Impressive numbers, but what are the reasons for Austria's export success? A combination of factors, with quality, obviously, heading the list. Without quality, such an increase in volume and, more importantly, in value would never have been possible.

FACTOR 1: QUALITY

Among experts, Austria's wines have enjoyed a high level of appreciation for many years, but this was not always the case. In the 1990s, a great deal of persuasion was required to move attention beyond the loyal circle of domestic imbibers and convince wine lovers abroad of the quality of Austrian wines. To do so, the ÖWM availed itself in the late 1990s of a means still quite popular today: it invited journalists and sommeliers to attend a comparative tasting of the finest 1995 Grüner Veltliners with a similar number of hand-picked Burgundies from the same vintage. The Grüner Veltliners took all three top prizes.

Members of the foreign press, insofar as they had not participated in the tasting themselves, greeted the initial outcome with understandable scepticism. Later, though, similar tastings corroborated the results. In 2002, the ultimate accolades followed in London when Jancis Robinson requested that the duel be restaged. This time, though, the tasting took place according to her rules. There were no constraints on vintage, and the team of white Burgundies was enhanced by renowned Chardonnays from Italy as well as the New World. The result caused a stir when first place went to the 1990 "Vinothekfüllung" from Emmerich Knoll, followed by the 1997 Lamm from Willi Bründlmayer. In third place was the Velich Tiglat Chardonnay 1997, also from Austria. Seven Austrian wines, including five Grüner Veltliners, numbered among the top ten.

From then on, Austria received plenty of attention from the English trade press. There was still a long way to go, though, before that conceptual breakthrough could be translated into sales in markets such as Great Britain and the United States.

Ironically, while Austria won the press with its lush Grüner Veltliners of Burgundian style, the country owes its triumphant breakthrough and sustained success in ex-





Grüner Veltliner: fingerprint of the Austrian wine trade

Except in Styria and the southern Burgenland, this flagship grape is well represented in all Austrian wine regions. Its peppery piquancy is a leitmotif for all the individual types. Here is a short survey:

Weinviertel: The most peppery type of them all, with lively crispness and apple fruit and partial floral accents.

Kamptal and Wagram: Preponderantly shaped by the loess soils, with full fruit touching on the exotic. When picked at full maturity, quite a bit like a Burgundy.

Wachau: The firmest Grüner Veltliner, moulded by terraced rocky soils, with clear minerality. In addition, citrus to stone fruit aromas.

Kremstal and Traisental: The two regions with the greatest stylistic diversity, ranging from the prehistoric rock type from the Wachau to the typical Veltliner derived from loess soils.

Northern Burgenland: The most exciting Grüner Veltliners of the Burgenland grow on the west bank of the Neusiedler Sea on the chalky, slate slopes of the Leitha mountains. Veltliners with a subtle minerality, mild acidity and Burgundian accents thrive here.



port markets to its fresh, light and lively Grüner Veltliners and, not to be forgotten, its autochthonous red wines, Zweigelt und Blaufränkisch. Specialties like Riesling from the Danube as well as Sauvignon Blanc and Gelber Muskateller, stemming originally from Styria, have slowly established themselves all across Austria and now reign supreme, particularly on the domestic market. Their counterparts in the red wine segment are Sankt Laurent and Pinot Noir. Excellent conditions are to be found for both in the wine country of the Thermenregion, Burgenland and north of the Danube as well, all yielding excellent wine.

FACTOR 2: AUSTRIAN WINE AS A NICHE PRODUCT

In spite of the enormous diversity of domestic grapes, when it comes to exports, Austria is defined principally by its three major grapes: Grüner Veltliner, Zweigelt and Blaufränkisch, which together cover more than half of its vineyards. With an annual production of just over 250m litres, such concentration has proven itself a prudent decision, the more so as the three grapes occupy highly interesting niches in the global wine portfolio.

Owing to its distinct pepperiness, combined with a charming fruit, Grüner Veltliner has a one-of-a-kind profile. Depending on microclimate, soil and the maturity of the grapes at the time of the picking, styles range from apple to opulent exotic fruit. Its acidity is less pronounced than Riesling, but even when picked at full ripeness, Grüner Veltliner nearly always shows a distinct crispness – and crispness is certainly one of the factors that has made Austria's red wines, based on Zweigelt and Blaufränkisch, a cut above the international standard. Moreover, both grapes boast a decided fruitiness, which pairs quite well with current consumer tastes in many countries. Depending on the flavour profile desired, the choice is between the more richly tannic and structured Blaufränkisch or the more accessible Zweigelt.



*above left: Unmistakeably spicy Grüner Veltliner.
above right: Austria's wine landscapes, as here in Styria, are certainly some of the most beautiful in the world.*

left: The winery of Gernot Heinrich in Gols.

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FACTOR 3: PROFILES OF ORIGIN

The current discussion about the distinct profile of individual regions is nothing more than the logical result of the rapid enhancement of quality that has occurred in recent years. Technically, Austria's wines have long been beyond reproach. Even in the basic range, they have always shown pure varietal character. Thus, Austria's wine trade decided to develop profiles of origin. On 1 March 2003, the first controlled designation entitled Weinviertel Districtus Austriae Controllatus, or Weinviertel DAC, broke ground. Target? To improve the image of the Grüner Veltliner typical for the Weinviertel and to better acquaint consumers with its inimitable peppery taste profile. Since then, the volume of Grüner Veltliner sold as Weinviertel DAC has risen year for

year, a confirmation for all those who, from the beginning, campaigned for marketing the origin. Nonetheless, after the launch of Weinviertel DAC, it took time before the process gathered steam. Then, over the course of the past two years, further developments followed rapidly: Mittelburgenland became the first red wine region to step toward controlled origins with its Blaufränkisch. Moreover, a second tier of quality was established with the additional designation of "Reserve".

Meanwhile, the Traisental, which is only barely known outside Austria, and its more renowned northern neighbour, the Kremstal, made the decision to join the race. The Kremstal did so with the most complex structure so far: two grape varieties, Grüner Veltliner and Riesling, as

above: The red-white-red seal is Austria's mark of quality.

upper right: Wine is cause for celebration in Austria

right: Gemütlichkeit (comfort? cosiness? snugness?) is hard to translate, but an integral part of Austrian culture.





well as two quality levels, Kremstal DAC and Kremstal DAC Reserve. It is expected that the Kamptal will soon follow with a similar structure.

Whether with or without controlled origins, wines that are typical for a region - and moulded by its soils and microclimate enjoy widespread appreciation among Austria's vineyard owners. But *terroir* cannot be generated in the cellar. A distinct regional character, not limited to the vagaries of climate, can only be based upon vineyard practices that are rooted in nature. Not surprisingly, many of Austria's leading estates are in the process of converting their operations to organic or even biodynamic farming. The total organically grown vineyard area has grown in the past year by more than 40% to

roughly 2,500 hectares. Around 320 hectares of these are officially farmed biodynamically.

Of course, not all wineries are on this path, but even those who farm their vineyards "conventionally" do so in an environmentally sound, sustainable fashion and are addressing that pivotal question: "How do I ensure that the vineyard's character is reflected in my wine?"

This sort of production, both natural and artisanal in the best sense, is a vital part of the puzzle in positioning Austrian wine as a niche product. "Natural instead of commercial, artisanal instead of industrial, family owned and operated companies instead of corporate groups, full of character instead of uniformity, based on nature instead of technology." With this

strategy, Austria has secured for itself a piece of the global wine pie. Even the few larger operations like the Winzer Krems or Lenz Moser are, when compared to their internationally brethren, down-to-earth family companies.



Gerhard Elze,
ÖWM:

"The consistent labour that Austrian growers devoted to the wine trade in Germany, even in bad times, is now bearing fruit!"



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No wine growing region is more than two hours drive from Vienna, the country's cultural centre. A quarter of the population lives in the capital, feasting on a surprisingly colourful media and remarkable culinary landscape. It is no coincidence that the revolution in crystal stemware traces its origins back to Austria. This environment has enabled ambitious winemakers to gain nationwide prominence and build a market for their wines in only a few years.

FACTOR 4: GOURMET COUNTRY AUSTRIA

The rapid and, above all, sustained quality growth in the Austrian wine scene has a great deal to do with the physical characteristics of the country: With a total land mass of only 84,000 square kilometres, roughly one-fourth the size of Germany, Austria is a small country. No wine growing region is more than two hours from Vienna, the country's cultural and social centre. Not only does a quarter of the population reside in the capital, but there is a surprisingly colourful media landscape there that boasts a plethora of wine and gourmet publications. Even the daily press and television stations devote lots of space to food and wine. There is hardly any other country so orientated towards enjoyment as the Austrians - and their culinary level is remarkably high. It is no coincidence that the revolution in glass culture at the dining table traces its origins back to Austria. Wine as a means for enjoyment is firmly anchored within Austrian society. Today it is *de rigueur* to be wine literate and seminars at the Austrian Wine Academy have boomed.

This environment has enabled young, ambitious winemakers to gain nationwide prominence in only a few years and build a corresponding market for their wines. Their geographical proximity to one an-

other has resulted in an intensive exchange between growers. Such a competitive environment means producers can't slacken in their efforts - and that lends a peerless dynamism to Austria's wine trade. This is highlighted by the astounding volume and diversity of new, state-of-the-art wineries. A veritable feast in wine architecture! The proof? A widely acclaimed exhibition dedicated to the subject has been running in the United States since September of last year.

*upper right: In spite of their sophistication, Austria's winemakers remain attached to the soil.
right: Public magnet, the Loisium in Kamptal.*





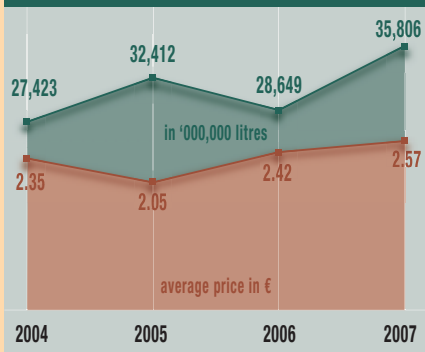
Despite the stable domestic market, Austria's wine producers neither want nor can they rely on the eternal loyalty of their compatriots or the numerous holiday guests who contribute to the high total Austrian wine consumption. A healthy export ratio of one third now ensures additional stability to the red-white-red, named after the colours in Austria's flag, wine trade.

Even as late as 2003, the situation was hardly satisfactory. Of the exported 85m litres, more than 60m left the country in bulk, mainly to be processed into sparkling wine. Germany (63%) and the Czech Republic (25%) were the main buyers. Italy, too, stocked up on commodity bulk. Other than that, only Switzerland (1.3% in volume, but

FACTOR 5: EXPORT STRATEGY

6.2% in value), the United States (0.8% of volume, but 5.7% in value) and Poland, as yet another buyer of bulk for sparkling wine, could have been designated as serious export markets. All the other major importing countries, such as Great Britain, Scandinavia, the Netherlands and Russia,

Evolution of Austrian bottled wine exports 2004 to 2007



Daniel Hubbard,
Domaine Select
Wine Estate:

“Not only in the classical strongholds even in Washington, Oregon and Tennessee, the demand for Austrian wine is on the rise.”

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moved Austrian wines in homeopathic doses, with their export shares being less than 0.1%.

By the end of 2007, exports looked entirely different, as becomes clear when the major markets are examined.

Germany: Change of course

Germany was, is and will remain by far the most significant export market for Austrian wines. Here, though, a remarkable change has taken place in recent years. In 2003, the import ratio was two-thirds bulk to one-third bottled wine. Today, it is just the opposite. At the same time, the average price of both imported bottled as well as bulk wines has risen noticeably. In Bavaria, Grüner Veltliner has soared so high as to become a serious alternative to the Italian

Pinot Grigio. In other words, at least in Bavaria, Grüner Veltliner has firmly established itself in the major leagues; indeed it ranks in the top third of the charts. In the wake of Grüner Veltliner, Zweigelt enjoyed



similar growth and now hardly trails behind its white counterpart in popularity and prominence. Two further strongholds of Austrian wine lie in Germany's north: Hamburg and Berlin. There, Grüner Veltliner has gained a firm position on the wine lists of the upmarket gourmet temples, as well as conquering a secure spot on the menus of young, modern, international restaurants.

This was an ideal starting point to conquer, on a step by step basis, the rest of the country. The rapidly growing interest of the large food retailers attests to the greatly burnished image of Austrian wine. Both Lenz Moser and Winzer Krems, Austria's largest players in the German trade, have reported rising sales, in particular in the premium sector. Friedrich Wimmer, marketing head for Lenz Moser, is happy about the development: "A large part of last year's 14% growth is due to increasing demand for our two top lines." In the specialised trade sector and in gastronomy, Austria is gaining momentum, too: "We started early with Austria and that is now paying off," is how Rudolf Knickenberg, general manager of the importer Schlumberger, explains his experience. Conversely, Oliver Thieme, managing director of competitor CWD, the specialised importer of the market leader in the mail-order sector, Hawesko, regrets not having



above: Perfect style: the tasting room at the Neumeister estate in Styria.

upper right: Vienna and wine: the capital not only has its own vineyards, but all other wine growing regions are within a two hour drive.

right: The winery of J. Heinrich in Deutschkreutz, Mittelburgenland.





stuck with Austria: “Five years ago we made an attempt with a broad product range, but gave up too early. If we had followed through, we would have built strong brands that sell by now.”

“Gastronomy, specialised trade and the upmarket retail food trade remain the most important partners in the distribution of Austrian wines. It may be observed, though, that even the discount trade is taking Austrian wine seriously and now offers a Grüner Veltliner to the consumer for about €4,” explains Gerhard Elze (ÖWM), betting on continuity. There had been concerns in Austria that the growing popularity of German wines on the domestic market might turn out to be a stumbling block for Austria, but the very opposite is true. “Both styles of wine may be similar, but they are autonomous and complement each other well”, according to Elze. In fact, taste in Germany today goes toward fruit and crispness, so it ends up being more or less a home game for Austria.

Switzerland: Red wines ahead by a nose

As an export market for bottled Austrian wine, Switzerland has long been the uncontested number two after Germany – and since 2004, this market has been booming. Volume and value have nearly doubled in

that short time and, since 2000, almost tripled. What distinguishes Switzerland from all other major export markets is the predominance of red wines, but that is something Markus Nauer from Nauer Weine does not wish to overstate. He is one of the experts for Austrian wines in Switzerland, selling to both private customers and the catering trade: “Basically all wines are sought after – red, white and dessert wine – provided they are of a certain standard. For all practical purposes, you cannot sell a bottle for under 10 Swiss francs, with the largest sales attained in the range from 13 to 18 francs. These are offered on-trade by the glass – and increasingly, consumers are stocking up on high quality products. Most know the Wachau, perhaps Burgenland and

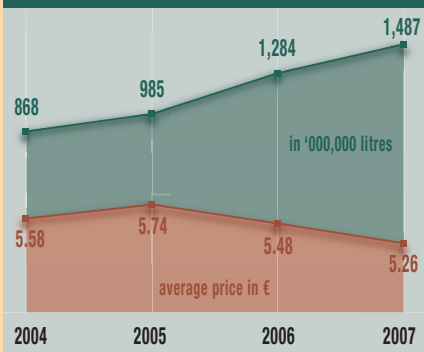
possibly Styria. All other regions are unknown, but that doesn’t apply to the wines.”

Around 400 wineries are currently represented by 200 importers. “In Switzerland, we are riding an enormous wave of sympathy. The Swiss appreciate good wine and they find it in ours,” says Susanne Staggl (ÖWM), quite pleased with the current development.

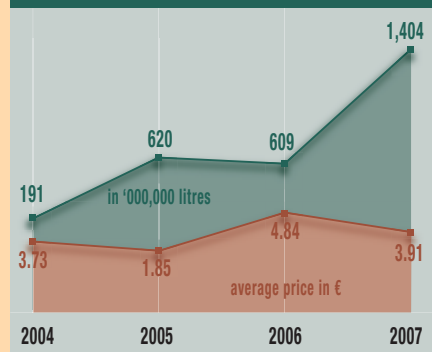
USA: ‘Gruner’ is *en vogue*

There are thousands of glamorous, modern restaurants in New York – and every self-respecting sommelier has a formidable selection of wines on offer. Among them, ten or twelve are served by the glass. These are the wines that sell particularly well, and among their number you will find with conspicuous frequency a Grüner Veltliner. “For the past couple of years, the United States

Bottled wine exports to the United States



Bottled wine exports to the Netherlands



Markus Nauer, Nauer Wein:

“Consumers know the Wachau, perhaps the Burgenland and possibly Styria. All other regions are unknown, but that doesn’t apply to the wines.”



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In the beginning, the Austrian Wine Marketing Board chose to emphasize only upmarket wines in the United States. In relation to value, volumes were homeopathic for over ten years. Now the market is ready for wines with broader appeal - and the results are impressive. Since 2000, the volume of wine exported to America has quintupled and value quadrupled. In New York, 'Grüner' has almost cult status. Even at \$30 a bottle, they are viewed as excellent value for money.

has been nothing less than a fairy tale success story. Last year we reached six digit volumes in exports to the United States for the first time, and it appears that another jump in volume is still in the cards for this year," according to Ludwig Holzer, who adds: "Further, we are moving at a different price level here than in Europe."

Willi Klinger, the head of ÖWM, who is personally overseeing the American market, views that as a confirmation that the chosen strategy was the right one: "In the beginning, we were consciously offering high-priced products; in relation to volume, it was pure homeopathy for ten years. Now the American market is ready for wines with broader appeal, like a Hugo or Lois." To a cer-

tain degree, the whole thing runs along the line of 'Grüner Veltliner, the better Pinot Grigio', as one hears from importers. Naturally the average price is incrementally declining as the market grows, but we're still moving on quite a good level."

The numbers are impressive. Since 2000, the volume exported to the United States has quintupled and value quadrupled. Besides New York, where the "Grüner" has near cult status, Austria has made breakthroughs in other wine strongholds like Chicago, Boston, Florida and California. And not just there: "In Washington, too, in Oregon and even in Tennessee, the demand for wine from Austria is on the rise," reports Daniel Hubbard from Domaine Select Wine Estate. His company has

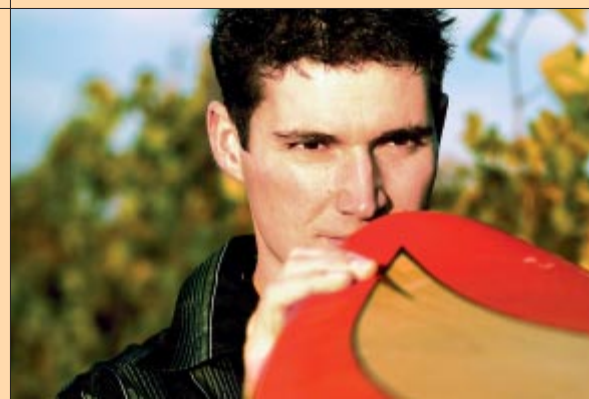
been importing Austrian wines since 2003. "With the 2005 vintage, business really got going and, for the first time, we sold faster than expected. In 2006 there was another fantastic increase. Right now, Austria is succeeding on two levels. First, we have affordable, modern, brand-like wines sold for \$10 that are capable of introducing Austrian wines to a new audience. Secondly, we have wines for the upmarket sector, which may very well cost \$20 or even \$30, but are persuasive by their excellent value for money."

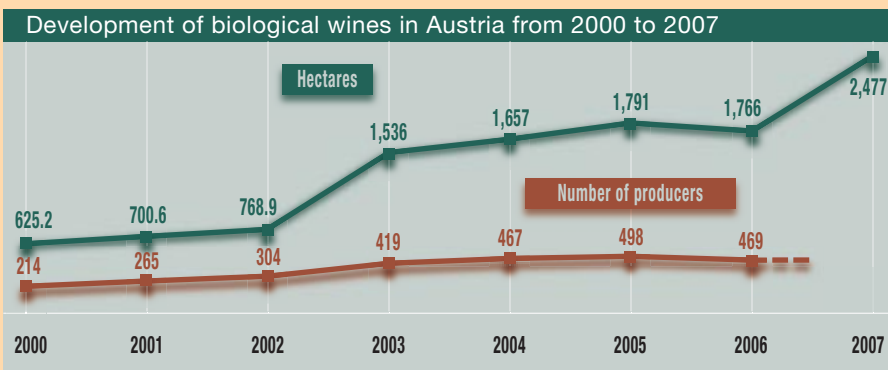
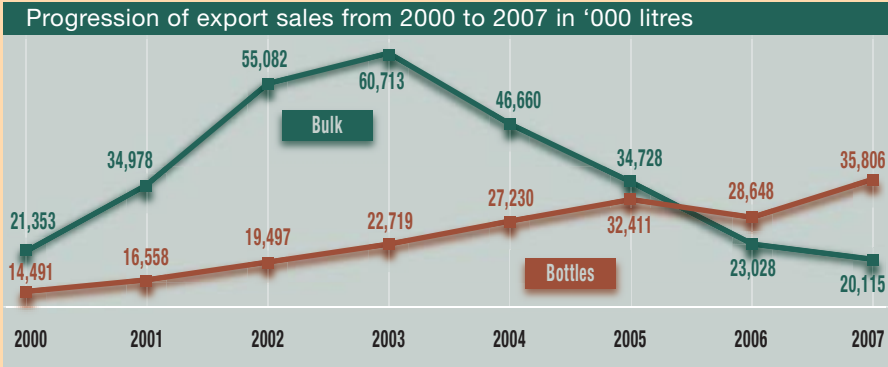
The Netherlands

"The Netherlands is slowly learning that Austria is not just mountains and snow. The enthusiasm among wine lovers is



right: Erich Scheibhofer's powerful wines embody an international style





huge,” says Susanne Staggl. Since 2004, exports have virtually exploded. Since then, both volume and value have grown sevenfold. A major share of this can be attributed Regina Meij and her company Imperial. “I started with Austria 13 years



ago. That was initially ground breaking labour, but I was persuading customers with quality. Although that’s the only way to establish a durable image, it requires time. I chose the path via upmarket gastronomy, a top-down approach, so to speak. The people who tasted the wines are sticking with them. They are certainly not inexpensive, but for that type of premium quality, they still offer value for money. In the meantime, Austria has arrived in the middle market, too. Owing to that fact, volumes are soaring. Now the specialised trade and retail food trade are becoming interested. Importers with an international product range are adopting Austrian wines as well. If I say today that I import wine from Austria, their response is: ‘Ah, yes, Grüner Veltliner.’ This style of wine is now quite hot in the catering trade.”

Emerging Markets

The four largest export markets are not alone in providing dynamism to the export balance. The ‘future markets’, too, are bringing joy to the Austrians.

The combined Scandinavian markets now move on par with the Netherlands. “When speaking of the growth of Austrian wine in Norway, I believe ‘booming’ is the right word to use,” says Arne Ronold, journalist and MW, describing the rapid rise of the wines with the red-white-red seal in Norway. “In 1999 total sales of Austrian wines through Vinmonopolet amounted to only 7,000 litres. In 2007 that figure rose to 288,000 litres, more than 40 times more than eight years ago! Of this, 89% is white wine, dominated by Grüner Veltliner and Riesling. Schilcher takes the remaining 11%. While sales of Austrian red wines are insignificant, sales of white wines through the monopoly rose by 124% from 2006 to 2007 – and this trend is continuing into 2008. Among the restaurants, many of the finest ones, including Bagatelle, Feinschmecker and Statholdgaarden, are listing premium white wines from Austria and I believe they are quite successful.”

The dynamism in Sweden and Denmark took the cake last year, with a jump in import volumes of 134%. In Denmark, even the retail food trade has adopted a growing fondness for



Regina Meij, Imperial, Netherlands:

“Grüner Veltliner is very successful by the glass in restaurants in the Netherlands. The people who taste them then stick with them.”



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Austrian wine. That, as a rule, is an unmistakable signal that a breakthrough is on the horizon. For years, Great Britain ignored the overtures of Grüner Veltliner and company. In the past two, though, there have been clear signals that this “resistance” is fading. Distribution in the upper segment of the catering trade is on a spree and the number of listings in the off-trade is rising. “Very slowly, consumers in Great Britain are climbing on the bandwagon, too, succumbing to a certain Austrian euphoria, which had already existed in the press for years,” says Susanne Staggl (ÖWM).

If you keep your ears open on the Austrian slopes, you quickly realize that Russia is a genuine future market for Austrian wines. “Tourism, especially in the winter, shapes an awareness of wine from Austria,” ÖWM associate Christian Dworan confirms. In Austria’s top hotels, Russian guests are learning that there are premium Austrian wines. “The demand for prestige products in Russia is enormous. The wine market there, though, is still fiercely contested,” according to Dworan. Exports to Russia hardly reflect the true conditions of the market, as grey market imports via third countries are not registered.

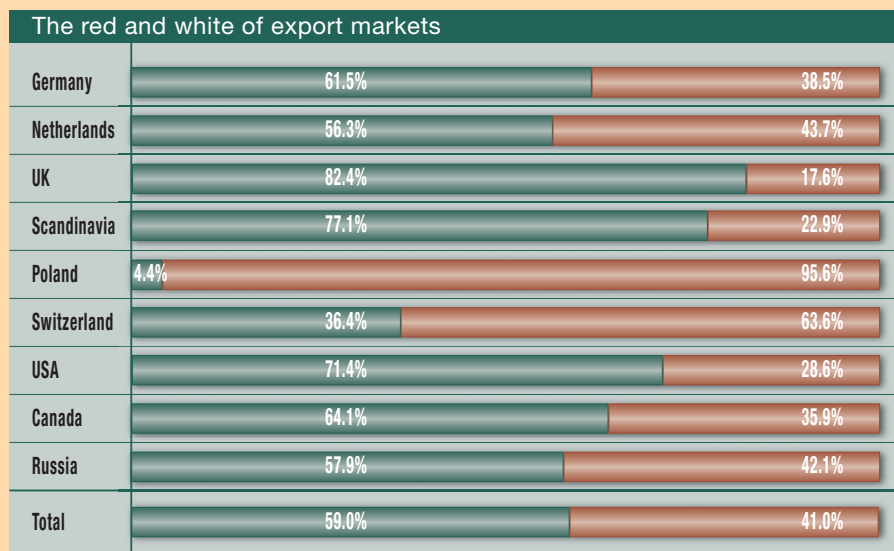
As well as through Germany and the Netherlands, there is probably the occasional litre of Austrian wine finding its way to Moscow on the parallel market through Poland. Incredible as it sounds, export volumes to Poland have risen sevenfold from 2006 to 2007. Like elsewhere, a leisure class has been forming in Polish cities – and they are stalwart wine aficionados, causing the average price of bottled Austrian imports, red and white alike, to jump from €2.87 to €4.48 last year. Bulk red wines also had their share in the exponential market growth, with their volume shooting from zero to 350,000 litres, at a remarkable average price of just under €2.80 per litre.

That said, Austria has not managed to make a breakthrough everywhere. At least not yet. Canada remains a headache. “We simply haven’t made any real progress,” reports ÖWM head Willi Klinger and Ludwig Holzer, export manager with Winzer Krems, in similar tones: “Although we’ve been active in Canada for thirty years, growth there has been stagnant over the last ten years. Compared to the United States, it’s a difference of day and night.”



above: The Kremstal has its own DAC since 2008.

Asia, too, currently takes little notice of Austrian wine. “There are auspicious beginnings and a number of potential buyers”, says Klinger, who senses an opportunity he would like to seize upon with the tried and tested strategy: “We will go into the catering trade there with our premium wines and work our way down.” Along the lines of: “What has worked in the United States, Switzerland and the Netherlands will not go wrong in Asia.” If it ain’t broke, don’t fix it, appears to be a safe assumption.



Willi Klinger, ÖWM:

“The paradigm shift is remarkable. We began selling rich, succulent and mature wines. Today the market is also open for classically crisp and lively Austrian wines.”



Meininger’s Wine Business International Dossier
with the help of the Austrian Wine Marketing Board
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