Wine Business Solutions

Wine On-Premise

Germany 2020

The primary purpose of the On-Premise distribution effort is to attain listings. That is what Wine Business Solutions' (WBS') 'Wine On-Premise Germany 2020' measures. For over 10 years, WBS has been conducting this research in markets including Australia, The USA, The UK, Canada and China. This is the first time that exactly this type of research has been undertaken in Germany.

We examine who the best importers and other primary suppliers are, what the most listed wine brands and styles are, the performance of supplier countries, states and regions, what restaurants charge for wines listed by-the-bottle and by-the-glass as well as how much wine business owners, importers and distributors can expect to make from On-Premise sales. We do this both nationally and on a regional market by market basis.

Why are On-Premise listings so important?

- People buy what they try.
- It enables your wine to be seen and consumed in the best possible surroundings.
- It is a chance for your brand to be remembered, recommended and bought again, later.
- It is one of the only true 'brand building' opportunities many wineries have outside the tasting room.

About the Sample

This survey covers the full range of possible On-Premise wine consumption occasions including suburban restaurants, fine dining establishments, hotels, bars and clubs. The sample is drawn completely at random but in proportion to each Regions' wine consumption. Our objective is to accurately reflect what the consumer sees when presented with a wine list in a restaurant anywhere in Germany.

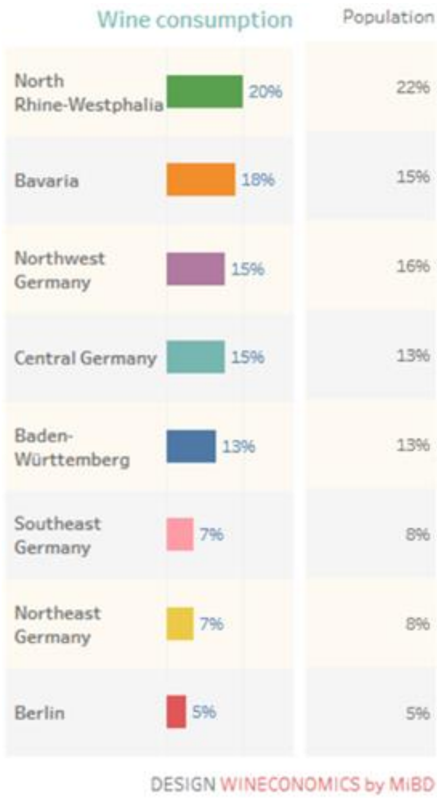
Our aim is to construct a truly random, statistically significant sample so as to be 99% confident that the mean of our sample answers, involving the whole database, are within +/- 5.5% of the mean of the total market.

We achieve that with a sample of this size when we are discussing gross numbers such as national distribution, price points and wine styles.

Naturally, when we start breaking the database down into ever smaller segments (e.g. when analysing less populous regions or smaller wine categories), we lose some of this accuracy.

We are, therefore, careful not to claim any insight beyond what reliable data confirms.

Figure 1 – Composition of Sample / Share of Listings Used



For the purpose of this analysis, we have divided the market up into 8 regions, based on wine consumption, rather than population, using the same proportions above.

Altogether we use 18,000 individual wine listings by-the-glass and by-the bottle etc. We would achieve that 99% confidence of a +/- 5.5% level of accuracy if each individual restaurant had only one wine supplier.

In line with global trends, a German restaurant today has an average of 10 identified primary suppliers contributing to their wine list, roughly the same number as in other mature wine markets that we measure.

The big question then becomes – which of these suppliers are most effective, which are the best paths to market and which brands are therefore succeeding in this key market for wine imports?

The German market is by far the most complex, in this regard, of any that we measure. Yes, there are large national importers whose exclusive brands are easily identified. It is important that we benchmark their relative performance and that is a key focus of this report.

More than 20% of brands in this survey work with multiple importers, however, most of whom claim to operate nationwide. Working out exactly who is responsible for the sale to the restaurant for those brands is very difficult. Then there are the large national wholesalers like Movenpick and the myriad of smaller local operators as well as the retailers and food businesses who also play a significant role in importing wine.

Germany is the third largest market by value for imported wine globally. In the year to December 2018, Germany imported over $3USBillion worth of wine or around 8% of the value of total imports.

Germany has long had the reputation for being the lowest paying market on earth. Hard discounters Aldi and Lidl have their origins here, after all. The average price of a bottle of wine in supermarkets in Germany is still less than €3.00.

As in the UK, however, many supplier countries have had their entire strategy thrown off course through using the most readily available data as a guide to what the market is prepared to pay, instead of digging deeper.

The Geisenheim Institute for Management and Marketing (IfBM) challenged existing assumptions pointing out that the other two important distribution channels – specialist trade/mail order and direct sales by winegrowers/wine cooperatives – account for as much as 40% of household sales by volume (rather than less than 20%) and as much as 52% by value. Quoting the IfBM findings summary;

"The specialist trade/mail order channel, particularly, has been significantly underestimated in the past, because businesses operating in these areas simultaneously act as wholesalers and importers and therefore, also, supply part of the important and high-profile HoReCa (On-Premise) sector.

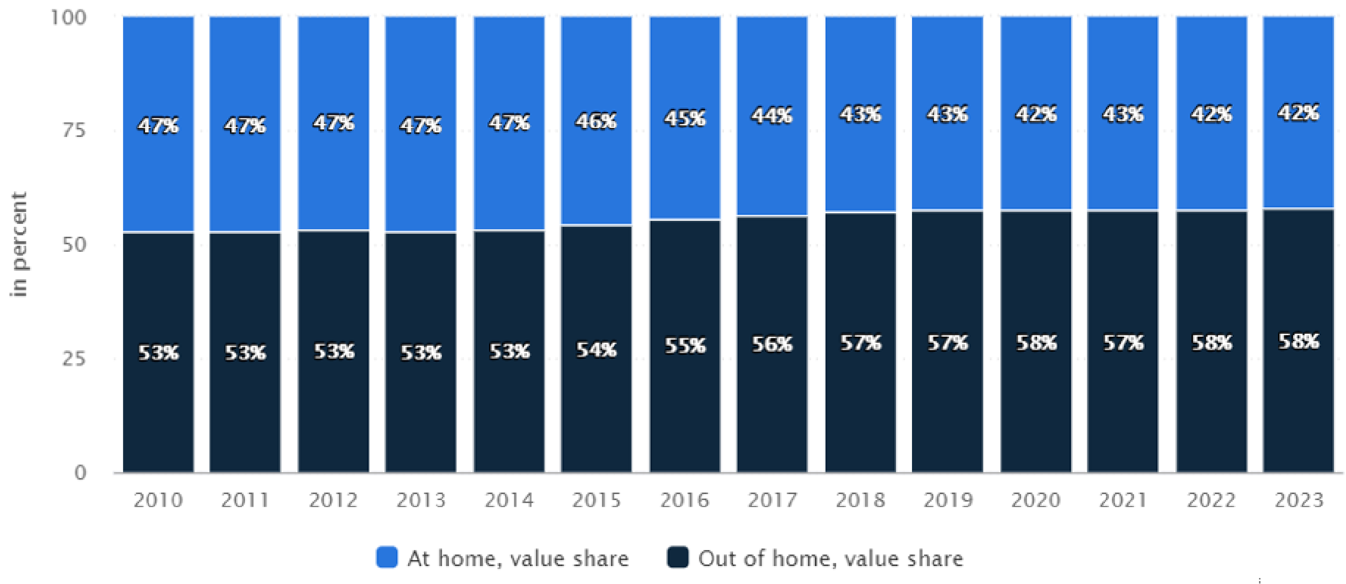
The introduction of wines from unknown countries typically only takes place in the food retail/discount sector after they have been successful in the specialist trade sector."

As in all markets that we measure, there are widely varying estimates of the volume that the HORECA (On-Premise) trade represents, the lower end being 15% and the upper end more like 20%.

When considering all of them and the sophistication of the analysis undertaken, the German market appears to be very much in line with all other mature markets that we measure at just a little under that 20% of volume upper marker.

One reason for drawing this conclusion is that German households spend about 14% of their income on food and beverages. When you look at wine as a category in isolation, more is spent on wine out of home than purchased to drink in the home.

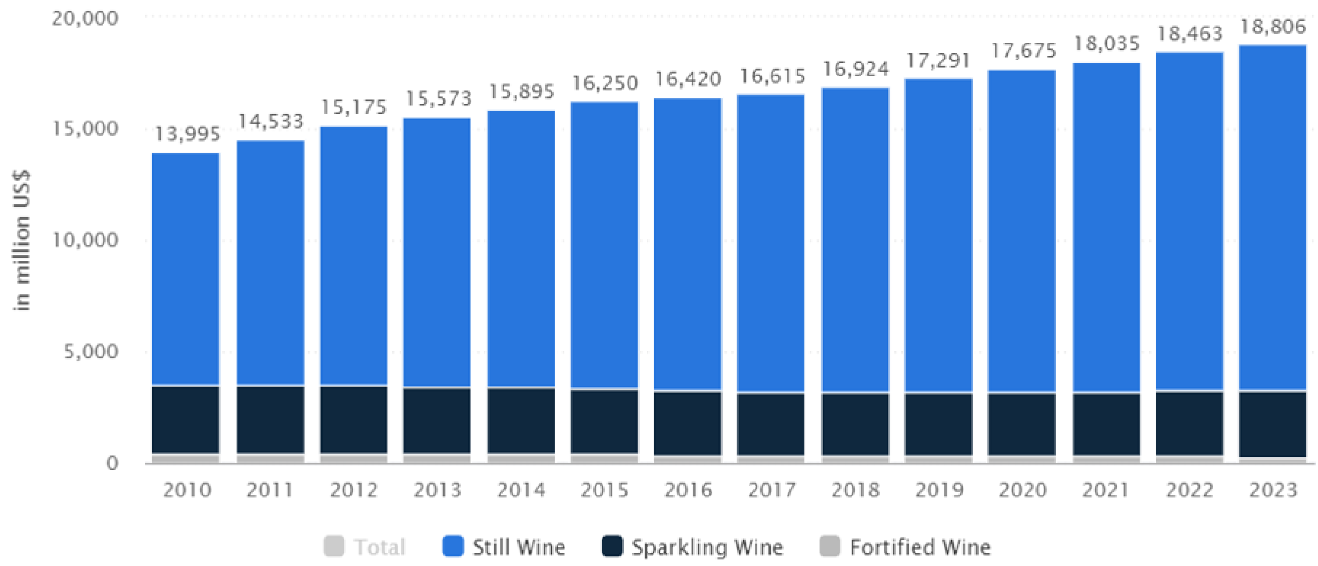
Figure 2 – German Wine Expenditure Projections – Total Value – Source Statistia



This, of course, doesn't mean that 57% of supplying wineries' revenue can be expected to come from the On-Premise. We have to adjust back from a 60% average margin taken by On-Premise accounts and a 30% or less margin made by retailers.

It does, however, shine the light on the large difference between what Germans are prepared to spend when dining out as opposed to buying wine from a discounter to drink at home, as is the case in all markets.

Figure 3 – German Wine Expenditure Projections – Total Value - Source – Statistia



The other key reason to be optimistic about the future of the German wine market is that, although consumption peaked over a decade ago, expenditure on wine continues to grow solidly. What really matters, of course, is what is the market prepared to pay in the On-Premise. We'll now investigate it in detail.

LIST OF FIGURES

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